

RECORDING REQUESTED BY,
AND WHEN RECORDED MAIL TO:

SILICON VALLEY BANK
3003 TASMAN DRIVE
SAN TA CLARA, CA 95054
Attn: Account Management Division
Mail Sort HF 152



200610030125

Skagit County Auditor

10/3/2006 Page

1 of

11

2:36PM

(Space above this line for Recorder's Use)

FIRST AMERICAN TITLE CO.

89340-2

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAT THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made this 22nd day of September, 2006.

By **Vendovi Island L.L.C.**

owner of the land hereinafter described and hereinafter referred to as "Owner", **Silicon Valley Bank,**

a present owner and holder of the deed of trust and note first herein after described and hereinafter referred to as "Beneficiary";

WITNESSETH

THAT WHEREAS, Owner has executed a deed of trust, dated August 22, 2003, to Chicago Title Insurance Company, as trustee, covering:

REFER TO EXHIBIT "A" ATTACHED HERETO

to secure a note originally in the sum of \$8,000,000.00, dated August 22, 2003

in favor of Silicon Valley Bank, which deed of trust was recorded on October 22, 2003 under instrument number 200310220188 and amended by that certain Modification of Deed of Trust dated September 22, 2006 which decreased the note amount to \$1,000,000.00.

200610030124

Official Records of Skagit County, State of Washington; and

WHEREAS, Owner has executed, or is about to execute, a Deed of trust and a Note, dated September 21, 2006, in the sum of Four Million Nine Hundred Twenty Thousand and 00/100 (\$4,920,000.00) in favor of Washington Mutual Bank, FA, Federal Savings Bank,

hereinafter referred to as "Lender" payable with interest and upon the terms and conditions described therein, which Deed of Trust shall be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said deed of trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the deed of trust first above mentioned; and

WHEREAS, lender is willing to make said loan provided the deed of trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the deed of trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the deed of trust first mentioned above to the lien or charge of the deed of trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the lien or charge of the deed of trust first above mentioned.

NOW THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

(1) That said deed of trust securing said guaranty in favor of Lender; and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the deed of trust first above mentioned.

(2) That Lender would not make its loan above described without this subordination agreement.

(3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreement as to such subordination including, but not limited to, those provisions, if any, contained in the deed of trust first above mentioned, which provided for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that

(a) It consents to and approves (i) all provisions of the guaranty and deed of trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan;



(b) Lender is making disbursements pursuant to any such agreement is under no obligation or duty to, not has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) It intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being made and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has by this instrument been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

Counterparts: This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, shall be deemed to be an original, all of which, when taken together, shall constitute but one and the same Agreement.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAT IMPROVEMENT OF THE LAND.

BENEFICIARY: Silicon Valley Bank

OWNER: Vendovi Island L.L.C.

By: [Signature]

SEE ATTACHED SHEET FOR
SIGNATURE LINES

By: _____

Name: Cyndi Korban

Name: _____

Title: MANAGING DIRECTOR

Title: _____

THIS DOCUMENT IS BEING SIGNED IN COUNTERPART



200610030125

Skagit County Auditor

X *John M. Fluke*
JOHN M. FLUKE, AS TRUSTEE CLASS A MEMBER
IN VENDOVI ISLAND L.L.C.

X *Virginia Fluke Gabelein*
VIRGINIA FLUKE GABELEIN, AS TRUSTEE CLASS
A MEMBER IN VENDOVI ISLAND, L.L.C.

X *David L. Fluke*
DAVID L. FLUKE, AS TRUSTEE CLASS A MEMBER
IN VENDOVI ISLAND L.L.C.

FLUKE CAPITAL & MANAGEMENT SERVICES COMPANY,
A LIMITED PARTNERSHIP CLASS A MEMBER IN
VENDOVI ISLAND L.L.C.

BY: FLUKE MANAGEMENT CORPORATION,
A WASHINGTON CORPORATION
AS MANAGING GENERAL PARTNER

BY: *Margaret Hofman*
MARGARET HOFMAN, PRESIDENT



200610030125

Skagit County Auditor

State of Washington

SS:

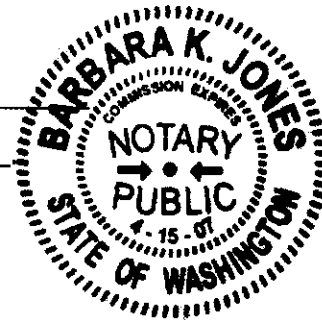
County of KING

I certify that I know or have satisfactory evidence that John M. Fluke is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) is authorized to execute the instrument and acknowledged it as the Trustee of Trust Agreement dated December 30, 1976 as member of Vendovi Island, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 09/29/2006

Given under my hand and official seal the day and year last above written.

