

RETURN DOCUMENT TO:

Jeff Miller

103 N. Township St.

Sedro Woolley, WA 98284



201705230069

Skagit County Auditor

\$84.00

5/23/2017 Page

1 of

12 3:43PM

CHICAGO TITLE

FILE #

420030891

DOCUMENT TITLE(S):

Subordination Agreement

REFERENCE NUMBERS(S) OF DOCUMENTS SIGNED OR RELEASED:

201607130064

and 201705230067

GRANTOR(S):

Molly Smith

Sedro-Woolley Corner, LLC

GRANTEE(S):

Polycomp Trust Company

ABBREVIATED LEGAL DESCRIPTION:

PTN SE SW, 23-35-04

Full legal on page 11/12

PARCEL NUMBER(S): P37199 / 350423-0-047-0003

WHEN RECORDED, RETURN TO:

Jeff Miller  
103 N. Township St.  
Sedro-Woolley, WA 98284

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SUBORDINATION AGREEMENT

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS  
IN A SECURITY INTEREST IN THE PROPERTY BECOMING  
SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF  
SOME OTHER OR LATER SECURITY INSTRUMENT.**

THIS SUBORDINATION AGREEMENT (this "Subordination Agreement") is made as of this 19<sup>th</sup> day of May 2017, by and among Molly Smith, an unmarried woman, residing at 745 Bellevue Ave. E. #201, Seattle, WA 98102 (herein "Subordinating Lender"), and the Lenders listed in the attached "Schedule of Lenders" which is incorporated by reference as though fully set forth herein (collectively referred to herein as the "Senior Lender") and Sedro-Woolley Corner, LLC, a Washington limited liability company (herein "SWC"), with reference to the following facts:

**RECITALS:**

A. Subordinating Lender has loaned to SWC, certain amounts (the "Smith Loan"), evidenced by a promissory note dated July 13, 2016 (the "Smith Promissory Note"), executed by SWC in favor of Subordinating Lender. The Smith Promissory Note is secured by a Deed of Trust dated July 13, 2016 against the real property as described in Exhibit A, executed by SWC in favor of Subordinating Lender and recorded in the official records of Skagit County, Washington on July 13, 2016 AF#201607130064 (the "Subordinate Deed of Trust"). All of the documents and instruments executed by SWC with or for the benefit of Subordinating Lender in connection with the SWC Loan are collectively referred to herein as the "SWC Loan Documents".

B. Substantially concurrently herewith, SWC has executed a Deed of Trust (the "Senior Deed of Trust") against the Property dated May 19, 2017 in favor of Senior Lender and recorded in the official records of Skagit County, Washington AF# 201705230061 to secure a promissory note dated May 19, 2017 (referred to herein as either the "Senior

Promissory Note" or the "Senior Loan"), executed by SWC, in favor of Senior Lender in the principal sum of One Million Two Hundred Fifty Seven Thousand and No/100 Dollars (\$1,257,000.00). All of the foregoing, together with any and all other documents, agreements and instruments executed for the benefit of Senior Lender in connection with the Senior Loan are collectively referred to herein as the "Senior Loan Documents".

C. It is a condition precedent of the Senior Lender's agreement to make the Senior Loan that the Senior Deed of Trust, and all obligations secured thereby, shall unconditionally be and remain at all times a lien upon the Property, unconditionally and forever prior and superior to the Subordinate Deed of Trust with respect to the Property, to all obligations under the Subordinate Deed of Trust with respect to the Property, and to the right, title and interest of all parties in and to the Subordinate Deed of Trust and their respective successors' and assigns' interests therein with respect to the Property.

D. Senior Lender is willing to make and fund the Senior Loan provided that the Senior Deed of Trust is a lien or encumbrance upon the Property prior to the Subordinate Deed of Trust in all respects and provided that Subordinating Lender expressly, specifically and unconditionally subordinates the Subordinate Deed of Trust in favor of Senior Lender.

E. It is to the mutual benefit of SWC and Subordinating Lender that Senior Lender makes and extends the Senior Loan to SWC, and Subordinating Lender is willing that the Senior Deed of Trust shall constitute a lien or encumbrances upon and against the Property which are unconditionally prior and superior to the Subordinate Deed of Trust with respect to the Property.

NOW, THEREFORE, in consideration of the mutual benefits accruing to SWC and Subordinating Lender and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce Senior Lender to make and fund the Senior Loans above referred to, it is hereby declared, understood, and agreed as follows:

1. Understanding and Truth of Recitals. The foregoing Recitals A through E, inclusive, are true, and SWC and Subordinating Lender hereby acknowledge that Senior Lender would not make or fund the Senior Loan without this Subordination Agreement.

