

RETURN ADDRESS:

Skagit State Bank
Arlington
20313 77th Ave NE
PO Box 100
Arlington, WA 98223



200308070139
Skagit County Auditor

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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): 5023739

Additional on page _____

Grantor(s):

1. JMJ INVESTMENTS INC

Grantee(s)

1. Skagit State Bank

Legal Description: PTN SW 1/4 OF 29-34-4 E W.M.

Additional on page _____

Assessor's Tax Parcel ID#: 340429-3-020-0102; 340429-3-020-0201

THIS SUBORDINATION AGREEMENT - LEASE dated July 14, 2003, is made and executed among JMJ INVESTMENTS INC ("Lessor"); JMJ INVESTMENTS INC ("Borrower"); and Skagit State Bank ("Lender").

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SUBORDINATION AGREEMENT - LEASE
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LEASE. Lessor has executed one or more leases of the following described property (the "Subordinated Lease").

REAL PROPERTY DESCRIPTION. The Lease covers a portion of the following described real property located in SKAGIT County, State of Washington:

See EXHIBIT A-1, which is attached to this Subordination and made a part of this Subordination as if fully set forth herein.

The Real Property or its address is commonly known as 2626 & 2630 HENSON ROAD, MOUNT VERNON, WA 98273. The Real Property tax identification number is 340429-3-020-0102; 340429-3-020-0201

REQUESTED FINANCIAL ACCOMMODATIONS. Lessor and Lessor each want Lender to provide financial accommodations to Lessor 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 Lessor's present indebtedness to Lender, or (C) other benefits to Lessor. Lessor each represent and acknowledge 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.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that Lender's Lien be and remain superior to the Subordinated Lease.

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

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 Superior Indebtedness 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, without notice of any kind to Lessor, (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 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 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), surveys, 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 Borrower'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.

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Governing Law. This Subordination will be governed by, construed and enforced in accordance with federal law and the laws of the State of Washington. This Subordination has been accepted by Lender in the 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 and 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.

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 ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED JULY 14, 2003.

BORROWER:

JMJ INVESTMENTS INC

By: Mark J Nelson
MARK J NELSON, President of MJM INVESTMENTS INC

By: James C Nelson
JAMES C NELSON, Vice President of MJM INVESTMENTS INC

LESSOR:

JMJ INVESTMENTS INC

By: Mark J Nelson
MARK J NELSON, President of MJM INVESTMENTS INC

By: James C Nelson
JAMES C NELSON, Vice President of MJM INVESTMENTS INC

LENDER:

X Amie M Pegram
Authorized Officer

AVP/Bench Manager

CORPORATE ACKNOWLEDGMENT

STATE OF Washington

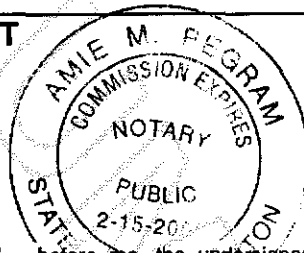
COUNTY OF Snohomish

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) SS
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On this 14th day of July, 2003, before me, the undersigned Notary Public, personally appeared **MARK J NELSON, President of MJM INVESTMENTS INC; JAMES C NELSON, Vice President of MJM INVESTMENTS 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: Amie M Pegram
Notary Public in and for the State of WA

Residing at Arlington
My commission expires 2-15-05

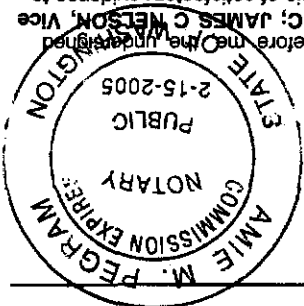


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SUBORDINATION AGREEMENT - LEASE

(Continued)

CORPORATE ACKNOWLEDGMENT



On this 14th day of July, 2003, before me, the undersigned Notary Public, personally appeared MARK J NELSON, President of JMJ INVESTMENTS INC., JAMES C NELSON, Vice President of JMJ INVESTMENTS 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 James C Nelson
Residing at Huntington
My commission expires 2-15-05

LENDER ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF Snohomish
On this 5th day of August, 2003, before me, the undersigned Notary Public, personally appeared James C Nelson and personally known to me or proved to me on the basis of satisfactory evidence to be the James C Nelson authorized agent for the Lender that executed the within and foregoing instrument to be the free and voluntary act and deed of the said Lender, duly authorized by its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By James C Nelson
Residing at Mount Vernon
My commission expires 10-20-2006

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ALTA COMMITMENT

Order No.: 107158-P

EXHIBIT A-1

DESCRIPTION:

PARCEL "A":

That portion of the Southwest ¼ of Section 29, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at a point 50 feet Southeasterly (when measured radially) from Highway Engineer's Station F 9 2+00, as shown on Washington State Highway Department right of way map SR 5 MP222.08 to MP225.62, Johnson Road to Blackburn Street, Sheet 9 of 23 sheets, latest revision date September 10, 1971, said point being on a 250 foot radius curve concave to the Southeast, a radial at said point bearing South 74°58'06" East; thence Northerly along said curve 132.00 feet; thence South 45°07'01" East 145.49 feet to a point on the Northwestern margin of the DL Ramp, as shown on said map; thence South 24°15'30" West 96.00 feet to a point 110 feet Northerly from (when measured at right angles to) Highway Engineer's Station A16+00; thence South 84°40'07" West 100.50 feet to a point 100 feet Northerly from (when measured at right angles to) Highway Engineer's Station A15+00; thence North 18°34'00" West 91.47 feet to the point of beginning.

Situate in the County of Skagit, State of Washington.

PARCEL "B":

That portion of the Southwest ¼ of Section 29, Township 34 North, Range 4 East, W.M., Skagit County, Washington, described as follows:

Beginning at a point 50 feet Southeasterly (when measured radially) from Highway Engineer's station F9 2+00 as shown on Washington State Highway Department right of way map SR5 MP222.08 to MP225.62, Johnson Road to Blackburn Street, sheet 9 of 23 sheets, latest revision date September 10, 1971, said point being on a 25 foot radius curve concave to the Southeast a radial at said point bearing South 74°58'06" East; thence Northerly along said curve 132.00 feet to the true point of beginning; thence South 45°07'01" East, 145.49 feet to a point on the Northwestern margin of the DL ramp as shown on said map; thence North 24°15'30" East along said Northwestern margin 256.63 feet to a point 250 feet Westerly (when measured radially) from station 67+00 on the centerline of said SR5; thence North 20°02'30" East 125.54 feet to a point 50 feet Southeasterly (when measured radially) from station F9 7+50 as shown on said map, said point being on a 500 foot radius curve concave to the Northwest, a radial at said point bearing North 58°44'02" West; thence Southerly along said curve 158.07 feet to a point 50 feet Southeasterly (when measured at right angles) from station F9 PC5+57.74; thence South 49°22'45" West 179.90 feet to a point 50 feet Southeasterly from station F9 PT3+79.85, said point being the point of curvature of a 250 foot radius curve to the left; thence Southerly along said curve 17.87 feet to the true point of beginning.

Situate in the County of Skagit, State of Washington.



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