



200712210020

Skagit County Auditor

12/21/2007 Page 1 of 9 8:59AM

WHEN RECORDED RETURN TO:
WELLS FARGO BANK, NA
COMMUNITY LENDING DIVISION,
P6540-146
999 3rd AVENUE
SEATTLE WA 98104
ATTN: LAURA MCGREAL

LAND TITLE OF SKAGIT COUNTY

DOCUMENT TITLE(S):

124756-PB

SUBORDINATION OF LIEN

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

200712210019

December 12, 2007 unrecorded Purchase Option

GRANTORS:

WELLS FARGO BANK, NA.

GRANTEES:

COMPASS HEALTH HOLDINGS LLC

ABBREVIATED LEGAL DESCRIPTION:

WEST 30 feet of Lot 6 and all Lots 7 and 8 Block 9
RIVERSIDE ADDITION TO THE TOWN OF MOUNT VERNON

TAX PARCEL NUMBER(S):

P54190

**Recording Requested by and
When Recorded Return to:**

Wells Fargo Bank, National Association
Community Lending Division, P6540-146
999 3rd Avenue
Seattle, WA. 98104
Attn: Laura McGreal

SUBORDINATION OF LIEN
(Purchase Option and Right of First Refusal)

THIS SUBORDINATION AGREEMENT is made this 12th of December 2007 between MILWAUKEE PARK APARTMENTS LIMITED PARTNERSHIP, a Washington limited partnership ("Borrower"), COMPASS HEALTH HOLDINGS LLC, a Washington limited liability company ("Grantee"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and assigns ("Lender").

RECITALS:

A. Borrower proposes to construct certain improvements consisting a mixed-use building with ground floor commercial space and floors two through three consisting of 15 residential units together with all appurtenances, fixtures, and tenant improvements now or hereafter located on the Property ("Improvements") to be located at 209 S. Milwaukee St. Mount Vernon, Washington, 98273, on that real property more particularly described on the attached Exhibit A (the "Property")

B. Lender has agreed to provide a loan to Borrower in the principal amount of \$2,013,284.00 (the "Lender Loan") to enable Borrower to finance the construction of the Improvements on the Property, subject to certain terms and conditions, including receipt by Lender of this Subordination Agreement.

C. Pursuant to the Lender Loan, Lender is or will be the owner and holder of the beneficiary's interest under a Construction Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement, and Fixture Filing, encumbering the Property (the "Lender Deed of Trust") by and between Borrower as Grantor, Land Title Company of Skagit County (the Recorded under Auditor File # 200712210019

Milwaukee Park Apartments LP
SUBORDINATION AGREEMENT

Page 1 of 8

LOAN NO. 105182



12/21/2007 Page 2 of 9 8:59AM

"Title Company") as Trustee, and Lender as Beneficiary. A condition of the Lender Loan is that the Title Company insure the Lender Deed of Trust as a first lien on the Property.

D. The Lender Deed of Trust secures or will secure the repayment by Borrower of the Lender Loan and the performance of Borrower's obligations under a Promissory Note, and other security documents in favor of Lender (collectively, the "Lender Loan Documents"), and all advances or charges made or accruing under the Lender Deed of Trust and the other Lender Loan Documents, including any extensions, renewals, modifications, or assignments thereof.

E. Pursuant to that certain unrecorded Amended and Restated Agreement Limited Partnership Agreement of Borrower dated December 12, 2007 ("Partnership Agreement"), Borrower has previously granted to Grantee a right of first refusal to purchase the Property ("Purchase Option") on certain terms and conditions as set forth in the Partnership Agreement.

F. Lender would not make the Lender Loan to Borrower but for the subordination of the Purchase Agreement and the Purchase Option provided in this Subordination Agreement.

AGREEMENT:

NOW, THEREFORE, the undersigned Grantee, Borrower and Lender agree as follows:

1. Subordination. In consideration of benefits to Grantee and Borrower from Lender making the Lender Loan to Borrower to enable Lender to finance the construction loan and to induce Lender to advance funds under the Lender Deed of Trust and the other Lender Loan Documents and to induce the Title Company to insure the Lender Deed of Trust as a first lien on the Property, Grantee and Borrower do hereby acknowledge, agree, and affirm that the Purchase Option, is unconditionally subordinate and subject to the lien of the Lender Deed of Trust and the other Lender Loan Documents, and to all advances, charges, and indebtedness of Borrower made or accruing under the Lender Deed of Trust and the other Lender Loan Documents, including any extensions or renewals thereof.

2. Approval of Lender Loan Documents. Grantee acknowledges and agrees that it has reviewed a copy of the Lender Deed of Trust and other Lender Loan Documents, has read and understands the Lender Deed of Trust and other Lender Loan Documents, and has approved the terms of the Lender Deed of Trust and the other Lender Loan Documents.

3. Modification of Lender Loan Documents. Grantee, solely in its capacity as grantee under the Purchase Option, and not in its capacity as the general partner of Borrower under the Lender Loan Documents, hereby consents to any agreement or arrangement in which



Lender waives, postpones, extends, reduces, or modifies any provisions of the Lender Loan Documents, including any provision requiring the payment of money.

4. Entire Agreement. This Subordination Agreement contains the whole and only agreement between the parties with regard to the subordination of the Purchase Option to the lien of the Lender Deed of Trust and the other Lender Loan Documents, and shall supersede and cancel any prior agreements as to such, or any, subordination. Grantee and Borrower have not relied on any inducements or assurances from Lender, each other, or anyone in executing this Subordination Agreement, other than as set forth herein.

