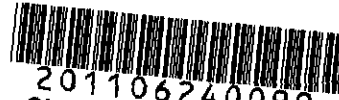


AFTER RECORDING RETURN TO:

John E. Casperson
Holmes Weddle & Barcott
Wells Fargo Center, Suite 2600
999 Third Avenue
Seattle, Washington 98104



201106240099
Skagit County Auditor

6/24/2011 Page

1 of 11 4:19PM

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INTERCREDITOR/SUBORDINATION AGREEMENT

This Intercreditor/Subordination Agreement ("Agreement") is made June 22, 2011 by and between Pacific Continental Bank ("Bank") and Lake 16, LLC ("LK16").

RECITALS: GUARDIAN NORTHWEST TITLE CO.

A. On satisfaction of certain terms and conditions, LK16 has agreed to lend to Windward Real Estate Services, Inc. ("Borrower") the approximate principal amount of up to \$2,475,000 (plus interest, fees, and costs as set forth in the Loan Agreement and LK16 Deed of Trust, the "LK16 Loan"). As security for the LK16 Loan to Borrower, Borrower will pledge and/or assign its interest in, among other things, the following collateral to LK16 (collectively and hereafter referred to as "Collateral"):

(i) A Deed of Trust on the property described in the attached Exhibit A ("LK 16 Collateral").

B. The Bank has a loan to Borrower with an outstanding principal balance of \$2,249,983.00 ("Bank Loan") that is or will be secured by the LK 16 Collateral.

C. Subject to the terms and conditions set forth herein, LK16 agrees that the Bank maintains all rights and privileges afforded to the Bank through the existing loan documents for the Bank Loan.

D. The Bank and LK16 desire to establish the priorities of their respective security interests and claims regarding the LK 16 Collateral.

AGREEMENT

Now, therefore, for good and valuable consideration, the receipt and sufficiency of which the parties hereby acknowledge, the Bank and LK16 hereby agree to the following:

1. Bank and LK16 Lien: The Bank has or will receive a lien or security agreement in the LK 16 Collateral, including, but not limited to, to an existing Deed of Trust

on a portion of the LK 16 Collateral under that certain deed of trust filed at Auditor's File No. 200703020097, Skagit County, Washington, as modified from time to time, and under that certain deed of trust to be recorded concurrently herewith securing certain promissory notes in the amount of \$1,190,000 and \$2,250,000 (all of the foregoing, the "Bank Liens"). The Bank hereby subordinates the Bank Liens in the LK 16 Collateral to the lien and security interest of LK16; provided that the Bank Liens in the LK 16 Collateral shall not be subordinate to any future advances or other extensions of credit made by LK16 to Borrower in excess of or in addition to the LK16 Loan. In the event of the filing of a voluntary or involuntary petition for relief, or taking any similar action, by or against Borrower under any applicable Bankruptcy, creditor's rights or insolvency laws ("Insolvency Proceeding") and subject to the terms and conditions hereof, the LK16 Loan shall be fully and indefeasibly paid in full from the proceeds of the LK 16 Collateral before any proceeds of the LK 16 Collateral are paid on account of the Bank Loan. This Agreement shall remain in full force and effect notwithstanding any Insolvency Proceeding.

2. Condition to Subordination: Bank's agreement to subordinate the Bank Liens in the LK 16 Collateral to the lien and security interest of LK16 in such collateral is conditioned upon its review and approval of all contracts, promissory notes, security instruments, guarantees and all other loan documents between LK16 and Borrower with respect to the LK16 Loan and its receipt of executed copies of such documents between LK16 and Borrower in connection with or relating to the LK16 Loan.

3. Copy of Draw Requests: LK16 will provide to the Bank copies of all draw requests prior to or at time of funding.

4. Notice of Default:

4.1 LK16 will provide to Bank copies of any notice of default/delinquency at such time that LK16 sends such notice to Borrower and/or Guarantors regarding such default or delinquency. Upon receipt of such notice of default, Bank will have the option of curing such default within fourteen (14) days, without default interest.

