



200809300062  
Skagit County Auditor

When Recorded Return To:

Northwest Business Development Association  
Attn: Sandy Garcia  
9019 E. Appleway Blvd.  
Suite 200  
Spokane Valley, WA 99212

9/30/2008 Page

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8 11:47AM

LAND TITLE OF SKAGIT COUNTY 13/018-PE

SBA Loan Name: Anderson Appliance Inc. and Anderson Appliance Services, Inc.  
SBA Loan Number: 6986734005

**Grantor: United States Small Business Administration**

**Grantee: Business Bank**

**Abbreviated Legal Description:** Lot 4 of Binding Site Plan No. PL03-0071, and being a portion of the SE ¼ of the SW ¼ of Section 29, Township 34 North, Range 4 East, W.M.

**Assessors PTP or Account Nos.: 8043-000-004-0000**

**Reference Number(s) of Documents Assigned or Released:** 200506160109, 200809300062

### **SUBORDINATION AGREEMENT**

THIS AGREEMENT is dated for reference August 20, 2008, and is between **Fortuna Properties, LLC**, a limited liability company, Owner of the land described in the Deed of Trust referenced below ("OWNER"), **Business Bank**, ("Lender") and the **UNITED STATES SMALL BUSINESS ADMINISTRATION**, an agency duly created under and by virtue of an Act of Congress, having its principal office in Washington, in the District of Columbia, and a Commercial Loan Servicing Center at 2719 North Air Fresno Drive, Suite 107, Fresno, California 93727 ("SBA").

#### **RECITALS:**

Owner executed a Deed of Trust, dated June 14, 2005, Northwest Business Development Association ("NWBDA"), beneficiary, Land Title Company, as trustee, to secure a note in the sum of \$848,000.00, in favor of Northwest Business Development Association, assigned to SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on June 16, 2005, in the Official Records of Skagit County, Washington, as Document Number 200506160109. Said SBA Security Instrument was subsequently assigned to SBA by instrument dated June 13, 2005, recorded on June 16, 2005, in the Official Records of Skagit County, Washington, as Document Number 200506160110. Owner also executed an Assignment of Leases and Cash Collateral dated June 14, 2005, in favor of Northwest Business Development Association further assigned to SBA. The Assignment of Leases and Cash Collateral was recorded on June 16, 2005, in the Official Records of Skagit County, Washington, as Document Number 200506160113. Said Assignment of

Leases and Cash Collateral was subsequently assigned to SBA by instrument dated June 13, 2005, recorded on June 17, 2005, in the Official Records of Skagit County, Washington, as Document Number 200506170154.

Fortuna Properties, LLC, a limited liability company, has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$999,000.00, in favor of Lender. Lender's Security Instrument has been recorded. Recorded under Auditor File No. 200809300062

As a condition precedent to Lender's performance under the loan agreement, the SBA Security Instrument and Assignment of Leases and Cash Collateral must be subordinated to the Lender's Security Instrument ("Lender's Security Instrument"). SBA and NWBDA are willing to subordinate the lien of the SBA Security Instrument and Assignment of Leases and Cash Collateral provided it retains its lien priority with respect to all other legal or equitable interests in the property.

AGREEMENT:

In consideration of the mutual benefits accruing to the parties and to induce Lender to make a loan to Owner, it is hereby agreed and understood as follows:

- (1) Lender's Security Instrument, and any renewals or extensions thereof, shall be a lien on the property prior to the liens of the SBA Security Instrument and Assignment of Leases and Cash Collateral.
- (2) Lender would not make its loan without this subordination agreement.
- (3) Lender will not make any additional advances under its Security Instrument except such disbursements that become necessary to protect its security interest and for which Owner is liable under Lender's Security Instrument and related loan documents.
- (4) Lender's Loan
  - a. is not cross collateralized with other financing provided by Lender;
  - b. does not have an early call feature;
  - c. is not payable on demand unless the loan is in default.
- (5) If Lender's Loan contains any provision that does not comply with Paragraph 4 of this Agreement, Lender waives its right to enforce that provision.



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(6) All prepayment penalties, late fees, other default charges and increased default interest for the Lender's loan are subordinated to the SBA Security Instrument. Advances made for the reasonable costs of collection, maintenance, and protection of Lender's lien are not subordinated.

(7) Except as expressly provided herein, this agreement shall not operate or be construed to alter the priority of the SBA Security Instrument with regard to any legal or equitable interest in the property. Owner and Lender shall hold SBA harmless from any impairment of its lien (with regard to any third party) which is occasioned by this subordination.

(8) SBA's agreement to subordinate its lien interest to that of the Lender is expressly conditioned on the following:

- a.) Lender and Owner's execution of this agreement.
- b.) Guarantor(s) written consent to this agreement.

This agreement is void if these conditions are not met.

(9) Lender will provide notice of default to NWBDA and SBA within 30 days of any default upon which Third Party Lender intends to take action, and sixty days notice prior to any foreclosure sale. In the event of such a default, NWBDA and SBA have the right to immediately purchase Lender's loan. Notices should be sent to the following addresses:

Northwest Business Development Association  
9019 E. Appleway Blvd., Ste 200  
Spokane Valley, WA 99212

U.S. Small Business Administration  
Commercial Loan Servicing Center  
2719 North Air Fresno Drive, Suite 107  
Fresno, CA 93727

A default in the obligation secured by Lender's Security Instrument may be cured (including purchase of the property at or prior to foreclosure) by the SBA via cash, certified funds or a United States Treasury check, at SBA's option.

(10) The default interest rate on the Lender's Loan will not exceed the interest rate permitted by SBA's regulations.