2. Subordination. The Senior Deed of Trust in favor of Senior Lender, as to the Senior Loan and all other obligations recited in the Senior Deed of Trust or which recite that it is secured by the Senior Deed of Trust, any and all modifications, amendments, renewals, consolidations, restatements, extensions and forbearances thereof, and any and all optional, obligatory, and protective additional advances thereunder, shall unconditionally be and remain at all times a lien or charge on the Property prior and superior to the Subordinate Deed of Trust and to the right, title and interest of Subordinating Lender therein and thereunder, irrespective of any action, inaction, exercise or election of remedies or other conduct of Senior Lender with respect thereto in the event Subordinate Lender forecloses its lien on the Property.

3. Waivers of Defenses. Subordinating Lender unconditionally and expressly, for the benefit and reliance of Senior Lender, absolutely waives and relinquishes any and all rights or claims which Subordinating Lender might at any time have to order or direct the order of sale of the Property, any portion thereof, or any other collateral for the Senior Loan, to require

marshalling of assets, to direct recourse to judicial or non judicial foreclosure under the Senior Deed of Trust, to object to appointment or institution of a receiver under the Senior Deed of Trust, to assert any and all principles of equitable subordination or alteration of priorities of the Senior Deed of Trust or any other security interest held by Senior Lender by reason of any course of dealing by Senior Lender, including, without limitation, any action, inaction, negligence, acceleration, failure to accelerate, forbearance, extension, modification, disbursement during a condition of default of the Senior Loan, disbursement of alleged "optional advances" under the Senior Loan, release of security for the Senior Loan, taking of additional security for the Senior Loan, lack of diligence by Senior Lender, failure of Senior Lender to give any notice or to pursue any remedy or security for the Senior Loan, or other prejudice of Subordinating Lender's remedies, to require presentment, protest, or dishonor of the Senior Promissory Note, or the notice thereof, statutes of limitation applicable to the Senior Loan, principles or defenses applicable to sureties or guarantors, and all other defenses, legal or equitable, whether provided by statute or by common law, the absolute, unconditional and permanent character of the subordinate character of the Subordinate Deed of Trust and acknowledges and agrees that until such time as the entire indebtedness secured by the Senior Deed of Trust is paid in full, the Subordinate Deed of Trust is irrevocably and entirely subordinate to the Senior Deed of Trust.

4. Acknowledgements. Subordinating Lender and SWC each declare, agree and acknowledge for the benefit and reliance of Senior Lender that: (a) it consents to and approves all provisions of the Senior Loan Documents; (b) Senior Lender in making disbursements pursuant to any Senior Loan Documents is under no obligation or duty to, nor has Senior Lender represented that they will, see to the application of such proceeds by the person or persons to whom Senior Lender disburse such proceeds, and any application or use of such proceeds for purposes other than those provided for in the Senior Loan Documents shall not impair or defeat the subordination herein made in whole or in part; and (c) Subordinating Lender intentionally and unconditionally waives, relinquishes, and subordinates in favor of Senior Lender the Subordinate Deed of Trust and all of its right, title and interest therein and thereunder, and understands that in reliance upon and in consideration of such subordination, waiver and relinquishment, specific loans, extensions and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being made and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

5. Consent to and Acknowledgment of Subordinate Security Interest. Senior Lender hereby consents to the Subordinate Deed of Trust and the other SWC Loan Documents and agrees that the granting of the Subordinate Deed of Trust shall not constitute an Event of Default (as defined in the Senior Loan Documents) under the Senior Loan Documents, notwithstanding anything to the contrary that may be contained therein.

6. Notice to Subordinating Lender. Senior Lender agrees to provide Subordinating Lender with copies of any and all notices given to SWC pursuant to the Senior Loan Documents simultaneously with and in the same manner as such notice is given to SWC.

7. Notice to Senior Lender. Subordinating Lender shall provide Senior Lender with copies of any and all notices given to SWC concerning any default under the SWC Loan

Documents or concerning the Property simultaneously with and in the same manner as such notice is given to SWC.

8. Senior Lender's Rights Unchanged. Subordinating Lender acknowledges and agrees that notwithstanding Senior Lender's consent hereunder to the SWC Loan Documents and notwithstanding Senior Lender's execution of this Subordination Agreement, if any provisions of the Senior Loan Documents are violated, whether by way of act or omission of Subordinating Lender or any other person or entity (and regardless of whether or not any act or omission of Subordinating Lender is permitted in the SWC Loan Documents), Senior Lender shall be entitled to exercise any and all of its rights and remedies under the Senior Loan Documents. Without limiting the generality of the first sentence of this Paragraph 8, Subordinating Lender acknowledges that the Senior Loan Documents contain restrictions on transfer of the Property, and that the transfers of all or any portion of the Property to any person, party or entity including but not limited to Subordinating Lender, whether by way of foreclosure sale under the Subordinate Deed of Trust or otherwise, shall constitute a default under the Senior Loan Documents entitling Senior Lender to exercise its rights and remedies thereunder.

