



200609270124

Skagit County Auditor

9/27/2006 Page

1 of

7 11:37AM

After Recording Mail To:

FIRST HORIZON HOME LOAN CORPORATION  
Attn: Construction Lending  
Mail Code 7565  
5808 Lake Washington Boulevard, Suite 400  
Kirkland, WA 98033

CHICAGO TITLE IC39828

Loan No. 9654190201

**SUBORDINATION AGREEMENT**

GRANTOR: SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT #304  
(Subordinator) d/b/a United General Hospital, a Washington municipal corporation

GRANTEE: FIRST HORIZON HOME LOAN CORPORATION, a  
(Lender) Kansas corporation

LEGAL Ptn NE, Sec 27 T35N, R4EWM  
DESCRIPTION The complete legal description is on Exhibit A.

ASSESSOR'S PROPERTY TAX PARCEL ACCOUNT NUMBERS:  
350427-1-002-0102; 350427-1-003-0100; and 350427-1-020-0008

RECORDING NO. OF RELATED DOCUMENTS: 200609270119  
200609270121

THIS AGREEMENT AND CERTIFICATE dated September 25, 2006, between FIRST HORIZON HOME LOAN CORPORATION, a Kansas corporation, ("**Lender**") and SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT #304 d/b/a United General Hospital, a Washington municipal corporation ("**Subordinator**").

## Agreement

Lender and Subordinator agree as follows:

1. **Loan.** J&J SKAGIT LLC, a Washington limited liability company ("**Borrower**") is the owner of a leasehold interest in real property ("**Property**") located in Skagit County, Washington, and legally described on Exhibit A. Lender has agreed to make a loan ("**Loan**") to Borrower, secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement, and Fixture Filing ("**Deed of Trust**") encumbering the Property. The Deed of Trust was recorded on September 27, 2006, under Skagit County Recording No. 200609270121.
2. **Purchase Option.** Subordinator has a purchase option ("**Purchase Option**") to acquire Borrower's interest in the Property as described in the \_\_\_\_\_ Memorandum of Option to Purchase Real Property recorded under Skagit County Recording No. 200609270119. Lender's agreement to make the Loan is conditioned on Subordinator's subordination of the Purchase Option to the Deed of Trust.
3. **Subordination.**
  - 3.1 The Purchase Option is hereby acknowledged by Subordinator to be subject and subordinate to the Deed of Trust.
  - 3.2 Subordinator acknowledges and agrees that as a condition to Subordinator's exercise of the Purchase Option, Subordinator shall pay the entire purchase price to Lender at the address shown at the top of the first page of this Agreement.
4. **Costs and Attorney Fees.** In the event of any claim or dispute arising out of this Agreement, the party that substantially prevails shall be awarded, in addition to all other relief, all attorney fees and other costs and expenses incurred in connection with such claim or dispute; including without limitation those fees, costs, and expenses incurred before or after suit, and in any arbitration, and any appeal, any proceedings under any present or future bankruptcy act or state receivership, and any post-judgment proceedings.
5. **Notices.** Any notice, offer, acceptance, demand, request, consent, or other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given or made: (a) upon delivery, if personally delivered to a party; (b) on the date of dispatch, if by facsimile transmission to a party with confirmation of successful transmission; (c) one business day after deposit, if sent to a party by a nationally recognized courier service offering guaranteed overnight delivery; or (d) three business days after deposit in the United States first class mail, certified mail, postage prepaid, return receipt requested addressed to a party. A communication will be deemed to be properly



addressed if provided to a party at its address set forth herein. A party may at any time during the term of this Agreement change the address to which notices and other communications directed to it must be sent by providing written notice of a new address within the United States to the other parties to this Agreement.

6. **Additional Terms.** This Agreement may not be modified except in writing and executed by the parties hereto or their successors in interest. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns. As used herein, "**Borrower**" shall include Borrower's predecessors and successors in interest in the Property, and "**Lender**" shall include any purchaser of the Property at any foreclosure sale. If any provision of this Agreement is determined to be invalid, illegal or unenforceable, such provision shall be considered severed from the rest of this Agreement and the remaining provisions shall continue in full force and effect as if such provision had not been included. This Agreement shall be governed by the laws of the State of Washington.
7. **Execution.** This Agreement may be executed in several counterparts and all so executed shall constitute one Agreement, binding on all the parties hereto even though all the parties are not signatories to the original or the same counterpart. Delivery of a facsimile or other copy of a signed version of this Agreement has the same effect as delivery of an original.


**[Signatures on following page]**



IN WITNESS WHEREOF, Subordinator and Lender have signed this Agreement as of the date first written above.


**"Lender"**

FIRST HORIZON HOME LOAN CORPORATION, a Kansas corporation

By:   
Name: WILLIAM L. GLENN  
Title: V.P.

