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US BANK
COMMERCIAL REAL ESTATE
PO BOX 720 WWH 784
SEATTLE, WA 98111-0720

SKAC KATHY HILL
DIRECTOR

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FIRST AMERICAN TITLE CO.

usbank.

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SUBORDINATION AGREEMENT - DEED OF TRUST

Reference # (if applicable): 9711260131

Additional on page ____

Grantor(s):

1. SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership

Grantee(s)/Assignee/Beneficiary:

U.S. BANK NATIONAL ASSOCIATION, Beneficiary

U.S. Bank Trust Company, National Association, Trustee

DT # 9811250114

Legal Description: LOT 2 AND PTN OF LOT 3, SHORT PLAT NO.
MV-8-94, GOV'T LOT 7, 8-34-4

Additional on page ____

Assessor's Tax Parcel ID#: 340408-0-013-0003 and 340408-0-013-0400

NOTICE: THIS SUBORDINATION AGREEMENT 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.

THIS SUBORDINATION AGREEMENT dated November 13, 1998 is entered into among SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership ("Borrower"), FIRST AMERICAN TITLE INSURANCE COMPANY ("Trustee"), EVANGELICAL LUTHERAN SALEM CHURCH OF MT. VERNON, WASHINGTON ("Beneficiary") and U.S. BANK NATIONAL ASSOCIATION ("Lender").

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SUBORDINATED INDEBTEDNESS. Beneficiary has extended the following described financial accommodations (the "Subordinated Indebtedness") to SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership ("Trustor"):

A NOTE IN THE SUM OF \$188,300.00 DATED NOVEMBER 21, 1997, IN FAVOR OF SALEM VILLAGE LIMITED PARTNERSHIP..

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is secured by a deed of trust dated 11-21-1997 from Trustor to FIRST AMERICAN TITLE INSURANCE COMPANY as Trustee in favor of Beneficiary (the "Subordinated Deed of Trust") recorded in Skagit County, State of Washington as follows:

RECORDED NOVEMBER 26, 1997 UNDER AUDITOR'S NO. 9711260131.

REAL PROPERTY DESCRIPTION. The Subordinated Deed of Trust covers the following described real property (the "Real Property") located in Skagit County, State of Washington:

See Exhibit "A" attached hereto and incorporated herein.

The Real Property or its address is commonly known as **2619 North LaVenture Road, Mount Vernon, WA 98273.** The Real Property tax identification number is 340408-0-013-0003 and 340408-0-013-0400.

REQUESTED FINANCIAL ACCOMMODATIONS. Borrower, who may or may not be the same entity as Trustor, and Beneficiary each want Lender to provide financial accommodations to Borrower (the "Superior Indebtedness") in the form of (a) new credit or loan advances, (b) an extension of time to pay or other compromises regarding all or part of Borrower's present indebtedness to Lender, or (c) other benefits to Borrower. Now, therefore, Borrower and Beneficiary each represent and acknowledge to Lender that Beneficiary will benefit as a result of these financial accommodations from Lender to Borrower, and Beneficiary acknowledges receipt of valuable consideration for entering into this Agreement.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its deed of trust or other lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Deed of Trust.

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

SUBORDINATION. The Subordinated Deed of Trust and the Subordinated Indebtedness secured thereby is hereby subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is hereby agreed that Lender's Lien shall be and remain, at all times, prior and superior to the lien of the Subordinated Deed of Trust. Beneficiary also subordinates to Lender's Lien all other Security Interests in the Real Property held by Beneficiary, 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.

BENEFICIARY'S REPRESENTATIONS AND WARRANTIES. Beneficiary represents and warrants to Lender that: (a) no representations or agreements of any kind have been made to Beneficiary which would limit or qualify in any way the terms of this Agreement; (b) this Agreement is executed at Borrower's request and not at the request of Lender; (c) Lender has made no representation to Beneficiary as to the creditworthiness of Borrower; and (d) Beneficiary has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Beneficiary agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Beneficiary's risks under this Agreement, and Beneficiary further agrees that Lender shall have no obligation to disclose to Beneficiary information or material acquired by Lender in the course of its relationship with Borrower.

