



201101190178
Skagit County Auditor

1/19/2011 Page 1 of 9 1:23PM

Return Address

U.S. Bank National Association
10800 N.E. Eighth Street, Suite 550
Bellevue, WA 98004
Attention: Jocelyn Stockton

CHICAGO TITLE 620012085

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

1. Option Subordination Agreement

Reference Number(s) of Documents affected: 200504180034 and 201101190177
(on page ___ of documents(s))

Grantor(s) (Last name first, then first name and initials):

1. Port of Anacortes
2. Quattro Properties LLC
3. Additional names on page ___ of document.

Grantee(s) (Last name first, then first name and initials):

1. U.S. Bank National Association
- 2.
3. Additional names on page ___ of document.

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

PTN NE, 03-34-02

Full legal description is on page Exhibit A of document.

Assessor's Property Tax Parcel/Account Number(s)

P19712, P19675, P19677, P19687, 340203-0-041-0006, 340203-0-001-0004, 340203-0-002-0003 and 340203-0-011-0002

OPTION SUBORDINATION AGREEMENT

THIS OPTION SUBORDINATION AGREEMENT ("Agreement") dated as of November 12, 2010, is made by PORT OF ANACORTES, a Washington municipal corporation ("Subordinator") for the benefit of U.S. BANK NATIONAL ASSOCIATION ("Bank").

RECITALS :

A. Bank has agreed to make a loan to QUATTRO PROPERTIES L.L.C., a Washington limited liability company ("Borrower") pursuant to a term loan agreement between Borrower and the Bank of even date herewith (together with all supplements, exhibits and amendments thereto, the "Loan Agreement"; terms defined in the Loan Agreement shall have the same meanings when used herein);

B. Bank is the owner and holder of the Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of January 6, 2011, executed by Borrower as grantor, encumbering that certain real property legally described on Exhibit A attached hereto (the "Property"), and recorded January __, 2011, in the records of Skagit County, Washington, under recording No. _____ (the "Deed of Trust");

B. Subordinator is the owner and holder of a right of an option to purchase the Property and the owner and holder of a right of first refusal to exercise such option and purchase the Property (collectively, the "Option") pursuant to the Right of First Refusal For Purchase of Real Property, Covenants, and Repurchase Option between Borrower, as grantor and Subordinator, as grantee, recorded April 18, 2005 under Skagit Country Auditor recording number 200504180034 ("Option Agreement"); and

D. Bank has agreed to make the Loan on the condition that Subordinator subordinates the Option to the lien of the Deed of Trust. The purpose of this Agreement is to set forth the terms and conditions of such subordination.

AGREEMENT

NOW, THEREFORE, in consideration of the benefits to Subordinator from Borrower, the receipt and sufficiency of which are hereby acknowledged by Subordinator, Subordinator agrees as provided below.

1. Subordination

Pursuant to the terms of this Agreement, Subordinator hereby unconditionally subordinates the Option and all of its rights thereunder to: (a) the lien, security interest, and all other rights granted to Bank under Bank's Deed of Trust; (b) all sums due or to become

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due under the Loan Documents, including, without limitation, interest and all present and future advances made by Bank thereunder, regardless of whether such advances are deemed to be mandatory or optional; and (c) all subsequent modifications, extensions, renewals, and replacements of the Loan Documents.

2. Representations and Warranties

Subordinator hereby represents and warrants to Bank as follows: (a) this Agreement is executed by Subordinator at Borrower's request and Subordinator has received fair and adequate consideration therefor; (b) Subordinator has had the opportunity to review and examine and hereby approves of all of the terms and conditions of the Loan Documents; (c) all conditions precedent to Subordinator's execution of this Agreement have been satisfied or waived by Subordinator; (d) Bank has made no representation to Subordinator regarding Borrower, including, without limitation, the creditworthiness of Borrower; (e) Subordinator has established adequate means of obtaining financial and other information regarding Borrower and the Loan, and the Bank shall have no obligation to disclose to Subordinator any information or furnish any material acquired in the course of Bank's relationship with Borrower; (f) Subordinator acknowledges that Bank would not make the Loan to Borrower without Subordinator executing this Agreement; and (g) Subordinator is the sole owner and holder of the Option

3. Application of the Proceeds of the Loan

Subordinator acknowledges and agrees that Bank shall have no obligation to Subordinator to advance any funds under the Loan or to insure that the funds advanced are used for any specific purpose. Any application or use of the funds advanced by Bank for purposes other than those provided for in the Loan Documents shall in no way impair, alter, or diminish the subordination created by this Agreement; including, without limitation, any application of the proceeds of the Loan for purposes other than improvement of the Property.



