

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



201201260128  
Skagit County Auditor

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CHICAGO TITLE  
620014168

SBA Loan Name: Anaco Inn  
SBA Loan Number: 2128386005

Reference Number(s) of  
Document Subordinated: 200610310173 and 201201260127

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

Grantee(s): Peoples Bank

**Legal Description:**

**PARCEL A:**

The West 5 feet of Lot 2, all of Lot 3, and the East one-half of Lot 4, Block 2, STEWART'S FIRST ADDITION TO THE CITY OF ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, page 14, records of Skagit County, Washington;

**PARCEL B:**

Lot 2, Block 2, EXCEPT the West 5 feet, STEWART'S FIRST ADDITION TO THE CITY OF ANACORTES, as per plat thereof recorded in Volume 2 of Plats, page 14, records of Skagit County, Washington;

**PARCEL C:**

Lot 29, NELSON'S ADDITION TO ANACORTES, according to the plat thereof recorded in Volume 2 of Plats, page 102, records of Skagit County, Washington;

ALL situated in Skagit County, Washington.

For APN/Parcel ID(s): P60408, 3833-002-004-0009, P58107 and 3807-020-029-0004

**SUBORDINATION AGREEMENT**

THIS AGREEMENT is dated for reference on January 5, 2012 and is by and between Balkaran Limited Liability Co. (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 an Assumption Agreement dated December 20, 2011 of a Deed of Trust dated October 25, 2006, to secure a note in the sum of \$482,000.00 in favor of Northwest Business Development Association ("CDC"). This Deed of Trust was recorded on October 31, 2006, as Auditor's number 200610310173 at Skagit County. The Deed of Trust 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 \$596,000.00, dated 1/25/12, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith.

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



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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



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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



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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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BALKARAN LIMITED LIABILITY CO. (LLC)  
a Washington, limited liability company

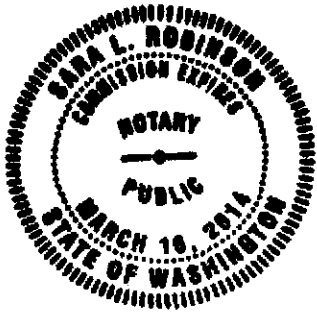
  
JAGDEEP S. SANDHU, MEMBER


  
KULJIT K. SHOKER, MEMBER

STATE OF WASHINGTON )  
                                      ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that JAGDEEP S. SANDHU and KULJIT K. SHOKER signed this instrument on oath and stated that they are authorized to execute the instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: January 25, 2012.



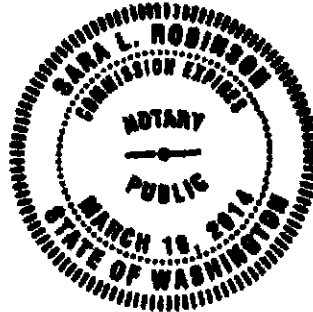
  
NOTARY PUBLIC in and for the State  
of Washington, residing at Bellingham WA  
My appointment expires: March 16, 2014



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Jagdeep S. Sandhu  
JAGDEEP S. SANDHU, Individually

STATE OF WASHINGTON )  
 ) ss.  
County of Skagit )



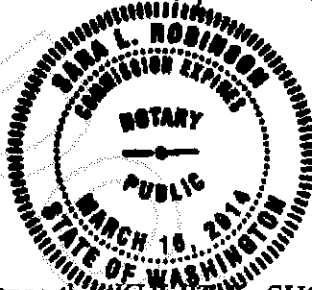
I certify that I know or have satisfactory evidence that JAGDEEP S. SANDHU signed this instrument on oath and stated that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: January 25, ~~2011~~ <sup>2012</sup>

Sara L. Robinson  
NOTARY PUBLIC in and for the State  
of Washington, residing at Bellevue WA  
My appointment expires: March 16, 2014

Kuljit K. Shoker  
KULJIT K. SHOKER, Individually

STATE OF WASHINGTON )  
 ) ss.  
County of Skagit )



I certify that I know or have satisfactory evidence that KULJIT K. SHOKER 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: January 25, ~~2011~~ <sup>2012</sup>

Sara L. Robinson  
NOTARY PUBLIC in and for the State  
of Washington, residing at Bellevue WA  
My appointment expires: March 16, 2014



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

By:

Michelle Senando, Esq. (Signature)

State of California )

County of Fresno )

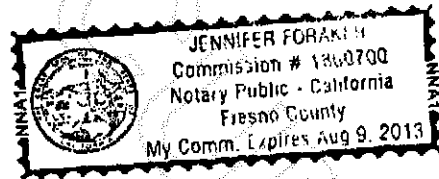
On January 10, 2012 before me, Jennifer Foraker, a Notary Public, personally appeared Michelle Senando, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~ they executed the same in 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 \_\_\_\_\_

(Signature)



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**LENDER:**

PEOPLES BANK

By: *[Signature]*

Name: \_\_\_\_\_

Title: *Vice President*

STATE OF WASHINGTON )  
 ) ss.  
County of Skagit )

I certify that I know or have satisfactory evidence that *Alice Takehara*  
signed this instrument and acknowledged it as *Vice President* of  
PEOPLES BANK to be the free and voluntary act, of such corporation, for the uses and  
purposes mentioned in the instrument.

DATED: *January 15*, 2012.

*Sara L. Robinson*  
NOTARY PUBLIC in and for the State  
of Washington, residing at *Bellingham WA*  
My appointment expires: *March 16, 2014*

