

Return Address  
Northwest Business Development Assoc.  
9019 E. Appleway Blvd., Suite 200  
Spokane Valley, WA 99212



201508190022

Skagit County Auditor  
8/19/2015 Page

1 of

\$78.00

7 11:19AM

**Land Title and Escrow**  
153174-D

SUBORDINATION AGREEMENT

Reference #: 201508190017 Additional on page \_\_\_\_\_  
Grantor: PRO SCAPES, INC., a Washington corporation  
Additional on page \_\_\_\_\_  
Grantee: Northwest Business Development Association  
Additional on page \_\_\_\_\_

Abbreviated Legal Description:

Ptn SW ¼ of NW ¼, 3-34-2 E.W.M.

For a full legal description please see Exhibit "C" attached hereto and made a part herein by reference.

Assessor's Tax Parcel Account Number: 340203-2-009-0010

THIS AGREEMENT is made and entered into as of this 17th day of August, 2015, by L-1 HOLDINGS L.L.C., a Washington limited liability company ("Landlord"), whose address is 9002 S. March's Point Road, Anacortes, WA 98221, and PRO SCAPES, INC., a Washington corporation ("Tenant"), whose address is 9002 S. March's Point Road, Anacortes, WA 98221.

**WITNESSETH:**

WHEREAS, NORTHWEST BUSINESS DEVELOPMENT ASSOCIATION, a Washington nonprofit corporation, ("Mortgagee"), whose address is 9019 E. Appleway Blvd., Suite 200 Spokane Valley, WA 99212, has agreed to make a mortgage loan in the amount of Two Hundred Thirty Three Thousand Dollars and No Cents (\$233,000.00) to Landlord, repayment of which is to be secured by a Deed of Trust or Mortgage (herein referred to as "Mortgage") on real estate (the "Premises") all as fully described in the legal description above; and

DOT Auditor's File No. 201508190017.

WHEREAS, the Mortgage is to be recorded in the county where the Premises are situate; and

WHEREAS, Tenant is the present lessee under a Lease dated July 31, 2015, as amended from time to time, initially made by L-1 HOLDINGS L.L.C., as landlord, demising all or a portion of the Premises (said Lease and all amendments thereto are hereafter referred to as the "Lease"); and

Auditor's File No. 20150819 0019.

WHEREAS, as a condition precedent to Mortgagee's disbursement of loan proceeds, Mortgagee has required that Tenant subordinate the Lease and its interest in the Premises in all respects to the lien of the Mortgage; and

WHEREAS, it will be of substantial benefit to Tenant for Mortgagee to disburse the loan proceeds; and

WHEREAS, Mortgagee is disbursing the loan proceeds in reliance upon the agreements contained in this Agreement.

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party hereto, it is hereby agreed as follows:

1. **SUBORDINATION.** The Lease, and the rights of Tenant in, to or under the Lease and the Premises, are hereby subjected and subordinated and shall remain in all respects and for all purposes subject, subordinate and junior to the lien of the Mortgage, and to the rights and interest of the from time to time holder of the Mortgage, as fully and with the same effect as if the Mortgage had been duly executed, acknowledged and recorded, and the indebtedness secured thereby had been fully disbursed prior to the execution of the Lease or possession of the Premises by Tenant, or its predecessors in interest.

2. **RELIANCE BY MORTGAGEE.** The parties are executing this instrument in order to induce Mortgagee to disburse the indebtedness secured by the Mortgage, and the parties further agree that the disbursement by Mortgagee of all or any part of the indebtedness shall constitute conclusive reliance by Mortgagee upon this Agreement and the provisions hereof and the subordination effected hereby.

