

When Recorded Return to:
Debbie Shipman
Northwest Business Development Association
9019 E. Appleway Blvd., Suite 200
Spokane Valley, WA 99212



201107140033
Skagit County Auditor

7/14/2011 Page 1 of 9 12:35PM

LAND-TITLE OF SKAGIT COUNTY

139679-0

R72677

REF NO. 201107140032

SBA Loan Name: All About Hearing, Inc.
SBA Loan Number: 2595226002

Reference Number(s) of
Document Subordinated: 200705080139

Grantor(s): U.S. Small Business Administration

Grantee(s): Peoples Bank

Legal Description: Lots 4 and 5 and the west ½ of Lot 6, Block 2, "SUPPLEMENTAL PLAT OF KNUTZEN'S ADDITION TO THE TOWN OF BURLINGTON," as per plat recorded in Volume 4 of Plats, Page 7, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington

Tax Parcel ID #: 4089-002-006-006

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference on July 1, 2011 and is by and between Malibu Properties, LLC, a Washington limited liability company ("Owner"), Peoples Bank ("Lender"), and the Small Business Administration, an agency of the United States of America ("SBA").

RECITALS:

Owner executed a Deed of Trust dated May 2, 2007 and an Assignment of Lease and Cash Collateral dated May 2, 2007, to secure a note in the sum of \$148,000.00 in favor of Northwest Business Development Association ("CDC"). This Deed of Trust was recorded on May 8, 2007, as Auditors No. 200705080139 at Skagit County. This Assignment of Lease and Cash Collateral was recorded on May 8, 2007, as Auditor No.

200705080142 at Skagit County. The Deed of Trust and Assignment of Lease has been assigned by CDC to SBA and will be referred to herein as the "SBA Security Instrument."

Owner has also executed, or is about to execute, a Deed of Trust to secure a note not to exceed \$184,000, dated 7/7/2011, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith. **Recorded under Auditor File No. 201107140032**

As a condition precedent to Lender's performance under the loan agreement, the SBA Security Instrument must be subordinated to the Lender's Security Instruments. SBA is willing to subordinate the lien of the SBA Security Instrument provided it retains its lien priority with respect to all other legal or equitable interest in the property.

AGREEMENT:

In consideration of the mutual benefits accruing to the parties and to induce Lender to make a loan to Owner, it is hereby agreed and understood as follows:

- (1) Lender's Security Instruments, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA Security Instrument.
- (2) Lender would not make its loan without this Subordination Agreement.
- (3) Except as expressly provided herein, this agreement shall not operate or be construed to alter the priority of the SBA Security Instrument with regard to any legal or equitable interest in the property. Owner and Lender shall hold SBA harmless from any impairment of its lien (with regard to any third party) which is occasioned by this subordination.
- (4) SBA's agreement to subordinate its lien interest to that of the Lender is expressly conditioned on the following:
 - a.) Lender and Owner's execution of this agreement.
 - b.) All guarantors' written consent to this agreement.

This Agreement is void if these conditions are not met.

- (5) All proceeds of Lender's loans must be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument, plus customary closing costs. Any other use of proceeds not described herein shall void this Agreement.
- (6) Compliance with 504 Loan Program Requirements. Lender confirms that the note evidencing the Lender Loan, any lien instruments securing the Lender Loan, and all other documents executed in connection with the Lender Loan ("Lender's Loan Documents") (a) have no open-ended features and allow



reasonable future advances only for the costs of collection the obligor is liable for under the Lender's Loan Documents, maintaining collateral, and/or protecting the lien(s) securing the Lender Loan, (b) are not cross-collateralized with any other financing now or hereafter to be provided by Lender, (c) have no early call features, (d) are not payable on demand unless the Lender Loan is in default, (e) have a term that at least equals, and do not require a balloon payment prior to, the term of the previous Third Party Lender Loan unless SBA has approved a shorter term, (f) have a reasonable interest rate that does not, and will not, exceed the maximum interest rate for a Third Party Loan as published by SBA and in effect as of the date of this Agreement, and (g) do not establish a preference in favor of Lender, as compared to CDC and SBA, related to making, servicing, or liquidating the Lender Loan (including but not limited to, with respect to repayment, collateral, guarantees, control, maintenance of a compensating balance, purchase of a certificate of deposit, or acceptance of a separate or companion loan) other than Lender's senior lien position(s) on the Collateral. Lender agrees that if Lender's Loan Documents or any provision therein does not comply with these requirements, then Lender waives its right to enforce any such non-complying document or provision unless Lender has obtained the prior written consent of CDC and/or SBA permitting such enforcement.

