



200810090092

Skagit County Auditor

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200809300063

Skagit County Auditor

9/30/2008 Page 1 of 8 11:48AM

RETURN ADDRESS:

BUSINESS BANK
ATTN: LOAN
OPERATIONS
1854 S BURLINGTON
BOULEVARD
BURLINGTON, WA 98233

*RE-RECORD TO CORRECT NOTARY

LAND TITLE OF SKAGIT COUNTY

131018-PE

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): 131018-PE

Additional on page ____

Grantor(s):

1. FORTUNA PROPERTIES, LLC

Grantee(s)

1. BUSINESS BANK

Legal Description: PTN SE 1/4 OF SW 1/4, 29-34-4 E W.M. (AKA LOT 4 & PTN TR. A, BSP #PL03-0071)

Additional on page 2

Assessor's Tax Parcel ID#: 8043-000-004-000 0/P120400

THIS SUBORDINATION AGREEMENT - LEASE dated September 24, 2008, is made and executed among ANDERSON APPLIANCE, INC., a WASHINGTON CORPORATION ("Lessee"); FORTUNA PROPERTIES, LLC ("Borrower"); and BUSINESS BANK ("Lender").

200506160112, 200809300063 200506160111

THIS SUBORDINATION AGREEMENT - LEASE dated September 24, 2008, is made and executed among ANDERSON APPLIANCE SERVICES, INC., A WASHINGTON CORPORATION ("Additional Lessee"); FORTUNA PROPERTIES, LLC ("Borrower"); and BUSINESS BANK ("Lender")

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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SUBORDINATED LEASE. Lessee has executed a lease dated June 14, 2005 of the property described herein which was recorded as follows: RECORDED UNDER SKAGIT COUNTY AUDITOR'S NUMBER 200506160111 AND 200506160112 ON JUNE 16, 2005 (the "Subordinated Lease"). The following information is the summary of the basic terms and conditions of the Subordinated Lease: 1. A MEMORANDUM OF LEASE AGREEMENT AND ALL TERMS AND CONDITIONS THEREOF, BETWEEN FORTUNA PROPERTIES, LLC, A WASHINGTON LIMITED LIABILITY COMPANY (LESSOR) AND ANDERSON APPLIANCE INC., A WASHINGTON CORPORATION (LESSEE) DATED JUNE 14, 2005, RECORDED ON JUNE 16, 2005, UNDER SKAGIT COUNTY AUDITOR'S # 200506160111

2. A MEMORANDUM OF LEASE AGREEMENT AND ALL TERMS AND CONDITIONS THEREOF, BETWEEN FORTUNA PROPERTIES, LLC, A WASHINGTON LIMITED LIABILITY COMPANY (LESSOR) AND ANDERSON APPLIANCE SERVICES, INC., A WASHINGTON CORPORATION (LESSEE) DATED JUNE 14, 2005, RECORDED ON JUNE 16, 2005, UNDER SKAGIT COUNTY AUDITOR'S # 200506160112.

REAL PROPERTY DESCRIPTION. The Lease covers A COMMERCIAL BUILDING KNOWN AS 2520 CEDARDALE ROAD, MOUNT VERNON, WA 98274 (APN 8043-000-004-0000) of the following described real property located in SKAGIT County, State of Washington:

LOT 4 OF BINDING SITE NO. PL03-0071, RECORDED MAY 7, 2003, UNDER AUDITOR'S FILE NO. 200305070015, RECORDS OF SKAGIT COUNTY, WASHINGTON, AND BEING A PORTION OF THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 29, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M.

TOGETHER WITH A PERPETUAL EXCLUSIVE EASEMENT FOR THE PURPOSES OF INSTALLING, MAINTAINING AND REPAIRING A SIGN AS CONVEYED BY EASEMENT DEED RECORDED MARCH 3, 2005, UNDER AUDITOR'S FILE NO. 200503030054.

AND ALSO TOGETHER WITH THAT PORTION OF TRACT A OF BINDING SITE PLAN NO. PL03-0071, RECORDED MAY 7, 2003, UNDER AUDITOR'S FILE NO. 200305070015, RECORDS OF SKAGIT COUNTY, WASHINGTON, AND BEING A PORTION OF THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 29, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M., LYING EAST OF THE EAST LINE OF LOT 1 OF SAID BINDING SITE PLAN AND WEST OF THE EAST LINE OF LOT 4 OF SAID BINDING SITE PLAN, EXTENDED SOUTH TO THE SOUTH LINE OF SAID TRACT A.

SITUATE IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON

The Real Property or its address is commonly known as 2520 CEDARDALE ROAD, MOUNT VERNON, WA 98274. The Real Property tax identification number is 8043-000-004-0000.