3. **ATTORNMEN AT MORTGAGEE'S OPTION.** At Mortgagee's sole option, if the interest of Landlord shall be transferred to and owned by Mortgagee by reason of foreclosure or other proceedings brought by it in lieu of or pursuant to a foreclosure, or by any other manner, Mortgagee succeeds to the interest of the landlord under the Lease, Tenant shall be bound to Mortgagee under all of the terms, covenants, and conditions of the Lease for the balance

of the term thereof remaining, and any extensions or renewals thereof which may be affected in accordance with any option therefor in the Lease, with the same force and effect as if Mortgagee were the landlord under the Lease. Tenant does hereby agree to attorn to Mortgagee as its landlord, said attornment to be effective and self-operative immediately upon Mortgagee succeeding to the interest of the landlord under the Lease without the execution of any further instruments on the part of any of the parties hereto. Except as required under any Assignment of Leases and/or Rents, Tenant shall be under no obligation to pay rent to Mortgagee until Tenant receives written notice from Mortgagee that it has succeeded to the interests of the landlord under the Lease. The respective rights and obligations of Tenant to Mortgagee upon such attornment, to the extent of the then remaining balance of the term of the Lease and any such extensions and renewals, shall be and are the same as those set forth therein, it being the intention of the parties hereto for this purpose to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length herein.

However, Mortgagee, or any subsequent purchaser, shall not be required to recognize the rights of Tenant under the Lease and the rights of Tenant thereunder, including any options thereunder, shall, at the sole election of and upon notice by Mortgagee, cease and terminate upon acquisition of title to or upon possession of the Premises by Mortgagee, or its successors and assigns, including any purchaser at a foreclosure sale.

4. **MORTGAGEE NOT BOUND BY CERTAIN ACTS OF LANDLORD.** If Mortgagee shall succeed to the interest of landlord under the Lease, Mortgagee shall not be liable for any act or omission of any prior landlord (including Landlord herein) nor be subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord herein); nor bound by any rent or additional rent which Tenant might have paid for more than the then current installment nor be bound by any amendment or modification of the Lease made without its consent.

5. **NOTICE.** In the event that Landlord shall default in the performance or observance of any of the terms, conditions or agreements in the Lease, Tenant shall give written notice thereof to Mortgagee, and Mortgagee shall have the right (but not the obligation) to cure such default. Tenant shall not take any action with respect to such default under the Lease, including and without limitation, any action in order to terminate, rescind or avoid the Lease or to withhold any rental thereunder, for a period of ten (10) days after receipt of such written notice thereof by Mortgagee with respect to any such default capable to being cured by the payment of money and for a period of thirty (30) days after receipt

of which written notice thereof by Mortgagee with respect to any other such default (provided, that in the case of any default which cannot be cured by the payment of money and cannot with diligence be cured within such thirty (30)-day period because of the nature of such default or because Mortgagee requires time to obtain possession of the Premises in order to cure the default, if Mortgagee shall proceed promptly to attempt to obtain possession of the Premises, where possession is required, and to cure the same and thereafter shall prosecute the curing of such default with diligence and continuity, then the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of the same with diligence and continuity).

6. **PURCHASE OPTIONS.** Any option or rights contained in the Lease to acquire title to the Premises are hereby made subject and subordinate to the rights of Mortgagee under the Mortgage and any acquisition of title to the Premises made by Tenant during the term of the Mortgage shall be made subordinate and subject to the Mortgage.

7. **SUCCESSORS AND ASSIGNS.** This Agreement and each and every covenant, agreement and other provisions hereof shall be binding upon the parties hereto and their heirs, administrators, representatives, successors and assigns, including without limitation each and every from time to time holder of the Lease or any other person having an interest therein and shall inure to the benefit of Mortgagee and its successors and assigns.

8. **CHOICE OF LAW.** This Agreement is made and executed under and in all respects is to be governed and construed by the laws of the state where the Premises are situate.

9. **CAPTIONS AND HEADINGS.** The captions and headings of the various sections of this Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

**IN WITNESS WHEREOF,** the parties hereto have each caused this Agreement to be executed as of the date first above.

JEROD C. BARTH, Member

JEROD C. BARTH, President

I certify that I know or have satisfactory evidence that JEROD C. BARTH, signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as a Member of L-1 HOLDINGS L.L.C., a Washington limited liability company, to be the free and voluntary act of such limited liability company, for the uses and purposes mentioned in the instrument.