5. Binding on Successors. Grantee and Borrower, together with any successor to its rights, duties, and obligations, and any other party claiming rights under the Purchase Option, shall be bound by this Subordination Agreement.

6. Severability. If any provision of this Subordination Agreement or the application thereof to any entity, person, or circumstance shall be invalid or unenforceable to any extent, the remainder of this Subordination Agreement and the application of such provisions to other entities, persons, or circumstances shall not be affected thereby, and shall be enforced to the greatest extent permitted by law.

7. Multiple Counterparts. This Subordination Agreement may be executed in one or more counterparts, and all so executed shall constitute one agreement, binding on all the parties hereto, even though all parties are not signatories to the original or the same counterpart. Any counterpart of this Subordination Agreement that has attached to it separate signature pages, which altogether contain the signatures of all parties, shall for all purposes be deemed a fully executed instrument.

8. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Washington, except to the extent preempted by federal laws. The parties consent to the jurisdiction of any federal or state court within the State of Washington having proper venue and also consent to service of process by any means authorized by Washington or federal law.

9. Further Assurances. The parties agree to execute and deliver such further documents, instruments, and other agreements as are necessary or convenient to carry out the terms and purposes of this Subordination Agreement.

10. Attorney Fees. In the event action is instituted to enforce, interpret, or rescind any term of this Subordination Agreement, the prevailing party shall recover reasonable costs and attorney fees incurred in such action or on appeal.



11. **Authority.** Each party hereby represents that all legal action necessary for the execution of this Subordination Agreement by such party has been duly taken and that the person(s) signing below on behalf of such party is duly authorized to execute this Subordination Agreement.

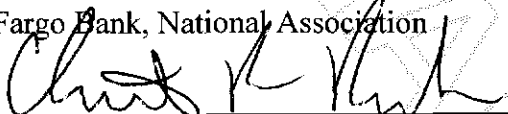
12. **STATUTORY NOTICE. ORAL COMMITMENTS OR ORAL AGREEMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

IN WITNESS WHEREOF, the parties have executed and delivered this Subordination Agreement on the date first written above.

"LENDER"

Wells Fargo Bank, National Association

By:


Christine R. Rush, Vice President

"BORROWER"

Milwaukee Park Apartments Limited Partnership

By: Compass Health Holdings LLC, a Washington limited liability company, its General Partner

By: Compass Health, a Washington nonprofit corporation, its Managing Member

By:



Name: Tom Sebastian

Title: President and CEO



"GRANTEE"

By: Compass Health Holdings LLC, a Washington limited liability company

By: Compass Health, a Washington
nonprofit corporation, its Managing Member

By: Tom Sebastian

Name: Tom Sebastian

Title: President and CEO

(ALL SIGNATURES MUST BE NOTARIZED)



STATE OF WASHINGTON

COUNTY OF

King

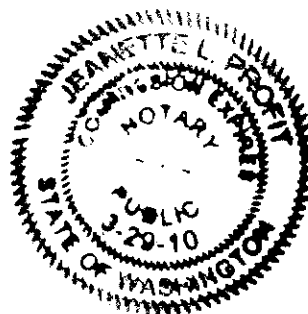
)
)SS.

On this 11th day of December, before me personally appeared Christine R. Rush, to me known to be the Vice President of Wells Fargo Bank that executed the within and foregoing instrument, and acknowledged this instrument to be the free and voluntary act and deed of said Bank for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument on behalf of said Bank, and that said Bank was authorized to do so on behalf of said Bank.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year first above written.

Signature: Jeanette L. Profit
Name (Print): Jeanette L. Profit

NOTARY PUBLIC in and for the State of
Washington, residing at Seattle
My appointment expires: 3-29-10



STATE OF WASHINGTON)
COUNTY OF Snohomish)SS.

On this 12 day of December 2007, before me personally appeared Tom Sebastian to me known to be the President/CEO of Compass Health that executed the within and foregoing instrument, and acknowledged this instrument to be the free and voluntary act and deed of said non profit corporation for the uses and purposes therein mentioned, and on oath stated that (s)he was authorized to execute said instrument on behalf of said non profit corporation, and that said ~~Compass Health Holdings LLC~~ was authorized to do so on behalf of said Compass Health Holdings LLC, non profit corporation the general partner of Milwaukee Park Apartments limited Partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the day and year first above written.

Signature: Kenisha Searles
Name (Print): Kenisha Searles

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

My appointment expires: Sept 30, 2011

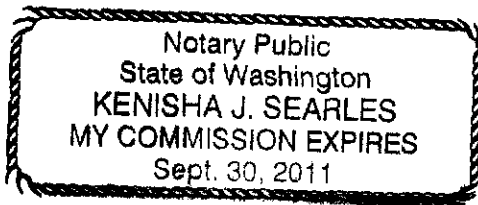


EXHIBIT A

All that certain real property located in the County of Skagit, State of Washington, described as follows:

The West 30 feet of Lot 6, and all of Lots 7 and 8, Block 9, "RIVERSIDE ADDITION TO THE TOWN OF MOUNT VERNON," as per plat recorded in Volume 3 of Plats, page 24, records of Skagit County, Washington,

EXCEPT the North 19.50 feet thereof.

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