**"Subordinator"**

SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT #304 d/b/a United General Hospital, a Washington municipal corporation

By:   
Name: Greg Paul  
Title: CEO

CONSENTED AND AGREED TO:

**"Borrower"**

J&J SKAGIT LLC, a Washington limited liability company

By:   
John S. Teutsch, Manager

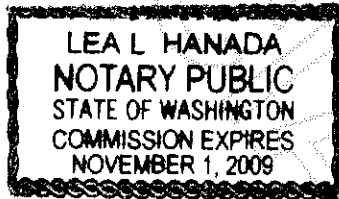
By:   
John Walker, Manager



STATE OF WASHINGTON )  
 )  
County of King ) ss.

I certify that I know or have satisfactory evidence that WILLIAM A. GLENN is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the VICE PRESIDENT of **FIRST HORIZON HOME LOAN CORPORATION** to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 26<sup>th</sup> day of September, 2006.



Lea L. Hanada  
Notary Public in and for the State of Washington,  
residing at Belleme  
Name (printed or typed) LEA L. HANADA  
My appointment expires: 11-01-09

STATE OF WASHINGTON )  
 )  
County of Skagit ) ss.

I certify that I know or have satisfactory evidence that Greg Reed is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the CEO of **SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT #304 d/b/a United General Hospital**, a Washington municipal corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 20<sup>th</sup> day of September, 2006.



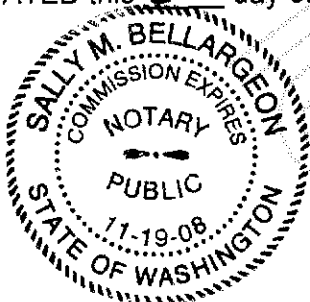
Cindy Lou Warren  
Notary Public in and for the State of Washington  
Cindy Lou Warren  
Name (printed or typed)  
residing at Sedro Woolley  
My appointment expires: April 14, 2009



STATE OF WASHINGTON )  
 )  
County of King ) ss.

I certify that I know or have satisfactory evidence that John S. Teutsch 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 a Manager of **J&J SKAGIT 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 25<sup>th</sup> day of September, 2006.

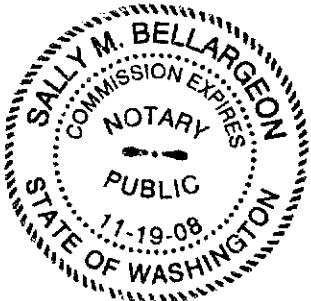


Sally M. Bellargeon  
Notary Public in and for the State of Washington,  
residing at 936 N. 78<sup>th</sup> ST Seattle, WA  
Sally M. Bellargeon  
Name (printed or typed)  
My appointment expires: 11-19-08

STATE OF WASHINGTON )  
 )  
County of King ) ss.

I certify that I know or have satisfactory evidence that John Walker 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 a Manager of **J&J SKAGIT 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 25<sup>th</sup> day of September, 2006.



Sally M. Bellargeon  
Notary Public in and for the State of Washington,  
residing at 936 N. 78<sup>th</sup> ST Seattle, WA  
Sally M. Bellargeon  
Name (printed or typed)  
My appointment expires: 11-19-08



**EXHIBIT A**

**LEGAL DESCRIPTION**

A leasehold interest in realty located in Skagit County, Washington, legally described as follows:

**Building Legal Description**

That portion of the west half of the southeast quarter of the northeast quarter of Section 27, Township 35 North, Range 4 East, Willamette Meridian, described as follows:

Commencing at the southeast corner of Parcel F as shown on survey for United General Hospital Dist. #304, recorded April 29, 2005, under Auditor's File Number 200504290057; records of Skagit County Washington; thence S 61°42'33" W along the south line of Parcel F and Parcel B of said survey, a distance of 347.16 feet to the most southerly corner of Parcel B; thence N 56° 49'37" W along the south line of said Parcel B, a distance of 41.43 feet; thence N 00°00'00" E, a distance of 323.41 feet to the point of beginning of this description; thence N 90°00'00" E, a distance of 343.05 feet to the east line of said Parcel F; thence N 00°50'50" E along the east line of said Parcel F, a distance of 153.80 feet to the northeast corner of said Parcel F; thence S 88°21'23" E along the south line of Parcel G of said survey, a distance of 96.70 feet to the southeast corner of said Parcel G; thence N 00°50'50" E along the east line of said Parcel G, a distance of 50.00 feet to the south line of the north 50 feet of said Parcel G; thence N 88°21'23" W along the south line of said north 50 feet, a distance of 442.91 feet; thence S 00°00'00" W, a distance of 213.71 feet to the point of beginning of this description.

Situate in the City of Sedro Woolley, Skagit County, Washington.



200609270124

Skagit County Auditor