

Return Address
DAVID F. GUMAER, P.S.
9 S. Washington, Suite 215
Spokane, WA 99201



200607100136

Skagit County Auditor

7/10/2006 Page

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121692-P

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SUBORDINATION AGREEMENT

Lease

Deed of Trust

Reference #: 200607100134 Additional on page 200607100133

Grantor: GRETCHEN'S KITCHEN, INC., a Washington corporation

Additional on page _____

Grantee: Northwest Business Development Association

Additional on page _____

Legal Description:

Lot 6, Block 5, "MAP OF MOUNT VERNON, GATES 1ST
AND 2ND ADDITIONS TO MOUNT VERNON," as per plat
recorded in Volume 2 of Plats, page 98,
records of Skagit County, Washington,

EXCEPT the West 7 feet thereof conveyed to the
City of Mount Vernon for alley purposes by
Deed recorded May 8, 1924 in Volume 133 of
Deeds, page 81, under Auditor's File No.
174092.

Situate in the City of Mount Vernon, County of
Skagit, State of Washington.

Assessor's Parcel No. 3700-0005-006-0000

THIS AGREEMENT is made and entered into as of the 10th day of
July, 2006, by DT ENTERPRISES OF MOUNT VERNON, LLC, a Washington
limited liability company, ("Landlord"), whose address is 509
S. 1st Street, Mount Vernon WA 98273; and GRETCHEN'S KITCHEN,
INC., a Washington corporation, ("Tenant"), whose address is
509 S. 1st Street, Mount Vernon WA 98273.

WITNESSETH:

WHEREAS, NORTHWEST BUSINESS DEVELOPMENT ASSOCIATION, a
Washington nonprofit corporation, ("Mortgagee"), whose address
is 9 S. Washington, Suite 215, Spokane, Washington 99201 has

agreed to make a mortgage loan in the amount of Two Hundred Forty Eight Thousand Dollars (\$248,000.00) to Landlord, repayment of which is to be secured by a Deed of Trust or Mortgage 200607100133 (herein referred to as "Mortgage") on real estate (the "Premises") all as fully described in the legal description above; and

WHEREAS, the Mortgage is to be recorded in the county where the Premises are situate; and

WHEREAS, Tenant is the present lessee under a Lease dated March 17, 2006, as amended from time to time, initially made by DT ENTERPRISES OF MOUNT VERNON, LLC, a Washington limited liability company, as landlord, demising all or a portion of the Premises (said Lease and all amendments thereto are hereafter referred to as the "Lease"); and

WHEREAS, as a condition precedent to Mortgagee's disbursement of loan proceeds, Mortgagee has required that Tenant subordinate the Lease and its interest in the Premises in all respects to the lien of the Mortgage; and

WHEREAS, it will be of substantial benefit to Tenant for Mortgagee to disburse the loan proceeds; and

WHEREAS, Mortgagee is disbursing the loan proceeds in reliance upon the agreements contained in this Agreement.

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, it is hereby agreed as follows:

1. **SUBORDINATION**. The Lease, and the rights of Tenant in, to or under the Lease and the Premises, are hereby subjected and subordinated and shall remain in all respects and for all purposes subject, subordinate and junior to the lien of the Mortgage, and to the rights and interest of the from time to time holder of the Mortgage, as fully and with the same effect as if the Mortgage had been duly executed, acknowledged and recorded, and the indebtedness secured thereby had been fully disbursed prior to the execution of the Lease or possession of the Premises by Tenant, or its predecessors in interest.

2. **RELIANCE BY MORTGAGEE**. The parties are executing this instrument in order to induce Mortgagee to disburse the indebtedness secured by the Mortgage, and the parties further agree that the disbursement by Mortgagee of all or any part of the indebtedness shall constitute conclusive reliance by Mortgagee upon



this Agreement and the provisions hereof and the subordination effected hereby.

3. **ATTORNMEN AT MORTGAGEE'S OPTION.** At Mortgagee's sole option, if the interest of Landlord shall be transferred to and owned by Mortgagee by reason of foreclosure or other proceedings brought by it in lieu of or pursuant to a foreclosure, or by any other manner, Mortgagee succeeds to the interest of the landlord under the Lease, Tenant shall be bound to Mortgagee under all of the terms, covenants, and conditions of the Lease for the balance of the term thereof remaining, and any extensions or renewals thereof which may be affected in accordance with any option therefor in the Lease, with the same force and effect as if Mortgagee were the landlord under the Lease. Tenant does hereby agree to attorn to Mortgagee as its landlord, said attornment to be effective and self-operative immediately upon Mortgagee succeeding to the interest of the landlord under the Lease without the execution of any further instruments on the part of any of the parties hereto. Except as required under any Assignment of Leases and/or Rents, Tenant shall be under no obligation to pay rent to Mortgagee until Tenant receives written notice from Mortgagee that it has succeeded to the interests of the landlord under the Lease. The respective rights and obligations of Tenant to Mortgagee upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals, shall be and are the same as those set forth therein, it being the intention of the parties hereto for this purpose to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length herein.