4.2 Bank will provide to LK16 copies of any notice of default/delinquency at such time that Bank sends such notice to Borrower and/or Guarantors regarding such default or delinquency.

5. Right of First Refusal: Bank will have right at any time to cure any default/delinquency under the LK16 Loan and related loan documents. Additionally, Bank will have the right at all times to pay LK16 in full in exchange for assignment, without recourse, of all contracts, promissory notes, security instruments, and all other applicable documents in connection with or relating to the LK16 Loan.

6. Deed Release Provision: Bank will release its partial interest in each lot or unit in the LK 16 Collateral pursuant to the following terms:

6.1 Until the LK16 Loan is paid in full, LK16 will receive \$95,000 and Bank will receive \$20,000 from the net proceeds of a lot or unit sale.



6.2 After the LK16 Loan is paid in full, Bank will receive 100% of the net proceeds of a lot or unit sale to apply to the Bank Loan described herein.

7. Severability. If any part of this Agreement shall be contrary to any law governing the terms hereof, or should otherwise be illegal or unenforceable, the other provisions of this Agreement shall not be affected thereby, but shall continue in full force and effect.

8. Assignment. LK16 may not sell, assign or transfer the LK16 Loan or any interest in the LK 16 Collateral without the prior written consent of Bank, which may be given or withheld in Bank's sole judgment.

9. No Rights in Third Parties; Reservation of Rights Against Others. All representations, warranties, covenants and agreements herein contained are solely for the benefit of Bank and LK16, and there are no other parties, specifically including Borrower, who are intended to benefit in any way from this Agreement. Neither Borrower nor any third party shall have the right to use the terms, conditions and agreements contained in this Agreement to waive, limit, modify or alter in any manner the rights, security interests and/or liens that each of Bank and LK16 has or may have against Borrower or any of such parties, their property or assets. This Agreement shall not be construed to impose any obligation on Bank or LK16 to extend or continue to extend credit to, perform on behalf of, or otherwise deal with, Borrower at any time or in any manner.

10. Integration; Amendments. This Agreement represents the sum of the understandings and agreements between the Bank and LK16 concerning this matter; replaces any prior oral or written agreements between the Bank and LK16 concerning this matter; and is intended by the Bank and LK16 as the final, complete and exclusive statement of the terms agreed to by them. This Agreement shall not be amended or modified except by a written instrument signed by all parties hereto. Notwithstanding the foregoing, LK 16 and the Bank agree that the other may agree to modify the terms of its respective loan agreement and related promissory note and related loan documents with the Borrower, extend the time for payment, and release collateral without the other's consent without affecting the rights and obligations of LK 16 and the Bank, except that LK 16 agrees that it shall not do the following without the Bank's prior written consent: (a) the principal amount of the LK 16 Loan shall not be increased; (b) charge additional loan fees or increase the existing loan fees; (c) increase the rate of interest under the LK 16 Loan, except that the default rate may be charged when applicable under the LK 16's loan documents; or (d) release any of the LK 16 Collateral for less than the release price set forth in the LK 16 Loan documents as of the date hereof.

11. Waiver of Jury Trial; Governing Law; Venue; Binding Effect. THE PARTIES TO THIS AGREEMENT WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THEY MAY BE PARTIES, ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY PERTAINING TO, THIS AGREEMENT. This Agreement has been delivered in the State of Washington and shall be construed in accordance with the laws of the State of Washington. Venue for any action brought hereunder shall be laid in Skagit County, Washington. The rights and privileges of the parties hereto hereunder shall inure to the benefit



of their successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns and successors of the parties hereto.

12. Legal Fees. If any legal action or appeal is instituted by any party to this Agreement to enforce any of the provisions hereof, or any party shall retain an attorney to protect its right hereunder, the prevailing party or parties shall be entitled to judgment against the other party for all reasonable costs and expenses, including attorney's fees.

13. Borrower's Joinder. Borrower hereby joins in the execution of this Agreement to consent to, acknowledges and agrees to be bound by, its terms, and agrees to the rights and remedies of LK16 herein created.

