

Return Address:  
Regions Bank  
5005 Woodway, Suite 110  
Houston, TX 77056  
Attention: George Britton



200705230008  
Skagit County Auditor

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200705220114  
Skagit County Auditor

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LAND TITLE

125573-8

Document Title(s) (for transactions contained therein):

- 1.
2. SUBORDINATION, NON-DISTURBANCE, ATTORNMENMENT AND ESTOPPEL AGREEMENT
- 3.
- 4.

Reference Number(s) of Documents assigned or released:  
(on page of documents(s))

200705220112  
200705220113 Recorded under Aff# 200705230007

Grantor(s)

1. DUBOSE MODEL HOME INVESTMENTS # 119, a Nevada Ltd. Partnership
- 2.
3. 200705220112
4. 200705220113

Additional Names on page of document.

Grantee(s)

1. THE QUADRANT CORPORATION, A WASHINGTON CORPORATION
- 2.
- 3.
- 4.

Additional Names on page of document.

Legal Description (abbreviated i.e. lot, block, plat or section, township, range)

LOT(S) 233, Plat of Skagit Highlands Division V (phase 1), AFN 200612210067, Skagit County, Washington

Additional legal is on page of document.

Assessor's Property Tax Parcel/Account Number

4915-000-233-0000/P125445

Recording Requested by and When Recorded Return to:

Regions Bank  
5005 Woodway, Suite 110  
Houston, Texas 77056  
Attention: George Britton

SUBORDINATION, NON-DISTURBANCE,  
ATTORNMEN AND ESTOPPEL AGREEMENT

This SUBORDINATION, NON-DISTURBANCE, ATTORNMEN AND ESTOPPEL AGREEMENT ("Agreement") is made as of MAY 17, 2007, by and among Tenant, Landlord and Lender, as identified on the signature pages attached hereto.

RECITALS:

A. Lender has agreed to make a loan to Landlord in the principal amount of **ONE HUNDRED SEVENTY-THREE THOUSAND FIVE HUNDRED SIXTY-FIVE AND 00/100ths (\$ 173,565.00)**

("Loan") which is or will be evidenced by a promissory note executed by Landlord in favor of Lender in the principal amount of the Loan ("Note"). **AF # 200705220112**

B. The Note is or will be secured by a mortgage ("Mortgage") executed by Landlord in favor of Lender, covering real property situated in the County of SKAGIT, State of WASHINGTON, more commonly known as 588 MONARCH BOULEVARD, MT. VERNON, WASHINGTON 98239, and more particularly described on Exhibit A attached hereto (the "Property"). The Mortgage is to be recorded concurrently herewith.

C. Pursuant to a lease ("Lease"), dated APRIL 26, 2007, between Landlord and Tenant, Tenant leases all of the Property. As a condition to making the Loan, Lender requires that the Mortgage be unconditionally and at all times remain a lien or charge upon the Property prior and superior to the rights of Tenant under the Lease.

**AF # 200705230007**  
NOW, THEREFORE, for valuable consideration, the parties hereto agree as follows:

1. SUBORDINATION.

(a) The Mortgage and any modifications, renewals, substitutions, increases, consolidations, extensions or replacements thereof, and of the Note secured thereby, shall unconditionally be and at all times remain a lien or charge on the Property prior and superior to the Lease;

(b) Tenant acknowledges that Lender would not make the Loan to Landlord without this Agreement;

(c) This Agreement shall be the whole and only agreement with regard to the subordination of the Lease to the lien or charge of the Mortgage and shall supersede and



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cancel, but only insofar as would affect the priority between the Mortgage and the Lease, any prior agreements as to such subordination, including, but not limited to, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed of trust or mortgage;

(d) Tenant acknowledges that Tenant has such information with respect to the Loan as it deems necessary in order to make the subordination provided for herein;

(e) Lender, in making disbursements under the Loan, is under no obligation or duty to, nor 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 for which they were intended shall not defeat the subordination herein made in whole or in part; and

(f) Tenant intentionally and unconditionally waives, relinquishes and subordinates the priority of Tenant's right, title and interest under the Lease in and to the Property to the lien or charge of the Mortgage and understands that in reliance upon and in consideration of this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

2. AGREEMENT. Tenant hereby covenants and agrees that, during all such times as Lender is the beneficiary under the Mortgage:

(a) Modification, Termination and Cancellation. Tenant will not consent to any modification, termination or cancellation of the Lease unless Lender first consents thereto in writing;