BENEFICIARY'S WAIVERS. Beneficiary 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 Superior Indebtedness 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 Agreement. In particular, without limitation, Lender may, without notice of any kind to Beneficiary, (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 thereof, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated

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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 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 thereof, as Lender in its discretion may determine; and (g) assign this Agreement in whole or in part.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Agreement shall remain in full force and effect. Any default by Borrower under the terms of the Subordinated Indebtedness also shall be a default under the terms of the Superior Indebtedness to Lender.

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

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Applicable Law. This Agreement has been delivered to Lender and accepted by Lender in the State of Washington. If there is a lawsuit, Beneficiary and Borrower agree upon Lender's request to submit to the jurisdiction of the courts of KING County, State of Washington. Subject to the provisions on arbitration, this Agreement shall be governed by and construed in accordance with the laws of the State of Washington. No provision contained in this Agreement shall be construed (a) as requiring Lender to grant to Borrower or to Beneficiary any financial assistance or other accommodations, or (b) as limiting or precluding Lender from the exercise of Lender's own judgment and discretion about amounts and times of payment in making loans or extending accommodations to Borrower.

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless made in writing and signed by Lender, Borrower, and Beneficiary.

Arbitration. Lender and Beneficiary and Borrower agree that all disputes, claims and controversies between them, whether individual, joint, or class in nature, arising from this Agreement or otherwise, including without limitation contract and tort disputes, shall be arbitrated pursuant to the Rules of the American Arbitration Association, upon request of either party. No act to take or dispose of any Collateral shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any Collateral, including any claim to rescind, reform, or otherwise modify any agreement relating to the Collateral, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Agreement shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

Attorneys' Fees; Expenses. Beneficiary and Borrower agree to pay upon demand all of Lender's costs and expenses, including attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement, and Beneficiary and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Beneficiary and Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Successors. This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement, and the covenants of Borrower and Beneficiary 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.

Waiver. Lender shall not be deemed to have waived any rights under this Agreement 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 Agreement 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 Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Beneficiary, shall constitute a waiver of any of Lender's rights or of any of Beneficiary's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, 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.

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NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

EACH PARTY TO THIS SUBORDINATION AGREEMENT - DEED OF TRUST ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND EACH PARTY AGREES TO ITS TERMS.

BORROWER:

SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership
By SALEM VILLAGE, a Washington nonprofit corporation, general partner

By: Kent Haberly
Kent Haberly, President

TRUSTEE:

FIRST AMERICAN TITLE INSURANCE COMPANY

By: Gale A. Schubert Its: Asst. Secretary

BENEFICIARY:

EVANGELICAL LUTHERAN SALEM CHURCH OF MT. VERNON, WASHINGTON

By: Donald E. Erickson Its: Congregation Pres.

LENDER:

U.S. BANK NATIONAL ASSOCIATION

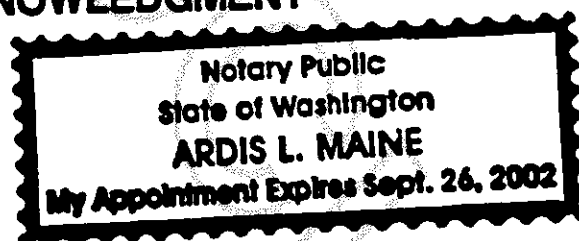
By: Karen Phong
Authorized Officer

PARTNERSHIP ACKNOWLEDGMENT

STATE OF Washington

) ss

COUNTY OF King



On this 24th day of November, 19 98, before me, the undersigned Notary Public, personally appeared Kent Haberly, President of SALEM VILLAGE, a Washington nonprofit corporation, general partner of SALEM VILLAGE LIMITED PARTNERSHIP, a Washington limited partnership, and personally known to me or proved to me on the basis of satisfactory evidence to be a partner or designated agent of the partnership that executed the Deed of Trust and acknowledged the Deed of Trust to be the free and voluntary act and deed of the partnership, by authority of statute or its Partnership Agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Deed of Trust and in fact executed the Deed of Trust on behalf of the partnership.

