

Return Address

Northwest Business Development Assoc.  
9019 E. Appleway Blvd., Suite 200  
Spokane Valley, WA 99212



201206260079

Skagit County Auditor

6/26/2012 Page

1 of 14 4:02PM

LAND TITLE OF SKAGIT COUNTY

142746-0

THIRD PARTY LENDER AGREEMENT

Reference #: \_\_\_\_\_ Additional on page \_\_\_\_\_

Grantor: SKAGIT STATE BANK

Additional on page \_\_\_\_\_

Grantee: NORTHWEST BUSINESS DEVELOPMENT ASSOCIATION

Abbreviated Legal Description:

Parcels A & B, BLA Survey #201005120047; Ptn NW SW & Ptn  
SW NW, 4-34-2 E.W.M.

For a full legal description please see Exhibit "A"  
attached hereto and made a part herein by reference.

Assessor's Tax Parcel ID Nos.: 340204-2-001-0009 and  
340204-0-046-0000



## THIRD PARTY LENDER AGREEMENT

THIS THIRD PARTY LENDER AGREEMENT (Agreement) is dated this 21<sup>st</sup> day of June, 20 12, by and between Skagit State Bank,  
(Third Party Lender) whose address is 1400 Commercial Ave, Anacortes, WA 98221,  
and Northwest Business Development Association, (CDC)  
whose address is 9019 E. Appleway Blvd., Ste 200, Spokane Valley, WA 99212.

### RECITALS

1. As described in the "Authorization for Debenture Guarantee (SBA 504 Loan)," as amended (Authorization), and as detailed below, the Third Party Lender will provide term financing (Third Party Loan), and the CDC will provide a loan (the 504 Loan) funded by a debenture issued by the CDC and guaranteed by the U.S. Small Business Administration (SBA), to Borrower and Operating Company, if any, identified below (collectively, Borrower) for purposes of financing the Project described in the Authorization, which involves the acquisition and/or improvement of the real and/or personal property described below, and in Exhibit A attached hereto and incorporated herein by reference (Project Property):

SBA Loan #: 5192345006

SBA Loan Name: Bayside Fitness LLC

Borrower: D & D Landholding Co. LLC and Bayside Fitness LLC

Operating Company (if any): Bayside Fitness LLC

Third Party Loan Amount: \$ 782,500.00

Term of Third Party Loan: 10 years

If Real Property – Project Property Address:

Street address: 8212 South March Point Road

City, State, Zip code: Anacortes, WA, 98221-

Attach Legal description as Exhibit A

If Personal Property: Describe property, including name of manufacturer, name of equipment, and applicable serial number(s) or other identifying numbers for property valued at \$5000 or more. If needed, attach a more complete description as Exhibit A.

2. The parties have required the Borrower to grant liens or security interests in the Project Property to secure the separate loans advanced by the parties (Common Collateral), and the lien or security interest held by CDC (CDC Lien) will be junior and subordinate to the lien or security interest held by the Third Party Lender (Third Party Lender Lien), unless CDC and SBA agree otherwise in writing.



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### TERMS AND CONDITIONS

In consideration of the above factual recitals, the mutual agreements set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amount of Third Party Loan. The Third Party Lender represents that the Third Party Loan is fully advanced and does not and will not exceed the amount allowed in the Authorization.
2. Subordination of 504 Loan. CDC agrees to make the 504 Loan to the Borrower, subject to SBA's approval, and accept a junior and subordinate position in the Common Collateral upon the condition that Third Party Lender executes this Agreement and makes the Third Party Loan.
3. Accurate Information. The Third Party Lender warrants and represents that all information provided to CDC, including, without limitation, all information regarding the Borrower's financial condition, is accurate to the best of its knowledge and that Third Party Lender has not withheld any material information. Third Party Lender acknowledges that for purpose of this transaction, CDC is acting on behalf of the SBA, an agency in the United States Government, except that SBA accepts no liability or responsibility for any wrongful act or omission by CDC. Third Party Lender further acknowledges that any false statements to CDC can be considered a false statement to the SBA, and that CDC and the SBA are relying upon the information submitted by the Third Party Lender.
4. Waiver of Provision Not to Encumber Common Collateral. If any of the Third Party Lender's documents evidencing the Third Party Loan and/or Third Party Lender Lien contain provisions that prohibit further encumbrances on the Common Collateral or subordinate debt by the Borrower or which restrict Borrower's ability to assign its lease on, or rents, income or profits from, the Common Collateral, then Third Party Lender waives its right to enforce such provisions as they may apply to the 504 Loan and the CDC Lien.
5. Compliance with 504 Loan Program Requirements. Third Party Lender agrees that all documents evidencing the Third Party Loan and the Third Party Lender Lien will comply with the 504 Loan Program requirements as established by the SBA and including those identified in the following subparagraphs and in the event that it is determined that one or more of the provisions in such documents do not comply with any of these 504 Loan Program requirements, Third Party Lender agrees to waive the right to enforce all such provisions.
  - a. No Open-Ended Features and No Future Advances. The Third Party Loan must not be open-ended. After completion of the project, the Third Party Lender may not make future advances under the Third Party Loan except expenditures to collect the amounts due the Third Party Loan notes, maintain collateral and protect the Third Party Lender's lien position on the Third Party Loan.
  - b. No Early Call or Demand Provisions. Third Party Lender agrees that Third Party Loan must not contain any early call feature or contain any demand provisions unless the loan is in default.
  - c. No Cross-Collateralization. Third Party Lender agrees that the Common Collateral is not now, and will not be in the future, security for any other financing provided by Third Party Lender to Borrower other than the Third Party Loan in a superior position to that of the CDC lien unless authorized in writing by CDC and SBA.