(b) Notice of Default. Tenant shall notify Lender in writing concurrently with any notice given to Landlord of any default on the part of Landlord under the Lease, and agrees that Lender shall have the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Tenant shall not declare a default of the Lease, as to Landlord, if Lender cures such default within thirty (30) days from and after the expiration of the time period provided in the Lease for the cure thereof by Landlord; provided, however, that if such default cannot with diligence be cured by Lender within such thirty (30) day period, the commencement of action by Lender within such thirty (30) day period to remedy the same shall be deemed sufficient so long as Lender pursues such cure with diligence;

(c) No Advance Rents. Tenant will make no payments or prepayments of rent more than one (1) month in advance of the time when the same become due under the Lease; and

(d) Assignment of Rents. Upon receipt by Tenant of written notice from Lender that Lender has elected to terminate the license granted to Landlord to collect rents, as provided in the Mortgage, and directing the payment thereof to Lender, Tenant shall comply with such direction to pay and shall not be required to determine whether Landlord is in default under the Loan.

3. ATTORNEYMENT. If the interests of Landlord in and to the Property become owned by Lender or another purchaser by reason of a judicial foreclosure, non judicial



foreclosure by the trustee under the Mortgage, other proceedings brought by Lender or by such other manner, whereby Lender or such purchaser succeeds to the interest of the Landlord under the Lease, Tenant hereby agrees for the benefit of Lender or any such transferee as follows:

(a) Payment of Rent. Tenant shall pay to Lender all rental payments required to be made by Tenant pursuant to the terms of the Lease for the duration of the term of the Lease;

(b) Continuation of Performance. Tenant shall be bound to Lender in accordance with all of the terms of the Lease for the balance of the term thereof, and Tenant hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to the Landlord's interest in the Lease and giving written notice thereof to Tenant. Tenant agrees to provide written confirmation of the foregoing upon request of Lender;

(c) No Offset. Lender shall not be liable for, nor subject to, any offsets or defenses which Tenant may have by reason of any act or omission of Landlord as prior lessor, nor for the return of any sums which Tenant may have paid to Landlord as prior lessor as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Landlord to Lender; and

(d) Subsequent Transfer. If Lender, by succeeding to the interest of Landlord under the Lease, should become obligated to perform the covenants of Landlord thereunder, then, upon any further transfer of the Landlord's interest by Lender, all of such obligations shall terminate as to Lender.

4. NON-DISTURBANCE. In the event of a foreclosure of the Mortgage, so long as there shall then exist no breach, default, or event of default on the part of Tenant under the Lease, the leasehold interest of Tenant under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and Lender and any successor in interest to Lender shall recognize and accept Tenant as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement. Nothing contained herein shall be deemed or construed as limiting or restricting the enforcement by Lender of any of the terms, covenants, provisions or remedies specified in the Mortgage, whether or not consistent with the Lease, including (without limitation) any rights, remedies, privileges and recourses of Lender with respect to insurance proceeds and condemnation awards with respect to the Property.

5. ESTOPPEL. Landlord and Tenant certify to Lender as follows:

(a) That the Lease is presently in full force and effect and unmodified or changed;

(b) That the term shall commence on or before the later to occur of MAY 17, 2007, or (ii) on the forty-fifth day (45<sup>th</sup>) day after completion of the model home and associated improvements on the Property, and full rental will then accrue thereunder;

(c) That all conditions required under the Lease that could have been satisfied as of the date hereof and which are required to be satisfied as of the date hereof have been met;

(d) That no rent under said Lease has been paid for more than the current



- (e) That no default exists under said Lease;
- (f) That the Tenant, as of this date, has no charge, lien or claim of offset under said Lease or otherwise against rents or other charges due or to become due thereunder;
- (g) That the Lease constitutes the entire rental agreement between the parties thereto and that the Lender shall have no liability or responsibility with respect to any security deposit or advance rental deposit made by the Tenant;
- (h) That the only persons, firms or corporations in possession of the Property or having any right to the possession or use of the Property (other than the record owner or holders of recorded easements) are those holding under the Lease and other documents which have been submitted to Lender; and
- (i) That the Tenant has no right or interest in or under any contract, option or agreement (other than as shown in the documents submitted) involving the sale or transfer of the Property.