Barbara K. Jones
Notary Public in and for the State of WASHINGTON
Residing at BIRKLAND
My Appointment expires: 04/15/2007



200610030125
Skagit County Auditor

State of Washington

SS:

County of KING

I certify that I know or have satisfactory evidence that David L. Fluke is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) is authorized to execute the instrument and acknowledged it as the Trustee of Trust Agreement dated December 30, 1976 as member of Vendovi Island, L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 09/28/2006

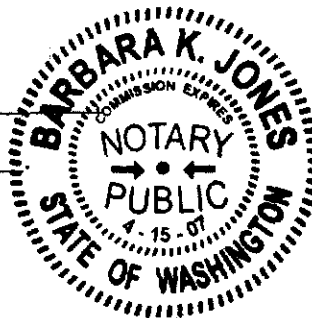
Given under my hand and official seal the day and year last above written.

Barbara K. Jones

Notary Public in and for the State of WASHINGTON

Residing at KIRKLAND

My Appointment expires: 04/15/2007



200610030125

Skagit County Auditor

State of Washington

SS:

County of King

I certify that I know or have satisfactory evidence that Virginia Fluke Gabelein is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) is authorized to execute the instrument and acknowledged it as the Trustee of Trust Agreement dated December 30, 1976, as member of Vendovi Island L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 09/28/2006

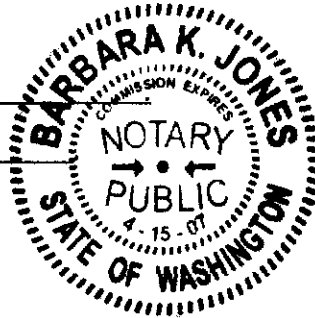
Given under my hand and official seal the day and year last above written.

Barbara K. Jones

Notary Public in and for the State of Washington

Residing at KIRKLAND

My Appointment expires: 04/15/2007



200610030125
Skagit County Auditor

State of Washington

SS:

County of KING

I certify that I know or have satisfactory evidence that Margaret Hofman is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) is authorized to execute the instrument and acknowledged it as the President of Fluke Management Corporation, a Washington corporation as managing General Partner of Fluke Capital & Management Services Company, a limited liability company, as member of Vendovi Island L.L.C to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 01/28/2006

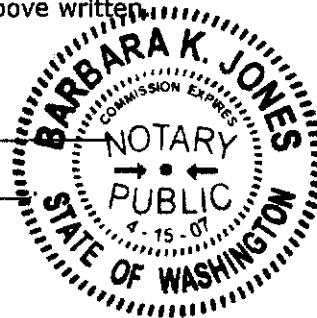
Given under my hand and official seal the day and year last above written.

Barbara K. Jones

Notary Public in and for the State of WASHINGTON

Residing at KIRKLAND

My Appointment expires: 04/15/2007



200610030125

Skagit County Auditor

Notary Public
State of Washington
JARED WAYNE MURPHY
My Appointment Expires Jul 21, 2008

State of Washington

SS:

County of King

I certify that I know or have satisfactory evidence that Cynthia L. Korbas is the person who appeared before me, and said person acknowledged that ~~(he)~~/she signed this instrument, on oath stated that ~~(he)~~/she is authorized to execute the instrument and acknowledged it as the Managing Director of Silicon Valley Bank to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: September 28, 2006

Given under my hand and official seal the day and year last above written.

Jared Wayne Murphy

Notary Public in and for the State of Washington
Residing at 4700 Carillon Point Kirkland, WA 98033
My Appointment expires: 7/21/2008

Notary Public
State of Washington
JARED WAYNE MURPHY
My Appointment Expires Jul 21, 2008



200610030125

Skagit County Auditor

WASHINGTON SHORT-FORM INDIVIDUAL ACKNOWLEDGMENT (RCW 42.44.100)

State of Washington

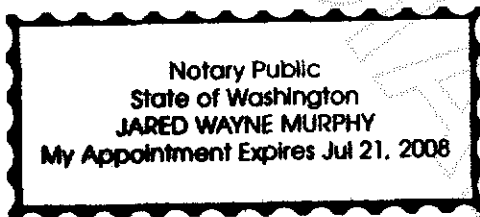
County of King

} ss.

I certify that I know or have satisfactory evidence that

Cynthia L. Korbear
Name of Signer

is the person who appeared before me, and said
person acknowledged that he/she signed this
instrument and acknowledged it to be his/her free
and voluntary act for the uses and purposes
mentioned in the instrument.



Dated: September 28, 2006
Month/Day/Year

Jared Wayne Murphy
Signature of Notarizing Officer

Notary Public
Title (Such as "Notary Public")

My appointment expires

July 21, 2008

Month/Day/Year of Appointment Expiration

Place Notary Seal Above

OPTIONAL

Although the information in this section is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Right Thumbprint of Signer
Top of thumb here

EXHIBIT "A"

Government Lot 1 of Section 13, Township 36 North, Range 1 East, W.M.;

Government Lot 1 of Section 7 and Government Lots 1 through 7 and the Southeast ¼ of the Northwest ¼ of Section 18, Township 36 North, Range 2 East, W.M.;

TOGETHER WITH tidelands of the second class, as conveyed by the State of Washington, in front of and adjacent to the West 560 feet of Government Lot 1 of said Section 18.



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Skagit County Auditor