However, Mortgagee, or any subsequent purchaser, shall not be required to recognize the rights of Tenant under the Lease and the rights of Tenant thereunder, including any options thereunder, shall, at the sole election of and upon notice by Mortgagee, cease and terminate upon acquisition of title to or upon possession of the Premises by Mortgagee, or its successors and assigns, including any purchaser at a foreclosure sale.

4. **MORTGAGEE NOT BOUND BY CERTAIN ACTS OF LANDLORD.** If Mortgagee shall succeed to the interest of landlord under the Lease, Mortgagee shall not be liable for any act or omission of any prior landlord (including Landlord herein) nor be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord herein); nor bound by any rent or additional rent which Tenant might have paid for more than the then current installment nor be bound by any amendment or modification of the Lease made without its consent.



5. **NOTICE.** In the event that Landlord shall default in the performance or observance of any of the terms, conditions or agreements in the Lease, Tenant shall give written notice thereof to Mortgagee, and Mortgagee shall have the right (but not the obligation) to cure such default. Tenant shall not take any action with respect to such default under the Lease, including and without limitation, any action in order to terminate, rescind or avoid the Lease or to withhold any rental thereunder, for a period of ten (10) days after receipt of such written notice thereof by Mortgagee with respect to any such default capable to being cured by the payment of money and for a period of thirty (30) days after receipt of which written notice thereof by Mortgagee with respect to any other such default (provided, that in the case of any default which cannot be cured by the payment of money and cannot with diligence be cured within such thirty (30)-day period because of the nature of such default or because Mortgagee requires time to obtain possession of the Premises in order to cure the default, if Mortgagee shall proceed promptly to attempt to obtain possession of the Premises, where possession is required, and to cure the same and thereafter shall prosecute the curing of such default with diligence and continuity, then the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of the same with diligence and continuity).

6. **PURCHASE OPTIONS.** Any option or rights contained in the Lease to acquire title to the Premises are hereby made subject and subordinate to the rights of Mortgagee under the Mortgage and any acquisition of title to the Premises made by Tenant during the term of the Mortgage shall be made subordinate and subject to the Mortgage.

7. **SUCCESSORS AND ASSIGNS.** This Agreement and each and every covenant, agreement and other provisions hereof shall be binding upon the parties hereto and their heirs, administrators, representatives, successors and assigns, including without limitation each and every from time to time holder of the Lease or any other person having an interest therein and shall inure to the benefit of Mortgagee and its successors and assigns.

8. **CHOICE OF LAW.** This Agreement is made and executed under and in all respects is to be governed and construed by the laws of the state where the Premises are situate.

9. **CAPTIONS AND HEADINGS.** The captions and headings of the various sections of this Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall



include the singular and the masculine, feminine and neuter shall be freely interchangeable.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed as of the date first above.

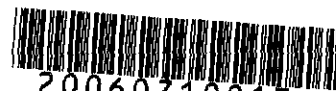
LANDLORD: DT ENTERPRISES OF MOUNT
VERNON, LLC, a Washington limited
liability company,

Donna L. Toepfer
Donna L. Toepfer, Manager/Member

TENANT:
GRETCHEN'S KITCHEN, INC., a
Washington corporation

Donna L. Toepfer
Donna L. Toepfer, President

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STATE OF WASHINGTON)
) ss.
County of Skagit)

I certify that I know or have satisfactory evidence that Donna L. Toepfer signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as Manager/Member of DT ENTERPRISES OF MOUNT VERNON, LLC, a Washington limited liability company, to be the free and voluntary act of such limited liability company, for the uses and purposes mentioned in the instrument.

DATED: July 10, 2006.



David Gumaer

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.
My Appointment expires: 9-21-09.

STATE OF WASHINGTON)
) ss.
County of Skagit)

I certify that I know or have satisfactory evidence that Donna L. Toepfer signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as President of GRETCHEN'S KITCHEN, INC., a Washington corporation, to be the free and voluntary act of such corporation, for the uses and purposes mentioned in the instrument.

DATED: July 10, 2006.



David Gumaer

NOTARY PUBLIC in and for the State of Washington, residing at Spokane.
My Appointment expires: 9-21-09.