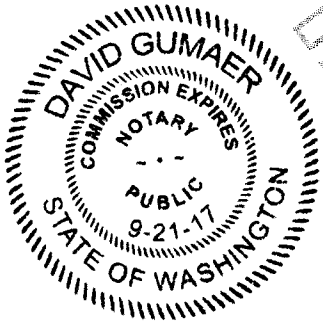
A circular notary seal for David Gumaer, a Notary Public in the State of Washington. The seal features the text "DAVID GUMAER" at the top, "COMMISSION EXPIRES" and "NOTARY" in the upper middle, "PUBLIC" and "9-21-17" in the lower middle, and "STATE OF WASHINGTON" at the bottom. The seal is surrounded by a decorative border of small, repeating "S" shapes.

NOTARY PUBLIC in and for the State  
of Washington, residing at Spokane.  
My appointment expires: 9-21-17.

STATE OF WASHINGTON )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that JEROD C. BARTH, signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the President of PRO SCAPES, INC., a Washington corporation, to be the free and voluntary act of such corporation, for the uses and purposes mentioned in the instrument.

DATED: August 17, 2015



David Gumaer  
NOTARY PUBLIC in and for the State  
of Washington, residing at Spokane.  
My appointment expires: 9-21-17.

Exhibit C

The West 297 feet of the Southwest  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 3, Township 34 North, Range 2 East, W.M., lying South of South March's Point Road AND EXCEPT that portion conveyed to the State of Washington for Primary State Highway No. 1 by deed recorded January 12, 1961, under Auditor's File No. 603031, AND ALSO EXCEPT the following described Parcels 1 and 2:

Parcel 1:

That portion of the South  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 3, Township 34 North, Range 2 East, W.M., described as follows:

Beginning at a point on the North line of said South  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  286.27 feet East of the West line thereof, said point being the Northwest corner of a tract of land conveyed to Harriet M. Denney by deed recorded September 15, 1911, under Auditor's File No. 86555, in Volume 1 of Tax Deeds, page 392, records of Skagit County, Washington;  
thence South along said Denney tract, 208.73 feet to the Southwest corner of said Denney tract;  
thence East along the South line of said Denney tract, 10.73 feet to the West line of a tract of land conveyed to Carl Johnson et ux, by deed recorded April 13, 1943, under Auditor's File No. 361349, records of Skagit County, Washington;  
thence South along said Johnson tract to a point that is East of a point that is 300 feet South of the Old State Highway 1A, as conveyed to the State of Washington by deed recorded September 6, 1938, in Volume 175 of Deeds, page 302, (formerly conveyed to Skagit County by deed recorded May 8, 1911, in Volume 85 of Deeds, page 323), (now known as the South March's Point Road) as measured by a line drawn South from said highway that is parallel to and 286.27 feet East of the West line of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of said Section 3;  
thence West 70.73 feet;  
thence North to the North line of said South  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$ ;  
thence East along said line 60 feet, more or less, to the point of beginning, EXCEPT therefrom that portion thereof lying Northerly of the Southerly line of the Old Anacortes State Highway 1-A (South March's Point Road).

Parcel 2:

That portion of the South  $\frac{1}{2}$  of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 3, Township 34 North, Range 2 East, W.M., described as follows:

Beginning at the Southeast corner of that certain tract of land conveyed to Thomas G. Mitchell et ux, by deed recorded under Auditor's File No. 8109090074, records of Skagit County, Washington, said point being on the West line of Tract "C" of Skagit County Short Plat No. 58-77, approved December 13, 1977 and recorded December 13, 1977, under Auditor's File No. 870298, in Volume 2 of Short Plats, page 164, records of Skagit County, Washington;  
thence South along the West line of said Tract "C" to the North line of the Primary State Highway No. 1, as condemned by decree entered May 22, 1961, in Skagit County Superior Court Cause No. 26054;  
thence Westerly along the North line of said highway to a point that is due South of the West line of the Thomas G. Mitchell tract produced South;  
thence North along the produced line of the Thomas G. Mitchell tract to the Southwest corner of said tract;  
thence East along the South line of the said Mitchell tract, a distance of 70.73 feet, more or less, to the point of beginning.

Situate in the County of Skagit, State of Washington.