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

Addresses:

Lake 16, LLC
2440 West Commodore Way, Suite 200
Seattle, WA 98199

Pacific Continental Bank
1100 Olive Way, Suite 102
Seattle, WA 98101

Windward Real Estate Services, Incorporated
7981 168th Av. NE #118
Redmond, WA 98052

LAKE 16, LLC

By: _____

Its: _____

PACIFIC CONTINENTAL BANK

By: _____

Its: _____

WINDWARD REAL ESTATE SERVICES, INCORPORATED

By: _____

Its: _____

STATE OF WASHINGTON)
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Lisa Hallmon is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and



of their successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns and successors of the parties hereto.

12. Legal Fees. If any legal action or appeal is instituted by any party to this Agreement to enforce any of the provisions hereof, or any party shall retain an attorney to protect its right hereunder, the prevailing party or parties shall be entitled to judgment against the other party for all reasonable costs and expenses, including attorney's fees.

13. Borrower's Joinder. Borrower hereby joins in the execution of this Agreement to consent to, acknowledges and agrees to be bound by, its terms, and agrees to the rights and remedies of LK16 herein created.

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

Addresses:

Lake 16, LLC
2440 West Commodore Way, Suite 200
Seattle, WA 98199

Pacific Continental Bank
1100 Olive Way, Suite 102
Seattle, WA 98101

Windward Real Estate Services, Incorporated
7981 168th Av. NE #118
Redmond, WA 98052

LAKE 16, LLC

PACIFIC CONTINENTAL BANK

By: _____

By: _____

Its: _____

Its: _____

WINDWARD REAL ESTATE SERVICES, INCORPORATED

By: _____

Its: _____

STATE OF WASHINGTON)
COUNTY OF KING)

I certify that I know or have satisfactory evidence that James Tosti is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and



of their successors and assigns, and this Agreement shall be binding on all heirs, executors, administrators, assigns and successors of the parties hereto.

12. Legal Fees. If any legal action or appeal is instituted by any party to this Agreement to enforce any of the provisions hereof, or any party shall retain an attorney to protect its right hereunder, the prevailing party or parties shall be entitled to judgment against the other party for all reasonable costs and expenses, including attorney's fees.

13. Borrower's Joinder. Borrower hereby joins in the execution of this Agreement to consent to, acknowledges and agrees to be bound by, its terms, and agrees to the rights and remedies of LK16 herein created.

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

Addresses:

Lake 16, LLC
2440 West Commodore Way, Suite 200
Seattle, WA 98199

Pacific Continental Bank
1100 Olive Way, Suite 102
Seattle, WA 98101

Windward Real Estate Services, Incorporated
7981 168th Av. NE #118
Redmond, WA 98052

LAKE 16, LLC

PACIFIC CONTINENTAL BANK

By: _____

By: _____

Its: _____

Its: Executive Vice President

WINDWARD REAL ESTATE SERVICES, INCORPORATED

By: _____

Its: _____

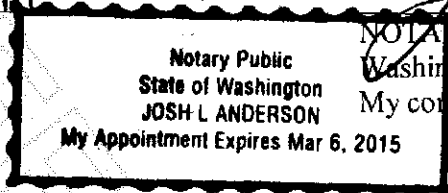
STATE OF WASHINGTON)
COUNTY OF KING)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and



acknowledged it as the Corp. Secretary of Lake 16, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 6/21/11



Josh Anderson
NOTARY PUBLIC in and for the State of
Washington residing at: Seattle WA
My commission expires: 3/16/15

STATE OF _____)
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Pacific Continental Bank, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____

STATE OF WASHINGTON)
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Windward Real Estate Services, Incorporated, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____





acknowledged it as the President of Windward RE Services, Inc. of Lake 16, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: June 23, 2011

Jason M. Hanson
NOTARY PUBLIC in and for the State of
Washington residing at: Seattle, WA
My commission expires: December 4, 2011

STATE OF _____)
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Pacific Continental Bank, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____