9. No Further Obligations. Senior Lender and Subordinating Lender shall have no obligations to each other than as specifically provided in this Subordination Agreement.

10. Entire Agreement. This Subordination Agreement shall be the whole and only agreement with regard to (a) the subordination of the Subordinate Deed of Trust to the lien or charge of the Senior Deed of Trust in favor of the Senior Lender and (b) the priority of the Senior Loan and shall supersede and cancel any prior agreements as to such subordination and priority, including, without limitation, any and all agreements between SWC and Subordinating Lender providing the terms under which Subordinating Lender agreed to subordinate to financing furnished by Senior Lender or any other person (including but not limited to the SWC Loan Agreement), and Subordinating Lender absolutely waives the right to assert any provisions of such other agreement(s), if any, as a defense to the continuing absolute, unconditional character of this subordination.

11. No Transfer. Subordinating Lender shall not sell, assign, transfer, convey or in any way alienate all or any portion of its interest in the SWC Loan without the express written consent of Senior Lender, which consent may be withheld at Senior Lender's sole discretion.

12. Notices. Any notice, demand, or request required hereunder shall be given in writing (at the addresses set forth below) by any of the following means: (a) personal service; (b) electronic communication with a courtesy copy by U.S. First Class Mail; (c) internationally-recognized overnight courier; or (d) registered or certified, first class mail, return receipt requested.

If to SWC:

Jeff Miller  
103 N. Township St.  
Sedro-Woolley, WA 98284  
jeff@therjgroup.com  
(360) 856-2068

UNOFFICIAL  
If to Subordinating Lender: Molly Smith  
745 Bellevue Ave. E.  
#201  
Seattle, WA 98102  
maosmith@msn.com  
(206) 552-3553

If to Senior Lender: Paul Elis  
4606 Park Mirasol  
Calabasas, CA 91302  
(818)222-1035  
[paulelis@pmbcapital.com](mailto:paulelis@pmbcapital.com); and to

Bernard G. Lanz  
c/o The Lanz Firm, P.S.  
216 1<sup>st</sup> Avenue South, Ste. 333  
Seattle, WA 98104  
(206) 382-1827  
[bglanz@thelanzfirm.com](mailto:bglanz@thelanzfirm.com)

Such addresses may be changed by notice to the other party given in the same manner as provided above. Any notice, demand or request sent pursuant to either subsection (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch by electronic means and with respect to electronic communication, irrespective of the date of receipt of the mailed courtesy copy. Any notice, demand or request sent pursuant to subsection (c) shall be deemed received on the business day immediately following deposit with the overnight courier and, if sent pursuant to subsection (d), shall be deemed received seventy-two (72) hours following deposit in the mail.

13. Governing Law; Venue. This Subordination Agreement shall be interpreted under Washington law. Jurisdiction and venue shall be appropriate in any state court within Skagit County, Washington or the federal courts located in the Western District of Washington. Subordinating Lender waives any right Subordinating Lender may have to assert the doctrine of forum non-conveniens or to object to such venue and hereby consents to any court-ordered relief.

14. Captions and Headings. All captions and headings herein are for convenience only and shall not affect the construction and interpretation of this Subordination Agreement.

15. Capitalized Words. All initially capitalized words used but not defined herein shall have the meanings given to them in the Senior Loan Documents.

16. Construction. This Subordination Agreement has been negotiated through the efforts of the parties and their respective counsel, and the principle of construction against the drafting party shall have no application in the construction and interpretation of this Subordination Agreement.

17. Jury Trial. The parties hereby waive the right to trial by jury in any action or proceeding relating to this Subordination Agreement, any transaction under this Subordination Agreement or relating to this Subordination Agreement, or any claim (including tort or breach of duty claims) or dispute howsoever arising between Senior Lender and Subordinating Lender.

18. Time of Essence. Time is declared to be of the essence of this Subordination Agreement and every provision hereof.

19. Severability. If any term of this Subordination Agreement, or the application thereof to any person or circumstances, shall to any extent be invalid or unenforceable, the remainder of this Subordination Agreement, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and the remaining terms of this Subordination Agreement shall be valid and enforceable to the fullest extent permitted by law.

20. Consents. Wherever required under this Subordination Agreement, any consent, agreement or approval of Senior Lender shall be null and void unless it is evidenced by a written document executed by an authorized officer of Senior Lender.

