

RETURN ADDRESS:
CALIFORNIA BANK &
TRUST
Commercial Loan
Operations
401 W. Whittier Blvd.
La Habra, CA 90631



200710110071
Skagit County Auditor

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LAND RECORDS DIVISION

1269565e

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

SUBORDINATION AGREEMENT - LEASE

Reference # (if applicable): Unrecorded lease/ 200710110071 Additional on page ____

Grantor(s):

1. Red Sage Lands LLC

Grantee(s)

1. CALIFORNIA BANK & TRUST

Legal Description: A Ptn Of NW 1/4 Of NE 1/4, 24-34-3 E W.M.

Additional on page ____

Assessor's Tax Parcel ID#: P22573

THIS SUBORDINATION AGREEMENT - LEASE dated September 20, 2007, is made and executed among Boo-Shoot Gardens LLC ("Lessee"); Red Sage Lands LLC ("Borrower"); and CALIFORNIA BANK & TRUST ("Lender").

SUBORDINATION AGREEMENT - LEASE
(Continued)

Loan No: 0715824-9001

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LEASE. Lessee has executed a lease dated August 24, 2007 of the property described herein (the "Subordinated Lease").

REAL PROPERTY DESCRIPTION. The Lease covers a portion of the following described real property located in Skagit County, State of Washington:

Exhibit "A"

The Real Property or its address is commonly known as 17618 Dunbar Road, Mount Vernon, WA 98273. The Real Property tax identification number is P22573.

REQUESTED FINANCIAL ACCOMMODATIONS. Lessee and Borrower each want Lender to provide financial accommodations to Borrower in the form of (A) new credit or loan advances, (B) an extension of time to pay or other compromises regarding all or part of Borrower's present indebtedness to Lender, or (C) other benefits to Borrower. Borrower and Lessee each represent and acknowledge to Lender that Lessee will benefit as a result of these financial accommodations from Lender to Borrower, and Lessee acknowledges receipt of valuable consideration for entering into this Subordination.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Lease.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessee's right, title, and interest in and to the Subordinated Lease and the Real Property is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to Lessee's interests in the Subordinated Lease and the Real Property. Lessee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessee, whether now existing or hereafter acquired.

LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee hereby represents and warrants to Lender that Lessee has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Lessee further acknowledges that the Lease is in full force and effect and that no default by Lessee or, to Lessee's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

LESSEE WAIVERS. Lessee waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to pursue any other remedy within Lender's power; or (F) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Lessee, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. Any default by Borrower under the terms of the Subordinated Lease also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Amendments. This Subordination, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or



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**SUBORDINATION AGREEMENT - LEASE
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bound by the alteration or amendment.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Lessee also will pay any court costs, in addition to all other sums provided by law.

Authority. The person who signs this Subordination as or on behalf of Lessee represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Lessee's security interests in Lessee's property, if any.

Caption Headings. Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

Governing Law. With respect to procedural matters related to the perfection and enforcement of Lender's rights against the Property, this Subordination will be governed by federal law applicable to Lender and to the extent not preempted by federal law, the laws of the State of Washington. In all other respects, this Subordination will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. However, if there ever is a question about whether any provision of this Subordination is valid or enforceable, the provision that is questioned will be governed by whichever state or federal law would find the provision to be valid and enforceable. The loan transaction that is evidenced by the Note and this Subordination has been applied for, considered, approved and made, and all necessary loan documents have been accepted by Lender in the State of California.

Choice of Venue. If there is a lawsuit, Lessee agrees upon Lender's request to submit to the jurisdiction of the courts of Skagit County, State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Lessee, shall constitute a waiver of any of Lender's rights or of any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors. This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Lessee herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

Waive Jury. To the extent permitted by applicable law, all parties to this Subordination hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Subordination. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Subordination shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Red Sage Lands LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Lender. The word "Lender" means CALIFORNIA BANK & TRUST, its successors and assigns.

Note. The word "Note" means the Note executed by Red Sage Lands LLC in the principal amount of \$1,065,000.00 dated September 20, 2007, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this



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Subordination.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

Superior Indebtedness. The words "Superior Indebtedness" mean the indebtedness described in the section of this Subordination titled "Requested Financial Accommodations".

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 THAN IMPROVEMENT OF THE LAND.

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED SEPTEMBER 20, 2007.

