

RETURN ADDRESS:

Heritage Bank
Attn: Loan Operations
PO BOX 1578
Olympia, WA 98507



201508210085

Skagit County Auditor

8/21/2015 Page

1 of

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\$77.00

1:34PM



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) 152903-S RYAY LLC

Additional on page ____

Grantor(s):

1. RYAY LLC

Grantee(s)

1. Heritage Bank

Legal Description: BLDG ONLY ON LOT 2B, BIA 200306060196; BEING A PTN OF GL'S 1 & 2, 19-35-2 E WM & PLATE 10, TIDELAND SHORELANDS, ANACORTES HARBOR

Additional on page 2

Assessor's Tax Parcel ID#: 350219-0-040-0200

Property I.D. No.: P131492

THIS SUBORDINATION AGREEMENT - LEASE dated August 13, 2015, is made and executed among ANACORTES CONCEPT (LESSOR), LLC, RYAY, LLC (BORROWER),; and THRIVE COMMUNITY FITNESS ANACORTES, LLC (TENANT) ("Lessor"); RYAY LLC ("Borrower"); and Heritage Bank ("Lender").



SUBORDINATION AGREEMENT - LEASE
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SUBORDINATED LEASE. Lessor has executed a lease dated November 15, 2005 of the property described herein which was recorded as follows: 200511180091 (the "Subordinated Lease"). The following information is the summary of the basic terms and conditions of the Subordinated Lease: THIS LEASE SHALL BE FOR A TERM OF TEN (10) YEARS COMMENCING ON NOVEMBER 15, 2005 AND SHALL END NOVEMBER 14, 2015, SUBJECT TO TENANT'S EXTENSION AND OTHER RIGHTS BETWEEN ANACORTES CONCEPT LLC, (LANDLORD), AND RYAY, LLC (LANDLORD) AS OWNERS OF THE REAL PROPERTY AND THE BUILDING LOCATED AT 1609 R AVENUE, ANACORTES, WA 98221 RESPECTIVELY, AND THRIVE COMMUNITY FITNESS ANACORTES, LLC (TENANT).

REAL PROPERTY DESCRIPTION. The Lease covers 1609 R AVENUE, ANACORTES, WA 98221 AND ALL BUILDINGS, FIXTURES AND OTHER IMPROVEMENTS of the following described real property located in SKAGIT County, State of Washington:

BUILDING ONLY SITUATED ON LOT 2B OF THAT CERTAIN BOUNDARY LINE ADJUSTMENT SURVEY RECORDED JUNE 6, 2003, UNDER AUDITOR'S FILE NO. 200306060196, BEING A REVISION OF LOTS 2A, 2B, 2C AND 2D, "SEAFARER'S VIEW", AS RECORDED UNDER AUDITOR'S FILE NO. 200112030101, AND THAT CERTAIN BOUNDARY LINE ADJUSTMENT SURVEY RECORDED APRIL 29, 2003, UNDER AUDITOR'S FILE NO. 200304290104, RECORDS OF SKAGIT COUNTY, WASHINGTON; BEING IN PORTIONS OF GOVERNMENT LOTS 1 AND 2, SECTION 19, TOWNSHIP 35 NORTH, RANGE 2 EAST, W.M., AND OF "PLATE NO. 10 TIDE AND SHORE LANDS OF SECTION 19, TOWNSHIP 35 NORTH, RANGE 2 EAST, W.M., ANACORTES HARBOR," ACCORDING TO THE OFFICIAL MAP THEREOF ON FILE WITH THE STATE LAND COMMISSIONER AT OLYMPIA, WASHINGTON,

SITUATE IN THE CITY OF ANACORTES, COUNTY OF SKAGIT, STATE OF WASHINGTON.

The Real Property or its address is commonly known as 1609 R AVENUE, ANACORTES, WA 98221. The Real Property tax identification number is 350219-0-040-0200
Property I.D. No.: P131492.

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"): **AF**

A LOAN FROM HERITAGE BANK TO RYAY, LLC DATED AUGUST 13, 2015. # 20150821 0083

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 August 13, 2015, from Borrower to Lender (the "Lender's Lien") and recorded in SKAGIT County, State of Washington as follows:

LOT 2B OF THAT CERTAIN BOUNDARY LINE ADJUSTMENT SURVEY RECORDED JUNE 6, 2003, UNDER AUDITOR'S FILE NO. 200306060196, BEING A REVISION OF LOTS 2A, 2B, 2C AND 2D, "SEAFARER'S VIEW", AS RECORDED UNDER AUDITOR'S FILE NO. 200112030101, AND THAT CERTAIN BOUNDARY LINE ADJUSTMENT SURVEY RECORDED APRIL 29, 2003, UNDER AUDITOR'S FILE NO. 200304290104, RECORDS OF SKAGIT COUNTY, WASHINGTON; BEING IN PORTIONS OF GOVERNMENT LOTS 1 AND 2, SECTION 19, TOWNSHIP 35 NORTH, RANGE 2 EAST, W.M., "ANACORTES HARBOR," ACCORDING TO THE OFFICIAL MAP THEREOF ON FILE WITH THE STATE LAND COMMISSIONER AT OLYMPIA, WASHINGTON,

SITUATE IN THE CITY OF ANACORTES, COUNTY OF SKAGIT, STATE OF WASHINGTON.