21. Attorneys' Fees. In any action in law or equity, including any action for declaratory relief, or any action brought under the U.S. Bankruptcy Code, or any proceeding in arbitration brought by either Senior Lender or Subordinating Lender or as required by any court of competent jurisdiction, as the case may be, which is in any manner related to this Subordination Agreement or its breach, the prevailing party shall be entitled to recover from the other party the full amount of all reasonable expenses, including all costs and reasonable attorneys and experts fees actually paid or incurred by it in good faith, with prior to trial, at trial or on appeal, in addition to any other relief to which it may be entitled.

22. Negotiated Agreement. Senior Lender, Subordinating Lender and SWC acknowledge that this Subordination Agreement has been negotiated and that each party has had an opportunity to have the Subordination Agreement reviewed by legal counsel.

23. Counterparts. This Subordination Agreement may be executed in several counterparts, each of which shall be fully effective as an original and all of which together shall constitute one and the same instrument.





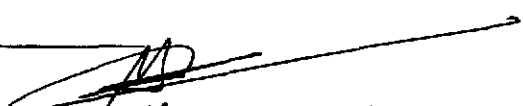
ACKNOWLEDGMENT PAGE TO BE ATTACHED TO THE FOLLOWING DOCUMENT:  
Subordination Agreement

State of Washington

County of King

I certify that I know or have satisfactory evidence that Molly Smith  
is/~~are~~ the person(~~s~~) who appeared before me, and said person(~~s~~) acknowledged that (~~he~~/she/~~they~~) signed  
this of instrument and acknowledged it to be (~~his~~/her/~~their~~) free and voluntary act for the uses and  
purposes mentioned in this instrument.

Dated: May 19, 2017

  
Name: Michael Guerette  
Notary Public in and for the State of Washington  
Residing at: Seattle  
My appointment expires: 20 May 2018

**Michael Guerette**  
Notary Public  
State of Washington  
Commission Expires May 20, 2018

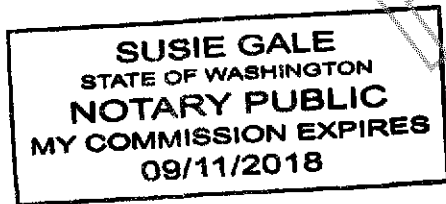
**SEDRO-WOOLLEY CORNER, LLC:**

By: [Signature]  
Robert Janicki, Member

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF Whatcom

I certify that I know or have satisfactory evidence that Robert Janicki is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Member of Sedro-Woolley, LLC, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 23<sup>rd</sup> day of May, 2017.



[Signature]  
Printed Name: Susie Gale  
Notary Public, State of Washington  
Residing in Bellingham  
My Commission Expires: 9/11/18

[signatures continue on next page]

## **SCHEDULE OF LENDERS**

Loan Number: Dept. 17-1190- Sedro Woolley 2

Polycomp Trust Company, Cust. F/B/O Lena Elis - IRA 3001850  
As to a 6.8837 % interest

Polycomp Trust Company, Cust. F/B/O Lena Elis - ROTH-IRA 3203392  
As to a 17.3949 % interest

Polycomp Trust Company, Cust. F/B/O Michael Elis - ROTH-IRA 3703417  
As to a 7.1311 % interest

Polycomp Trust Company, Cust. F/B/O Paul Elis -- IRA 3001852  
As to a 40.7257 % interest

Polycomp Trust Company, Cust. F/B/O Paul Elis -- ROTH-IRA 3203393  
As to a 17.2299 % interest

Polycomp Trust Company, Cust. F/B/O Ronald Weisheit bene of L. Weisheit  
Roth inherited IRA 3303419 As to a 2.9678 % interest

Polycomp Trust Company, Cust. F/B/O Wendy Elis - ROTH-IRA 3703418  
As to a 7.6669 % interest

Exhibit A

(Property Legal Description)

THE EASTERLY 300 FEET OF THE SOUTHERLY 150 FEET OF THE SOUTH 6 ACRES OF THE FOLLOWING DESCRIBED PROPERTY: THAT PORTION OF THE EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 23, TOWNSHIP 35 NORTH, RANGE 4 EAST, W.M., LYING NORTHERLY AND WESTERLY OF THE STATE HIGHWAY, AND SOUTHERLY OF A TRACT CONVEYED TO HAROLD MCGLINCHY BY DEED RECORDED UNDER AUDITOR'S FILE NO. 545940 IN VOLUME 283 OF DEEDS, PAGE 706, EXCEPT THE SOUTH 20 FEET THEREOF, AND EXCEPT RIGHT OF WAY FOR DRAINAGE DITCH. THE NORTH LINE OF SAID 6 ACRES BEING A LINE RUNNING FROM EAST TO WEST FROM THE EAST LINE OF SAID EAST HALF OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER TO THE WEST LINE THEREOF. EXCEPT ANY PORTION LOCATED IN THE BINDING SITE PLAN #8044 GATEWAY BINDING SITE PLAN AF# 200305190183

Tax Parcel Number: P37199.