4. Dealings with Borrower

Subordinator agrees that Bank may deal exclusively with Borrower in all matters relating to the Loan without notice to or the approval of Subordinator. It is intended that the subordination created by this Agreement shall remain fully effective regardless of any act or omission by Bank which might otherwise directly or indirectly result, by operation of law or otherwise, in the discharge or release in whole or in part of Borrower, or the discharge, release, or impairment of any collateral now or hereafter held as security for the Loan. Without limiting the generality of the foregoing, Subordinator agrees that Bank may do or fail to do any of the following one or more times, without notice to or the approval of Subordinator and without impairing, altering, diminishing, or otherwise affecting the subordination created by this Agreement: (a) Bank may agree with Borrower on any modification, extension, renewal, and replacement of any of the terms and conditions of the Loan Documents; (b) Bank may extend, renew, accelerate, or otherwise change the time for payment and performance of any of the obligations under the Loan Documents; (c) Bank may release Borrower, or any other person having any liability under the Loan Documents; (d) Bank may release, surrender, substitute, or exchange any collateral for the Loan; (e) Bank does not have to marshal assets and may direct the order or manner of sale of any collateral for the Loan as Bank may determine in its discretion; (f) Bank may apply any money or any collateral for the Loan to repayment of any amounts owing to Bank under the Loan Documents in any order Bank may determine; (g) Bank may forbear from pursuing Borrower, or any other person, or forbear from foreclosing or otherwise realizing upon any of the collateral for the Loan; (h) Bank may impair or fail to perfect the security interest in any of the collateral for the Loan; (i) Bank does not have to notify Subordinator when Bank advances proceeds, or pays any obligations of Borrower; and (j) Bank does not have to notify Subordinator of any default by Borrower under the Loan Documents, except as required by law.

5. Waivers

Subordinator hereby waives any act or thing which might otherwise impair, alter, discharge or otherwise affect the subordination created by this Agreement, including, without limitation, any defense based on any of the following: (a) lack of diligence or any delays in collecting or enforcing the Loan Documents; (b) any disability or other defense of Borrower or any other person; (c) the loss or impairment of any right of recourse, reimbursement, contribution, subrogation or any other right or remedy of Subordinator against Borrower or any other person; and (d) any modification of any of the terms and conditions of the Loan Documents in any form whatsoever and without notice to Subordinator, including, without limitation, the renewal, extension, compromise, acceleration or other change in time for payment and performance thereof. Subordinator hereby waives any right to require Bank to marshal assets, proceed against Borrower, any guarantors or any other person, or to proceed against or exhaust any collateral for the Loan or pursue any other remedy in Bank's power



before foreclosing Bank's Deed of Trust. This paragraph does not waive claims subordination may have for breach of this Agreement.

6. Covenants of Subordinator

Subordinator covenants and agrees with Bank that it shall enter into no modification or amendment of the Option without Bank's prior written consent, which consent shall not be withheld or delayed.

7. Termination of Option to Repurchase Property

Subordinator confirms that Borrower has fulfilled its obligation to expend not less than \$1,500,000 on improvements to the Property by December 31, 2006, as outlined under the "Covenants and Option to Repurchase Property" section of the Option Agreement and the option to repurchase the Property as set forth in such section has been and is hereby terminated; provided however that the "Right of First Refusal To Purchase Real Property" section of the Option Agreement continues to remain in effect.

8. Miscellaneous

This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Bank and Subordinator. This Agreement constitutes the entire agreement between the parties, and shall supersede and cancel any prior agreements regarding the subordination of the Option. If any provision of this Agreement is invalid, illegal, or unenforceable, such provision shall be considered severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect as if the invalid provision had not been included. This Agreement is to be recorded concurrently with the recording of Bank's Deed of Trust and Subordinator authorizes Bank or its agent to insert the appropriate recording number herein.

[SIGNATURE PAGE FOLLOWS]



SUBORDINATOR UNDERSTANDS AND AGREES THAT THIS AGREEMENT RESULTS IN THE OPTION BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF BANK'S DEED OF TRUST, AND PERMITS BORROWER TO OBTAIN THE LOAN, ALL OR A PORTION OF WHICH MAY BE USED FOR PURPOSES OTHER THAN IMPROVEMENT OF THE PROPERTY.

SUBORDINATOR:

PORT OF ANACORTES, a Washington
municipal corporation

By

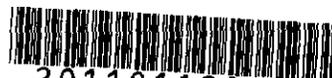
Name:

Title:



Robert W. Hyde

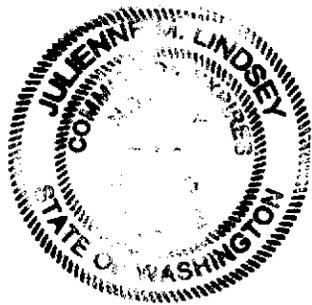
Executive Director



STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this 11th day of January, 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Robert W. Hyde to me known to be the person who signed as Executive Director of PORT OF ANACORTES, a municipal corporation of the state of Washington that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said public body for the uses and purposes therein mentioned, and on oath stated that he was duly elected, qualified and acting as said officer of the public body, that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said public body.