STATE OF WASHINGTON)
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Windward Real Estate Services, Incorporated, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____



acknowledged it as the _____ of Lake 16, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____

STATE OF Oregon)
COUNTY OF Lake)



I certify that I know or have satisfactory evidence that Casen Hogan is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Executive Vice President of Pacific Continental Bank, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: 6/21/11

Jayne L. Mc Laws
NOTARY PUBLIC in and for the State of Oregon
Washington residing at: Springfield, OR
My commission expires: 8/3/14

STATE OF WASHINGTON)
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the _____ of Windward Real Estate Services, Incorporated, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Date: _____

NOTARY PUBLIC in and for the State of
Washington residing at: _____
My commission expires: _____



Parcel "A":

Lot 3 of Skagit County Short Plat No. 13-89, approved July 12, 1989 and recorded July 18, 1989 in Book 8 of Short Plats, pages 144 and 145, records of Skagit County, Washington; being a portion of Government Lot 1 of Section 16, Township 33 North, Range 4 East, W.M..

EXCEPT any portion thereof lying within the boundaries of those certain 50-foot wide strips of land conveyed to Skagit County for road purposes by deed dated April 12, 1929 and recorded July 13, 1929, in Volume 151 of Deeds, page 30, under Auditor's File No. 225064, records of Skagit County, Washington.

Parcel "B":

The Northwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ and the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ and the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 16, Township 33 North, Range 4 East, W.M.; EXCEPT all County roads; AND ALSO EXCEPT that portion thereof lying Southerly of the following described line:

Beginning at the intersection of the North line of the Southeast $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of said Section 16 with the Northeasterly line of Tract B of Short Plat No. 14-80, approved May 9, 1980 and recorded May 12, 1980 under Auditor's File No. 8005120013 in Volume 4 of Short Plats, page 87 records of Skagit County, Washington; thence South 41°00'00" East along the North line of said Short Plat to the Northwesterly corner of Tract 31 of the plat of "HERMWAY HEIGHTS", as per plat recorded in Volume 9 of Plats, page 63, records of Skagit County, Washington; thence Easterly along the North line of said plat to the Northeasterly corner of Tract 30 of said plat; thence South along the East line of said plat to the Northerly line of a 45 foot radius cul-de-sac of the Hermway Heights Road, as delineated on the face of that certain survey recorded under Auditor's File No. 8003110134, in Volume 3 of Surveys, page 22, records of Skagit County, Washington; thence Easterly along the Northerly line of the cul-de-sac to the intersection of said cul-de-sac with the Northerly line of Parcel 2, as delineated on the face of said survey; thence along the Northerly line of Parcel 2 of said survey to the Northerly line of the Lake Sixteen Road, as delineated on the face of said survey; thence Southwesterly along the Northerly line of said Lake Sixteen Road to the intersection of said line with the Northerly line of Lot 1 of Skagit County Short Plat No. 30-88, approved September 13, 1988 and recorded September 21, 1988 under Auditor's File No. 8809210018, in Volume 8 of Short Plats, pages 68 and 69, records of Skagit County, Washington; thence Northeasterly along the Northerly line of said Lot 1 of said Short Plat No. 30-88 to the East line of the Southwest $\frac{1}{4}$ of the Southeast $\frac{1}{4}$ of said Section 16 and the terminus of said line.

EXCEPT any portion thereof lying within the boundaries of those certain 50-foot wide strips of land conveyed to Skagit County for road purposes by deed dated April 12, 1929 and recorded July 13, 1929, in Volume 151 of Deeds, page 30, under Auditor's File No. 225064, records of Skagit County, Washington.