(7) Subordination of Default Charges. "Default Charges" mean any prepayment penalties, fees, or charges incurred in prepaying the Lender Loan, in whole or in part, prior to the stated maturity; any late fees or charges due in connection with the Lender Loan; any escalated, increased, or default interest charged in excess of the rate of interest in Lender's note absent a default, event of default, or other delinquency; and any other default charges, penalties, or fees of any nature whatsoever due because of a default, event of default, or other delinquency in connection with the Lender Loan. Lender hereby subordinates the collection of any Default Charges to the collection by CDC and/or SBA of the 504 Loan and, to the extent that Lender's Loan Documents secure any Default Charges, Lender hereby subordinates such lien(s) to the lien(s) securing the 504 Loan.

(8) Notice of Default Under the Lender Loan. If any default, event of default or delinquency, upon which Lender intends to take action, occurs under the Lender's Loan Documents, then Lender agrees to give CDC and SBA written notice of such default, event of default or delinquency and the opportunity to cure the default, event of default, or delinquency and bring the Lender Loan current or to purchase Lender's note, provided that the amount to bring the Lender Loan current or to purchase Lender's note will be net of all amounts attributable to Default Charges. Lender further agrees that if Lender receives from CDC or SBA any amounts attributable to Default Charges, then Lender will immediately remit such amounts to SBA. Notice hereunder must be given within thirty (30) days after the default, event of default or delinquency upon which Lender intends to take action and at least sixty (60) days prior to the date of any proposed sale of Collateral and Lender will not sell all or any portion of the Collateral without giving CDC and the SBA



such notice. A default in the obligation secured by the Lender's Mortgage may be cured (including purchase of the property at foreclosure sale) by the SBA via cash, certified funds, or a United States Treasury check, at the option of the SBA. Notice under this Agreement shall be deemed to have been given when sent by certified or registered mail, return receipt requested, addressed, as the case may be, to Northwest Business Development Association (CDC) at 9019 E. Appleway Blvd., Ste. 200, Spokane Valley, WA 99212, Attention: Servicing, and also to the SBA at 801 R Street, Suite 101, Fresno, California 93721.

(9) Collection and Liquidation. In the event that either the Lender Loan or the 504 Loan is declared in default; Lender, CDC and SBA agree to cooperate in liquidating and/or selling the Collateral. Lender agrees (a) to accept cash, certified funds or a U.S. Treasury check(s) in connection with any purchase of Lender's note or any foreclosure or liquidation bid by CDC or SBA; (b) to provide CDC and SBA with the loan payment status, loan payment history, and an itemized payoff statement of the Lender Loan; (c) to provide CDC and SBA with copies of any appraisals, environmental investigations, or title examinations or searches of the Collateral conducted by or for Lender; and (d) to provide any other information about Borrower or the Lender Loan requested by CDC and/or SBA in writing.

(10) No Implied Third Party Beneficiaries. Except to the extent stated in this Agreement, this Agreement does not modify or affect otherwise any other agreement that either party may have with third parties, including but not limited to, Borrower. This Agreement also does not grant any right, benefit, priority, or interest to any third parties, including but not limited to, Borrower.

(11) Successors and Assigns. This Agreement shall inure to the benefit of and bind the respective parties to this Agreement and their respective heirs, successors and assigns, including any party acquiring the Lender Loan or Lender's Loan Documents by sale, assignment, or other transfer.

(12) Federal Law. When SBA is the holder of the note evidencing the 504 Loan, this Agreement and all documents evidencing or securing the 504 Loan will be construed in accordance with federal law. CDC or SBA may use local or state procedures for purposes such as filing papers, recording documents, giving notice, foreclosing liens, and other purposes. By using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax, or liability. No Borrower or guarantor of the 504 Loan may claim or assert against SBA any local or state law to deny any obligation of Borrower, or defeat any claim of SBA with respect to the 504 Loan.

(13) Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together constitute one and the same instrument.



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UNITED STATES SMALL BUSINESS ADMINISTRATION,
AN AGENCY OF THE UNITED STATES OF AMERICA



By: *Michelle Serrano*
Michelle Serrano
Superior Pacific

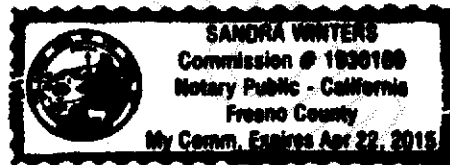
State of California)
)
County of Fresno)

On Jul 1 2011 before me, SANDRA WINTERS, a Notary Public, personally appeared MICHELLE SERRANO, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature *Sandra Winters*

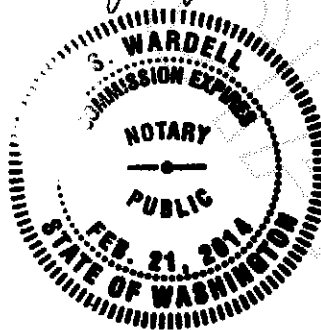


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STATE OF WASHINGTON)
) ss.
County of)

I certify that I know or have satisfactory evidence that Diane M. Fox signed this instrument on oath and stated that she is authorized to execute the instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: July 13, 2011.



S. Wardell
NOTARY PUBLIC in and for the State
of WA, residing at mt Vernon
My appointment expires: 2-21-14



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