(11) Upon request, the Lender will disclose the Borrower's loan balance to NWBDA or SBA; provided that Lender receives the written consent of Borrower to this disclosure.



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(12) This agreement is binding on Lender's successors and assigns.

(13) All proceeds of Lender's loan must be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument and Assignment of Leases and Cash Collateral, the following described uses, if any, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

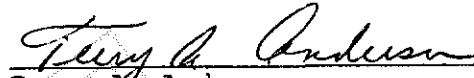
(14) Lender will payoff or has paid off the promissory note in favor of Whidbey Island Bank, secured by the Deed of Trust recorded on June 15, 2004, in the Official Records of Skagit County, Washington, as Document Number 200406150167 and cause said Deed of Trust to be reconveyed.

(15) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Security Instrument to Lender's Security Instrument.

(16) Owner consents to this Subordination Agreement.

Fortuna Properties, LLC

  
\_\_\_\_\_  
Gary E. Anderson  
Manager

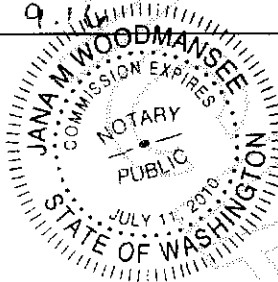
  
\_\_\_\_\_  
Terry A. Anderson  
Manager



STATE OF Washington )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that Gary E. Anderson and Terry A. Anderson, signed this instrument and acknowledged it as Managers respectively, of Fortuna Properties, LLC, to be the free and voluntary act of such limited liability company, for the uses and purposes mentioned in the instrument.

DATED: 9.11.2008, 2008.



Jana M. Woodmansee  
NOTARY PUBLIC in and for the State  
of Washington, residing at  
My appointment expires: 7.11.2010

LENDER  
Business Bank

By: [Signature]  
Name: JEREMY MCCULLOUGH  
Title: AVP, COMMERCIAL LENDING

STATE OF Washington )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that he  
signed this instrument and acknowledged it as AVP-Commercial  
of Business Bank to be the free and voluntary act, of such corporation, under  
for the uses and purposes mentioned in the instrument.

DATED: 9.11.2008, 2008.



Jana M. Woodmansee  
NOTARY PUBLIC in and for the State  
of Washington, residing at  
My appointment expires: 7.11.2010

Subordination Agreement - Anderson Appliance, Inc.



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UNITED STATES SMALL BUSINESS ADMINISTRATION,  
AN AGENCY OF THE UNITED STATES OF AMERICA

By:

Michelle Serrano  
Supervisor & specialist



State of California )

County of Fresno )

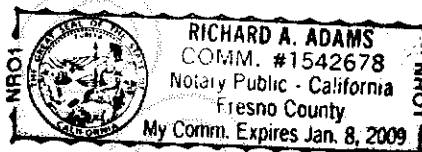
On 8/20/08 before me, Richard Adams, a  
Notary Public, personally appeared Michelle Serrano, who  
proved to me on the basis of satisfactory evidence to be the  
person(s) whose name(s) is/are subscribed to the within instrument and  
acknowledged to me that he/she/they executed the same in his/her/their  
authorized capacity(ies), and that by his/her/their signature(s) on  
the instrument, the person(s), or the entity upon behalf of which the  
person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of  
California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

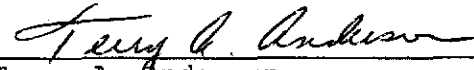
Signature

Richard Adams



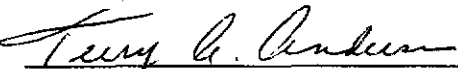
The undersigned guarantors, Gary E. Anderson and Terry A. Anderson, consent to all terms above and acknowledge their legal liability for the above referenced SBA loan is in no manner diminished by this agreement.

  
Gary E. Anderson


  
Terry A. Anderson

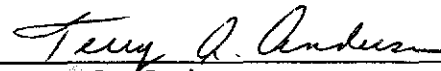
Anderson Appliance, Inc.  
A Washington Corporation

By:   
Gary E. Anderson  
Secretary

  
Terry A. Anderson  
President

Anderson Appliance Services, Inc.  
A Washington Corporation

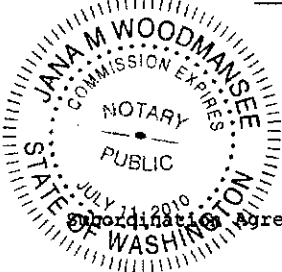
By:   
Gary E. Anderson  
Secretary


  
Terry A. Anderson  
President

STATE OF Washington )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that Gary E. Anderson and Terry A. Anderson signed this instrument on oath and stated that they are authorized to execute the instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: 9.16, 2008.



  
NOTARY PUBLIC in and for the State  
of Washington, residing at  
My appointment expires: 7-11-2010

Subordination Agreement - Anderson Appliance, Inc.

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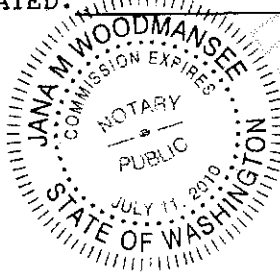
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STATE OF Washington )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that Gary E. Anderson and Terry A. Anderson signed this instrument acknowledged it as Secretary and President, respectively, of Anderson Appliance, Inc. and Anderson Appliance Services, Inc., to be the free and voluntary act of such Corporations, for the uses and purposes mentioned in the instrument.

DATED: \_\_\_\_\_, 2008.



Jana M. Woodmanson  
NOTARY PUBLIC in and for the State  
of Washington, residing at  
My appointment expires: 7-11-2010

Subordination Agreement - Anderson Appliance, Inc.



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