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



Julie M. Lindsey
(Signature of Notary)

Julienne M. Lindsey
(Print or stamp name of Notary)
NOTARY PUBLIC in and for the
State of Washington, residing at Anacortes
My appointment expires: 07-24-12



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EXHIBIT A
to Option Subordination Agreement

LEGAL DESCRIPTION

PARCEL A:

That portion of government Lots 1 and 2 in Section 3, Township 34 North, Range 2 East of the Willamette Meridian, lying Southerly of a line which is equidistant 300 feet Southerly of and parallel to or concentric with the centerline of the right of way of the Great Northern Railway Company (formerly Seattle and Northern Railway Co.), as said centerline of said railroad existed on June 4, 1902, and lying Southwesterly of the Old Anacortes – Mount Vernon Highway more commonly referred to as March Point Road, and lying Easterly of that Boundary Line Adjustment between Lloyd E. Sanderson and Anita P. Sanderson, husband and wife and Keith D. Sanderson and Caroline N. Sanderson, husband and wife; and A.R. Kinney and Vera M. Kinney, husband and wife by those instruments recorded under Auditor's File Nos. 9302260002 and 9302260003, records of Skagit County, Washington; and lying Northeastly of the Primary State Highway No. 1;

TOGETHER WITH that portion of the East 40 rods of the North 45 rods of the Northwest Quarter of the Southeast Quarter of said Section 3, Township 34 North, Range 2 East of the Willamette Meridian, lying Northeast of the State Highway;

EXCEPT that portion of said Government Lot 1 in Section 3, Township 34 North, Range 2 East of the Willamette Meridian, lying Southerly of the Southwesterly right of way line of that 60 foot wide County road commonly referred to as March Point Road, and lying Southerly of the approximate top of the bank to that hill above the gravel pit excavation site as same existed in February 1993 and being more particularly described as follows:

Beginning at a point at the intersection of the West line of said Government Lot 1 and that line described herein as being said top of the bank and the Northerly line of this property description, which point bears North 1°51'35" East, a distance of 264.10 feet, more or less, from the Southwest corner of said subdivision; thence along said top of bank in a Northerly and Easterly direction along the following described courses and distances:

North 88°34'17" East, a distance of 83.84 feet; North 72°19'44" East, a distance of 134.88 feet; North 28°40'26" East, a distance of 68.65 feet to a point which bears South 55°30'39" West along a line perpendicular to the Southwesterly right of way line of said County road, a distance of 55.19 feet, more or less; thence North 55°30'39" East along said perpendicular line, a distance of 55.19 feet, more or less, to the Southwesterly right of way line of said County road and the terminus of this property line description;

AND EXCEPT that portion of the above described tract of land lying within the following description or described as follows:

Beginning at a point on the East line of said Section 3 which is 2,158.2 feet North of the Southeast corner of said Section;

thence North 143.4 feet to the Westerly line of the E. Kasch Road;
thence North 35°22' West along the Westerly line of said road, 396.7 feet;
thence North 76°07' West 482 feet;
thence South 582.6 feet;
thence East 697.6 feet to the point of beginning;

Situated in Skagit County, Washington



PARCEL B:

That portion of the following described tract of land lying and being Southerly of the State Highway as same existed on November 10, 1933 to-wit:

A strip of land 250 feet wide in Government Lots 1 and 2, of Section 3, Township 34 North, Range 2 East of the Willamette Meridian, being all that part of said Lots 1 and 2, lying between two lines parallel to and distance, respectively, 50 feet and 300 feet Southerly measured at right angles, from the centerline of the main tract of the Great Northern Railway as now located and constructed;

EXCEPTING THEREFROM all that part thereof lying Southwest of the following described line:

Beginning at a point in said Lot 2, a distance of 300 feet Southeasterly from the said centerline of main tract, as measured at right angles to said centerline from a point therein, 565.4 feet distant, Northeasterly, measured along said centerline, from the West line of said Lot 2;

Thence Northwesterly at right angles to said centerline 165 feet to a point 135 feet distant Southeasterly from said centerline;

Thence Northwesterly in a straight line to a point 50 feet distant Southeasterly from said centerline, as measured at right angles, thereto, from a point therein 430.4 feet distant Northeasterly measured along said centerline from the West line of said Lot 2;

AND EXCEPT Puget Sound and Baker River Railway;

Situated in Skagit County, Washington.



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