ALSO EXCEPT from all of the Parcels "A" and "B" herein above any portion thereof lying Northerly of the following described line:

Beginning at the Northwest corner of the Southeast $\frac{1}{4}$ of said Section 16; thence South 01°05'26" West 368.56 feet along the West line of said Southeast $\frac{1}{4}$ to the true point of beginning of said line;
thence South 66°55'38" East 245.81 feet;
thence South 78°32'43" East 44.88 feet;
thence South 78°33'14" East 185.87 feet;
thence South 77°21'09" East 93.14 feet;
thence South 73°40'44" East 296.21 feet;
thence South 29°35'13" East 120.45 feet;
thence South 17°48'09" East 100.80 feet;
thence South 00°45'21" West 175.32 feet;
thence North 87°17'42" East 259.32 feet;
thence North 78°16'33" East 60.60 feet;
thence North 87°17'43" East 239.96 feet;



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Skagit County Auditor

EXHIBIT A TO INTERCREDITOR/S

thence North 11°43'47" East 160.44 feet;
thence South 51°26'59" East 260.00 feet;
thence South 24°27'30" East 67.33 feet;
thence South 51°26'59" East 289.67 feet;
thence North 38°33'01" East 60.00 feet;
thence South 51°26'59" East 131.22 feet to a point on the line common to Lots 1 and 3 of Short Plat No. 13-89, approved July 12, 1989 and recorded July 18, 1989, as Auditor's File No. 8907180001, in Book 8 of Short Plats, pages 144 and 145, being a portion of Government Lot 1 of Section 16, Township 33 North, Range 4 East, W.M., said point also being North 26°12'46" East 85.19 feet from the corner common to Lots 1 and 2 said Short Plat No. 13-89, said point also being the terminus of said line.

Parcel "G":

A non-exclusive easement for ingress, egress and utilities over, across and under Sinnes Road as delineated on Lot 1 of Skagit County Short Plat No. 93-057, approved March 25, 1996 and recorded March 29, 1996 as Auditor's File No. 9603290057 in Volume 12 of Short Plats, page 88, records of Skagit County, Washington, being a portion of the Northeast ¼ of the Southwest ¼ of Section 16, Township 33 North, Range 4 East, W.M..

Parcel "H":

A non-exclusive easement for ingress, egress and utilities over, across and under Sinnes Road as delineated on Lot 2 of Skagit County Short Plat No. 94-008 approved March 25, 1996 and recorded March 29, 1996 as Auditor's File No. 9603290058 in Volume 12 of Short Plats, page 89, records of Skagit County, Washington, being a portion of the North ½ of the Southwest ¼ of Section 16, Township 33 North, Range 4 East, W.M..

Parcel "I":

A non-exclusive easement for ingress, egress and utilities over, across and under Sinnes Road as delineated on Lot 1 of Skagit County Short Plat No. 94-008 approved March 25, 1996 and recorded March 29, 1996 as Auditor's File No. 9603290058 in Volume 12 of Short Plats, page 89, records of Skagit County, Washington, being a portion of the North ½ of the Southwest ¼ of Section 16, Township 33 North, Range 4 East, W.M..

Parcel "J":

A non-exclusive easement for ingress, egress and utilities over, across and under an Easterly extension of Sinnes Road in the Southeast ¼ of the Northwest ¼ of Section 16, Township 33 North, Range 4 East, W.M., as established by document recorded July 18, 1996 as Auditor's File No. 9607180042.

Parcel "K":

Lots 1, 2, 3 and 4 of Skagit County Short Plat No. 93-057, approved March 25, 1996 and recorded March 29, 1996 as Auditor's File No. 9603290057 in Volume 12 of Short Plats, page 88, records of Skagit County, Washington, being a portion of the Northeast ¼ of the Southwest ¼ of Section 16, Township 33 North, Range 4 East, W.M..

Parcel "L":

Lots 2, 3 and 4 of Skagit County Short Plat No. 94-008 approved March 25, 1996 and recorded March 29, 1996 as Auditor's File No. 9603290058 in Volume 12 of Short Plats, page 89, records of Skagit County, Washington, being a portion of the North ½ of the Southwest ¼ of Section 16, Township 33 North, Range 4 East, W.M..

SITUATE IN THE COUNTY OF SKAGIT, STATE OF WASHINGTON.

EXHIBIT A TO INTERCREDITOR



201106240099

Skagit County Auditor