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 and Borrower each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Borrower and Lessor each represent and acknowledge to Lender that Lessor will benefit as a result of these financial accommodations from Lender to Borrower, 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.

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 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 Lessor, (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



**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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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. Any default by Borrower 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. Lender 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.

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, Lessor agrees upon Lender's request to submit to the jurisdiction of the courts of Thurston 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 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 RYAY LLC, and all other persons and entities signing the Note in whatever capacity.

Lender. The word "Lender" means Heritage Bank, 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, 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.

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 AUGUST 13, 2015.



SUBORDINATION AGREEMENT - LEASE
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BORROWER:

RYAY LLC

By: R. Youngberg
RICHARD K YOUNGBERG, Member of RYAY LLC

By: Ann L Youngberg
ANN L YOUNGBERG, Member of RYAY LLC

LESSOR:

ANACORTES CONCEPT (LESSOR), LLC, RYAY, LLC (BORROWER),

By: Man Youngberg
Authorized Signer for ANACORTES CONCEPT (LESSOR), LLC, RYAY, LLC (BORROWER),

By: Man Youngberg
Authorized Signer for ANACORTES CONCEPT (LESSOR), LLC, RYAY, LLC (BORROWER),

THRIVE COMMUNITY FITNESS ANACORTES, LLC (TENANT)

By: Man Youngberg
Authorized Signer for THRIVE COMMUNITY FITNESS ANACORTES, LLC (TENANT)

By: Man Youngberg
Authorized Signer for THRIVE COMMUNITY FITNESS ANACORTES, LLC (TENANT)

LENDER:

HERITAGE BANK

x Robt W. Mellish
Authorized Officer

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Skagit)

On this 19th day of August, 20 15, before me, the undersigned Notary Public, personally appeared **RICHARD K YOUNGBERG, Member of RYAY LLC**, and personally known to me, 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 act of 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 Robt W. Mellish
Notary Public in and for the State of WA

Residing at Anacortes
My commission expires 4/9/17





SUBORDINATION AGREEMENT - LEASE
(Continued)

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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

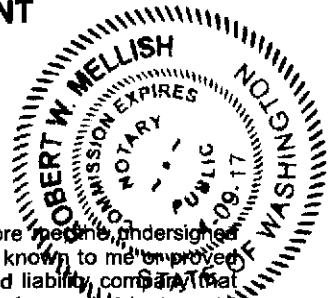
STATE OF Washington

COUNTY OF Skaagit

On this 19th day of August, 20 15, before me, the undersigned Notary Public, personally appeared ANN L YOUNGBERG, Member of RYAY 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 Robert W. Mellish
Notary Public in and for the State of WA

Residing at Anacortes
My commission expires 4/9/17



LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

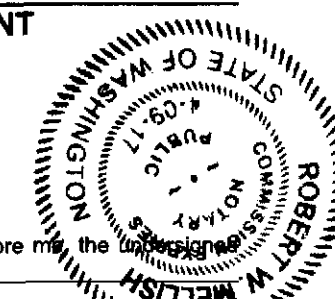
STATE OF Washington

COUNTY OF Skaagit

On this 21st day of August, 20 15, before me, the undersigned Notary Public, personally appeared Marc J Youngberg Member of Anacortes Concept LLC and personally known to me or proved to me on the basis of satisfactory evidence to be (a) member(s) or designated agent(s) 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/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Robert W. Mellish
Notary Public in and for the State of WA

Residing at Anacortes
My commission expires 4/9/17



LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skaagit

On this 19th day of August, 20 15, before me, the undersigned Notary Public, personally appeared Douglas W. Klein Signer for Thrive Community Fitness Anacortes LLC and personally known to me or proved to me on the basis of satisfactory evidence to be (a) member(s) or designated agent(s) 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/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Robert W. Mellish
Notary Public in and for the State of WA

Residing at Skaagit/Anacortes
My commission expires 4/9/17





**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned
Notary Public, personally appeared _____

and personally known to me or proved to me on the basis of satisfactory evidence to be (a) member(s) or designated agent(s) 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/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned
Notary Public, personally appeared _____

and personally known to me or proved to me on the basis of satisfactory evidence to be (a) member(s) or designated agent(s) 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/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

LENDER ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Whatcom)

On this 21st day of August, 20 15, before me, the undersigned
Notary Public, personally appeared Robert W. Mellish and personally known to me or proved to me
on the basis of satisfactory evidence to be the Lender, authorized agent for Heritage
Bank that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary
act and deed of Heritage Bank, duly authorized by Heritage 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 Heritage Bank.

By Sanjay Gulluvar Residing at Bellingham
Notary Public in and for the State of WA My commission expires 11/1/15