By: Ardis L. Maine
Notary Public in and for the State of Washington

Residing at Shoreline
My commission expires 9-26-02

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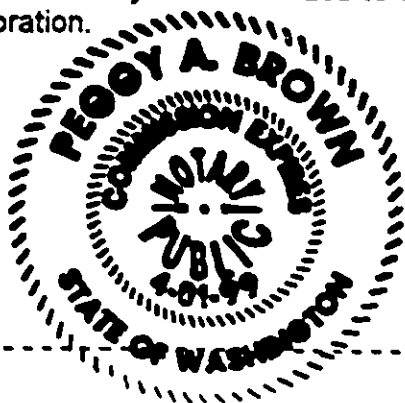
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CORPORATE ACKNOWLEDGMENT

STATE OF WASHINGTON

County of Skagit) ss.

THIS CERTIFIES that on this 25th day of November, 1998, before e, the undersigned Notary Public, personally appeared Gale A. Hickok of FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, and personally known to me or proved to me on the basis of satisfactory evidence to be the authorized agents of the corporation that executed the Subordination Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directs, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Agreement and in fact executed the Agreement on behalf of the corporation.



Before me:

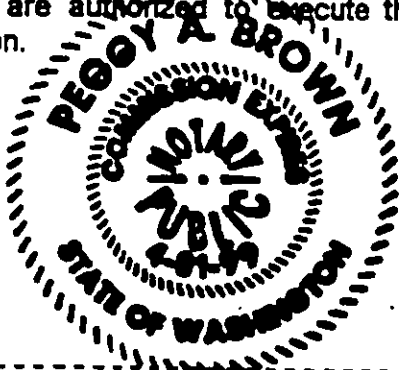
Peggy A. Brown
Notary Public in and for the State of Washington
Residing at: Burlington
My commission expires: 4-1-99

CORPORATE ACKNOWLEDGMENT

STATE OF WASHINGTON

County of Skagit) ss.

THIS CERTIFIES that on this 25th day of November, 1998, before e, the undersigned Notary Public, personally appeared Donald E. Hickok of SALEM LUTHERAN CHURCH, a Washington nonprofit corporation, and personally known to me or proved to me on the basis of satisfactory evidence to be the authorized agents of the corporation that executed the Subordination Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directs, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Agreement and in fact executed the Agreement on behalf of the corporation.



Before me:

Peggy A. Brown
Notary Public in and for the State of Washington
Residing at: Burlington
My commission expires: 4-1-99

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LENDER ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF King

JULIE C. ELLIS
NOTARY PUBLIC
STATE OF WASHINGTON
COMMISSION EXPIRES
APRIL 29, 2001

On this 27th day of November, 1998, before me, the undersigned Notary Public, personally appeared Karen Phang, and personally known to me or proved to me on the basis of satisfactory evidence to be the Vice President, authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender 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 that the seal affixed is the corporate seal of said Lender.

By Julie C. Ellis
Notary Public in and for the State of Washington

Residing at Edmonds, WA
My commission expires 4-29-01

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EXHIBIT "A"

The land referred to herein is situated in the County of Skagit, State of Washington, and is described as follows:

Lot 2, of Mt. Vernon Short Plat No. MV-8-94, approved July 1, 1997 and recorded July 1, 1997 under Auditor's File No. 9707010107 in Volume 13 of Short Plats, page 18, records of Skagit County, WA.

TOGETHER with that portion of Lot 3, of said Mt. Vernon Short Plat No. MV-8-94, described as follows:

Beginning at the Northeast corner of said Lot 3; thence North 87 degrees 57'29" West, along the North line of said Lot 3, a distance of 53.24 feet to an angle point in said Lot 3; thence South 21 degrees 12'42" West, along the boundary of said Lot 3, a distance of 57.20 feet; thence South 0 degrees 11'21" West, parallel with the East line of said Lot 3, a distance of 475.65 feet to a point on the North line of a 60.00-foot wide utility and access easement as shown on said short plat, said point lies North 87 degrees 57'29" West, 53.64 feet from the Southwest corner of Lot 2 of said short plat; thence South 87 degrees 57'29" East, along said North line, 53.64 feet to said Southwest corner; thence North 0 degrees 11'21" East, along said East line of Lot 3, also being the West line of said Lot 2, a distance of 229.71 feet to an angle point in said Lot 3, said angle point also being the Northwest corner of said Lot 2, thence South 87 degrees 57'29" East, along the North line of said Lot 2, a distance of 20.14 feet to an angle point in said Lot 3; thence North 0 degrees 11'21" East, along said East line of Lot 3, a distance of 300.00 feet to the POINT OF BEGINNING.

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