6. MISCELLANEOUS.

(a) Heirs, Successors, Assigns and Transferees. The covenants herein shall be binding upon, and inure to the benefit of, the heirs, successors and assigns of the parties hereto; and

(b) Notices. All notices or other communications required or permitted to be given pursuant to the provisions hereof shall be deemed served upon delivery or, if mailed, upon the first to occur of receipt or the expiration of seventy-two (72) hours after deposit in the United States Postal Service, certified mail, postage prepaid and addressed to the address of Tenant or Lender appearing below:

TENANT: As set forth in the Lease

LENDER: Regions Bank  
5005 Woodway, Suite 110  
Houston, Texas 77056  
Attn: George Britton

Provided, however, that any party shall have the right to change its address for notice hereunder by giving written notice thereof to the other party in the manner set forth hereinabove; and

(c) Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute and be construed as one and the same instrument; and

(d) Remedies Cumulative. All remedies provided herein are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Landlord or others; and

(e) Paragraph Headings. Paragraph headings in this Agreement are for convenience only and are not to be construed as part of this Agreement or in any way



limiting or applying the provisions hereof;

(f) Further Assurances. At the request of either party hereto, the other party shall execute, acknowledge and deliver such other documents and/or instruments as may be reasonably required by the requesting party in order to carry out the purpose of this Agreement, provided that no such document or instrument shall modify the rights and obligations of the parties provided herein.


(g) Conflicts. In the event of any inconsistency between the terms of this Agreement and the Lease, the terms of this Agreement shall control.

(h) Attorneys' Fees. The prevailing party shall be entitled to recover from the other party its reasonable costs, including reasonable attorneys' fees, in any action brought by any party against the other to enforce any rights or obligations under this Agreement.

(i) Incorporation. Exhibit A is attached hereto and incorporated herein by this reference

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

*The remainder of this page is blank. The signature pages follow.*

  
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Skagit County Auditor  
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LANDLORD:

DUBOSE MODEL HOME INVESTMENTS #119, L.P.,  
a Nevada Limited Partnership

By: Dubose GP Management III, L.P., General Partner

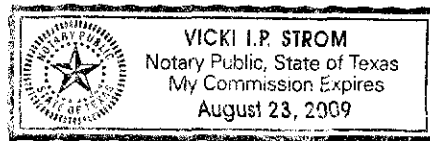
  
JUSTIN BONO, PRESIDENT

STATE OF Texas §  
COUNTY OF HARRIS §

I, the undersigned, a notary public in and for the State and County aforesaid, do certify that **Justin Bono** is the signatory of the writing foregoing and hereto annexed, bearing date of the 17 day of May, 2007, personally appeared before me in my said State and County aforesaid and acknowledge said writing to be his act and deed.

Given under my hand this 17 day of May 2007.

  
Notary Public



Seal

  
SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

MAY 23 2007

Amount Paid \$0  
Skagit Co. Treasurer  
By mem Deputy



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Skagit County Auditor

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TENANT:

THE QUADRANT CORPORATION,  
a Washington Corporation

By: *Michael J. Erickson*

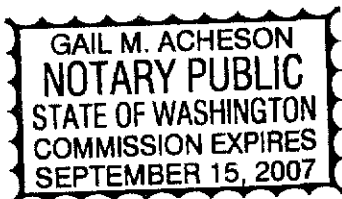
MICHAEL J. ERICKSON  
ASSISTANT VICE PRESIDENT, FINANCE

STATE OF WASHINGTON )

COUNTY OF King )

I certify that I know or have satisfactory evidence that **MICHAEL J. ERICKSON** is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the **ASSISTANT VICE PRESIDENT, FINANCE of THE QUADRANT CORPORATION**, a Washington Corporation, to be the free and voluntary act of such corporation for the uses and purposes mentioned in the instrument.

Dated this 18th day of <sup>May</sup>~~April~~, 2007.



*Gail M. Acheson*

GAIL M. ACHESON

(print or type name)

NOTARY PUBLIC in and for the State of  
Washington, residing at KIRKLAND

My Commission expires: 9/15/07

(SEAL)





LENDER:

REGIONS BANK

By: *Damian Hovan*

Printed Name: Damian Hovan

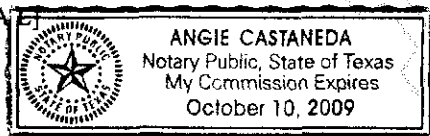
Capacity: Vice President

STATE OF TEXAS

COUNTY OF HARRIS

This instrument was ACKNOWLEDGED before me on May 17, 2007, by Damian Hovan, in his capacity as Vice President of REGIONS BANK

[SEAL]



*Angie Castaneda*  
Notary Public - State of Texas

Subordination Agreement

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EXHIBIT A

Legal Description of Property

**LOT 233, "PLAT OF SKAGIT HIGHLANDS DIVISION V (PHASE 1)," AS PER PLAT  
RECORDED UNDER AUDITOR'S FILE NO. 200612210067, RECORDS OF SKAGIT COUNTY,  
WASHINGTON.**



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