SUPERIOR INDEBTEDNESS. Lender has extended or has agreed to extend the following described financial accommodations to Borrower, secured by the Real Property (the "Superior Indebtedness"):

A DEED OF TRUST INCLUDING THE TERMS AND AGREEMENTS THEREOF BETWEEN ("GRANTOR") FORTUNA PROPERTIES, LLC; A WASHINGTON LIMITED LIABILITY COMPANY, WHOSE ADDRESS IS 2520 CEDARDALE ROAD, MOUNT VERNON, WA 98273; AND ("LENDER/BENEFICIARY") BUSINESS BANK, WHOSE ADDRESS IS 1854 S. BURLINGTON BLVD, BURLINGTON, WA 98233; AND ("TRUSTEE") LAND TITLE COMPANY, WHOSE MAILING ADDRESS IS PO BOX 445, BURLINGTON, WA 98233. SUCH DEED OF TRUST IS DATED SEPTEMBER 24, 2008 RECORDED ON September 30, 2008 UNDER SKAGIT COUNTY AUDITOR'S NUMBER 200809300001.

LENDER'S LIEN. The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated 09/23/2008, from Borrower to Lender (the "Lender's Lien") and recorded in SKAGIT County, State of Washington as follows:

A DEED OF TRUST DATED SEPTEMBER 24, 2008 RECORDED ON September 30, 2008 UNDER SKAGIT COUNTY AUDITOR'S NUMBER 200809300001.

As a condition to the granting of the requested financial accommodations, Lender has required that the Lender's Lien be and remain superior to the Subordinated Lease.

REQUESTED FINANCIAL ACCOMMODATIONS. Lessee and Borrower each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. 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.

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



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**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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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 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 give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) 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. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. 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 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

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**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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used to interpret or define the provisions of this Subordination.

Governing Law. 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 without regard to its conflicts of law provisions. This Subordination has been accepted by Lender in the State of Washington.

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.

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 FORTUNA PROPERTIES, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Lender. The word "Lender" means BUSINESS BANK, its successors and assigns.

Note. The word "Note" means the Note executed by FORTUNA PROPERTIES, LLC in the principal amount of \$999,000.00 dated September 24, 2008, 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 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.

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 24, 2008.



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SUBORDINATION AGREEMENT - LEASE
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BORROWER:

FORTUNA PROPERTIES, LLC

By: *[Signature]*

GARY ANDERSON

By: *[Signature]*

TERRY ANDERSON

LESSEE:

ANDERSON APPLIANCE, INC., A WASHINGTON CORPORATION

By: *[Signature]*

Authorized Signer for ANDERSON APPLIANCE, INC., a WASHINGTON CORPORATION

By: *[Signature]*

Authorized Signer for ANDERSON APPLIANCE, INC., a WASHINGTON CORPORATION

LENDER:

BUSINESS BANK

X *[Signature]*

JEREMY McCULLOUGH, Vice President



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SUBORDINATION AGREEMENT - LEASE
(Continued)

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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skagit

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ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC

My Commission Expires 6-28-2012

On this 29th day of September, 2008, before me, the undersigned Notary Public, personally appeared GARY ANDERSON, Member of FORTUNA PROPERTIES, 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 Anniese Maria Farrell
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skagit

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) SS
)

ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC

My Commission Expires 6-28-2012

On this 29th day of September, 2008, before me, the undersigned Notary Public, personally appeared TERRY ANDERSON, Member of FORTUNA PROPERTIES, 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 Anniese Maria Farrell
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12



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CORPORATE ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF Skagit

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) SS
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ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC
My Commission Expires 6-28-2012

On this 29th day of September, 20 08, before me, the undersigned Notary Public, personally appeared Gary Anderson for Anderson Appliance, Inc. and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Anniese Maria Farrell
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12

CORPORATE ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF Skagit

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) SS
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ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC
My Commission Expires 6-28-2012

On this 29th day of September, 20 08, before me, the undersigned Notary Public, personally appeared Terry Anderson for Anderson Appliance, Inc. and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Anniese Maria Farrell
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12



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SUBORDINATION AGREEMENT - LEASE
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LENDER ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Skagit)



On this 25th day of September, 20 08, before me, the undersigned Notary Public, personally appeared **JEREMY MCCULLOUGH** and personally known to me or proved to me on the basis of satisfactory evidence to be the **Vice President**, authorized agent for **BUSINESS BANK** that executed within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of **BUSINESS BANK**, duly authorized by **BUSINESS BANK** 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 in fact executed this said instrument on behalf of **BUSINESS BANK**.

By Jana M Woodmansee Residing at Burlington
Notary Public in and for the State of Wa My commission expires 7-11-2010

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SUBORDINATION AGREEMENT – LEASE
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Lessee:

Anderson Appliance Services, Inc. A Washington Corporation

By:

Terry Anderson
Authorized Signer for Anderson Appliance Services, Inc., A Washington Corporation

By:

Gary Anderson
Authorized Signer for Anderson Appliance Services, Inc., A Washington Corporation

CORPORATE ACKNOWLEDGMENT

State of Washington
County of Skagit

On this 8th day of October, 2008, before me, the undersigned Notary Public, personally appeared Terry Anderson and Gary Anderson and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement – Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Jana M. Woodmansee
Notary Public in and for the State of Wa

Residing at Burlington
My commission expires 7-11-2010

CORPORATE ACKNOWLEDGMENT

State of Washington
County of Skagit

On this 8th day of October, 2008, before me, the undersigned Notary Public, personally appeared Gary Anderson and Terry Anderson and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement – Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Jana M. Woodmansee
Notary Public in and for the State of Wa

Residing at Burlington
My commission expires 7-11-2010



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