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Skagit County Auditor

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RETURN ADDRESS:

PRIME PACIFIC BANK,
N.A.
Main Office
2502 196th ST SW
P O Box 2518
Lynnwood, WA 98036

LAND TITLE OF SKAGIT COUNTY

143095-0

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): 95022

Additional on page ____

Grantor(s):

1. Cheema Mart II, Inc.

Grantee(s)

1. PRIME PACIFIC BANK, N.A.

Legal Description: Lot 2, SP 90-33; Ptn NE 1/4 of SE 1/4, 19-35-4 E W.M.

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Assessor's Tax Parcel ID#: P36928

THIS SUBORDINATION AGREEMENT - LEASE dated December 20, 2012, is made and executed between Cheema Mart II, Inc. (referred to herein sometimes as "Lessor" and sometimes as "Borrower"); and PRIME PACIFIC BANK, N.A. ("Lender").

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Loan No: 95022

SUBORDINATED LEASE. Lessor has executed a lease dated July 11, 2012 of the property described herein (the "Subordinated Lease"). The following information is the summary of the basic terms and conditions of the Subordinated Lease: Lease Agreement - Commercial Premises between Saran & Brar Inc., dba: Gas & Go, as Lessor and Timothy M. and Lisa A. Scoone dba: Tiny Tim's Tattoo as Lessee, dated July 11, 2012, which lease has been assigned to Cheema Mart II, Inc.

REAL PROPERTY DESCRIPTION. The Lease covers Approximately 500 square feet at 9568 Old Hwy 99 N., Burlington, WA 98233 of the following described real property located in Skagit County, State of Washington:

Lot 2 of Skagit County Short Plat No. 90-33, approved January 14, 1991 and recorded January 14, 1991, under Auditor's File No. 9101140018 in Volume 9 of Short Plats, page 300, records of Skagit County, Washington; being a portion of the Northeast 1/4 of the Southeast 1/4 of Section 19, Township 35 North, Range 4 East, W.M. Situate in the County of Skagit, State of Washington.

The Real Property or its address is commonly known as 9570 Old Highway 99 North, Burlington, WA 98233. The Real Property tax identification number is P36928.

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 Promissory Note dated December 20, 2012 from Cheema Mart II, Inc. to Prime Pacific Bank, N.A.

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 December 20, 2012, from Borrower to Lender (the "Lender's Lien"). 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. Lessor wants Lender to provide financial accommodations to Lessor in the form of the Superior Indebtedness. Lessor represents and acknowledges to Lender that Lessor will benefit as a result of these financial accommodations from Lender to Lessor, and Lessor acknowledges receipt of valuable consideration for entering into this Subordination.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessor's right, title, and interest in and to the Subordinated Lease 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 Lessor's interests in the Subordinated Lease. Lessor also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessor, whether now existing or hereafter acquired. The words "Security interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, 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.

LESSOR'S REPRESENTATIONS AND WARRANTIES. Lessor hereby represents and warrants to Lender that Lessor has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Lessor further acknowledges that the Lease is in full force and effect and that no default by Lessor or, to Lessor's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

LESSOR WAIVERS. Lessor waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Lessor or to grant any other financial accommodations to Lessor 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 Lessor, 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 Lessor; (D) to proceed directly against or exhaust any collateral held by Lender from Lessor, 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 Lessor 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 (A) make one or more additional secured or unsecured loans to Lessor; (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



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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 Lessor'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 LESSOR. If Lessor becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Lessor 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 Lessor under the terms of the Subordinated Indebtedness 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. Lessor 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 Lessor represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Lessor's security interests in Lessor's property, if any.

Caption Headings. Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

Applicable Law. The Loan secured by this lien was made under a United States Small Business Administration (SBA) nationwide program which uses tax dollars to assist small business owners. If the United States is seeking to enforce this document, then under SBA regulations: (a) When SBA is the holder of the Note, this document and all documents evidencing or securing this Loan will be construed in accordance with federal law. (b) Lender or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax or liability. No Borrower or Guarantor may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to this Loan. Any clause in this document requiring arbitration is not enforceable when SBA is the holder of the Note secured by this instrument.

Choice of Venue. If there is a lawsuit, Lessor agrees upon Lender's request to submit to the jurisdiction of the courts of Snohomish County, State of Washington.

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 Lessor 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.

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 Lessor, shall constitute a waiver of any of Lender's rights or of any of Lessor'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



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such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Waive Jury. All parties to this Subordination hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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 Cheema Mart II, Inc., and all other persons and entities signing the Note in whatever capacity.

Lender. The word "Lender" means PRIME PACIFIC BANK, N.A., its successors and assigns.

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, guarantees, 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 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.

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 DECEMBER 20, 2012.

LESSOR:

CHEEMA MART II, INC.

By: Harinder S. Cheema, President of Cheema Mart II, Inc.

By: Sharanjit K. Cheema, Vice President of Cheema Mart II, Inc.

LENDER:

PRIME PACIFIC BANK, N.A.

X Laurie Carpenter, Loan Officer



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CORPORATE ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Snohomish

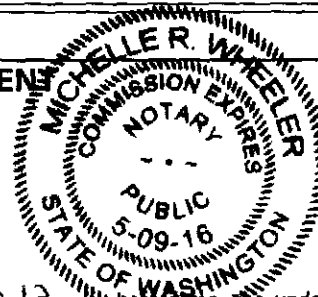
On this 21st day of December, 20 12, before me, the undersigned Notary Public, personally appeared Harinder S. Cheema, President of Cheema Mart II, Inc. and Sharanjit K. Cheema, Vice President of Cheema Mart II, Inc., and personally known to me or proved to me on the basis of satisfactory evidence to be authorized agents 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 they are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Michelle R. Wheeler

Residing at Everett, WA

Notary Public in and for the State of WA

My commission expires 5/9/16



LENDER ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Snohomish

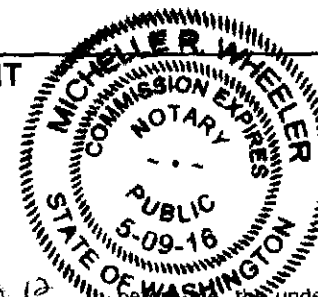
On this 21st day of December, 20 12, before me, the undersigned Notary Public, personally appeared Laurie Carpenter and personally known to me or proved to me on the basis of satisfactory evidence to be the Loan Officer, authorized agent for PRIME PACIFIC BANK, N.A. that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of PRIME PACIFIC BANK, N.A., duly authorized by PRIME PACIFIC BANK, N.A. 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 PRIME PACIFIC BANK, N.A.

By Michelle R. Wheeler

Residing at Everett, WA

Notary Public in and for the State of WA

My commission expires 5/9/16



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