BORROWER:

RED SAGE LANDS LLC

By: *Jackie R. Heinricher*
Jackie R. Heinricher, Managing Member of Red Sage Lands LLC

By: *Guy Thornburgh*
Guy Thornburgh, Member of Red Sage Lands LLC

LESSEE:

BOO-SHOOT GARDENS LLC

By: *Jackie R. Heinricher*
Jackie R. Heinricher, Managing Member of Boo-Shoot Gardens LLC

By: *Guy Thornburgh*
Guy Thornburgh, Member of Boo-Shoot Gardens LLC

LENDER:

CALIFORNIA BANK & TRUST

x *Nancy L. Berger*
Authorized Officer

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

OCT 11 2007

Amount Paid
Skagit Co. Treasurer
By: *man* Deputy



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**SUBORDINATION AGREEMENT - LEASE
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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 1ST day of OCTOBER, 20 07, before me, the undersigned Notary Public, personally appeared Jackie R. Heinricher, Managing Member of Red Sage Lands LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Karen Ashley
KAREN ASHLEY Residing at SEDRO-WOOLLEY
Notary Public in and for the State of WA My commission expires 9/11/2010

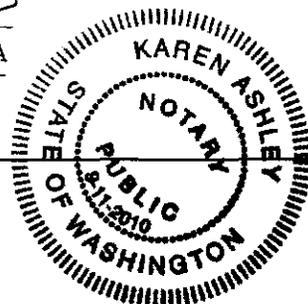


LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 1ST day of OCTOBER, 20 07, before me, the undersigned Notary Public, personally appeared Guy Thornburgh, Member of Red Sage Lands LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Karen Ashley
KAREN ASHLEY Residing at SEDRO-WOOLLEY
Notary Public in and for the State of WA My commission expires 9/11/2010



**SUBORDINATION AGREEMENT - LEASE
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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 1ST day of OCTOBER, 2007, before me, the undersigned Notary Public, personally appeared Jackie R. Heinricher, Managing Member of Boo-Shoot Gardens LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Karen Ashley Residing at SEDRO-WOOLLEY
KAREN ASHLEY My commission expires 9/11/2010
Notary Public in and for the State of WA

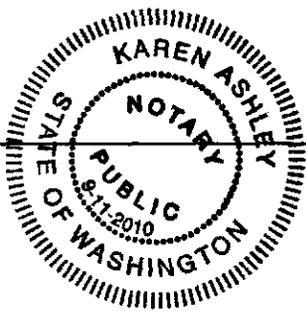


LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this 1ST day of OCTOBER, 2007, before me, the undersigned Notary Public, personally appeared Guy Thornburgh, Member of Boo-Shoot Gardens LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Karen Ashley Residing at SEDRO-WOOLLEY
KAREN ASHLEY My commission expires 9/11/2010
Notary Public in and for the State of WA



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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Sacramento

On September 27, 2007 before me, K. Parker, Notary Public, personally appeared Mary L. Borges

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the document.



WITNESS my hand and official seal.

K. Parker
Signature of Notary Public

OPTIONAL

Though law does not require the information below, 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: Subordination Agreement

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner -- Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
- Title(s): _____
- Partner -- Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer Is Representing:



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**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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LENDER ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned Notary Public, personally appeared _____ and personally known to me or proved to me on the basis of satisfactory evidence to be the _____, authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

LASER PRO Lending, Ver. 5.36.00.004 Copr. Herland Financial Solutions, Inc. 1997, 2007. All Rights Reserved. - WA/CA C:\LASERPRO\CFR\FLIG215.FC TR-3250 PR-11



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EXHIBIT "A"

DESCRIPTION:

The East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M.,

EXCEPT ditch right of ways,

ALSO EXCEPT the following described tracts:

- 1.) The Southeast $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$.
- 2.) Beginning at the Northeast corner of said Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$; thence West along the North line of said subdivision a distance of 208 feet; thence South parallel with the East line of said Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ a distance of 224.42 feet; thence East parallel with the North line of said Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ a distance of 208 feet to the East line of said subdivision; thence North along the East line of said Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ a distance of 224.42 feet to the point of beginning.
- 3.) The West 155 feet of the North 135 feet of that portion of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M., lying South of the Dunbar Road running along the North line of said subdivision.
- 4.) The South 83 feet of the North 238 feet of the West 155 feet of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M.

TOGETHER WITH an easement for ingress, egress and utilities over, under and across the East 20 feet of the West 175 feet of the North 155 feet of that portion of the East $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northeast $\frac{1}{4}$ of Section 24, Township 34 North, Range 3 East, W.M., lying South of the Dunbar Road.

Situate in the County of Skagit, State of Washington.



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