d. No Cross-Default. During the term of the Third Party Loan, Third Party Lender will not exercise any cross-default, "deem at-risk," or any other provisions in documents evidencing the Third Party Loan or Third Party Lender Lien which allow Third Party Lender to make demand prior to maturity unless the loan is in default.

e. Maturity and Balloon Payments. The Third Party Loan has a term of at least 7 years when the 504 loan is for a term of 10 years and 10 years when the 504 loans is for 20 years. If there is more than one Third Party Loan, an overall loan maturity must be calculated, taking into account the maturities and amounts of each loan. If there is a balloon payment, it must be clearly identified in the Authorization.

f. Reasonable Interest Rate. The Third Party Loan has a reasonable interest rate which does not and will not exceed the maximum interest rate for Third Party Loans from commercial financial institutions as published periodically by SBA in the Federal Register and in effect as of the date of this agreement.

6. No Preference. No Third Party Lender shall establish a preference beyond its rights as a senior lender on the Third Party Loan without the prior written consent of CDC/SBA. See 13 C.F.R. §120.10 for a definition of preference. If the Third Party Lender does take additional collateral or otherwise have a preference, in the case of liquidation, any proceeds received as a result of a preference must be applied to the Third Party Lender's debt prior to the proceeds from the liquidation of the common collateral held by the CDC/SBA and the Third Party Lender.

7. Notice of Default under the Third Party Loan. In the event of a default under the Third Party Loan or Third Party Lien, Third Party Lender must give CDC and SBA written notice, referencing the loan number for the 504 loan, of such default within thirty (30) days of the event of default and at least sixty (60) days prior to Third Party Lender's foreclosure upon the Common Collateral.

8. Certification as to Default Interest Rate as Against Borrower. Third Party Lender may not escalate the rate of interest upon default to a rate greater than the maximum rate published by SBA in the Federal Register from commercial financial institutions in effect as of the date of this Agreement. SBA will only pay the interest rate on the note in effect before the date of Borrower's default.



9. Subordination to 504 Loan and CDC Lien, of Amounts Attributable to Default Provisions.

a. The term "Default Charges" used in this paragraph includes, but is not limited to, prepayment penalties, late fees, other default charges, and escalated interest after default due under the Third Party Loan.

b. To the extent the Third Party Lender Lien secures any amounts attributable to Default Charges, which may exist in the Third Party Loan and Third Party Lender Lien, Third Party Lender Lien is and will be subordinate to the 504 Loan and the CDC Lien. This subordination applies only to CDC and SBA and their successors and assigns, and in no event shall be applicable to Borrower or any guarantor of the Third Party Loan.

c. In the event of default under the Third Party Loan, CDC or SBA may bring the Third Party Loan current or may acquire the Third Party Loan secured by the Third Party Lender Lien. Third Party Lender agrees that in either of these circumstances, the amount to bring the Third Party Loan current or the purchase price of that loan will be net of all amounts attributable to the Default Charges so subordinated to the 504 Loan and the CDC Lien. Third Party Lender further agrees that if it receives from CDC/SBA any amounts attributable to such Default Charges, Third Party Lender holds such funds in trust for SBA and will remit such funds to SBA as soon as possible. Should CDC or SBA not purchase the Third Party Loan but rather bring the Third Party loan current, Default Charges on the Third Party Loan may remain due and owing from the Borrower.

*Paragraph 10 is optional and is applicable only if marked*

☒ 10. Liquidation. In the event that either the Third Party Loan or the 504 Loan is declared in default, Third Party Lender and CDC and SBA agree to cooperate in liquidating and/or selling the Collateral. Third Party Lender agrees to (a) accept a U.S. Treasury check(s) in connection with any purchase of Third Party 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 Third Party 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 Third Party Lender; and (d) to provide any other information about Borrower or the Third Party Loan requested by CDC and SBA in writing.

11. Waiver of Right to Indemnification by SBA or CDC. If Third Party Lender's documents contain provisions granting Third Party Lender the right to indemnification by subsequent owners of the Project Property, then Third Party Lender waives its right to enforce such provisions against SBA or CDC in the event SBA or CDC acquires title to the Project Property through foreclosure of the CDC Lien, acceptance of a deed in lieu of foreclosure, or otherwise.

*Paragraph 12 is optional and should be marked if CDC uses Third Party Lender to perform Customer Identification.*

☒ 12. Bank Regulatory Issues. If Third Party Lender is regulated by one of the Federal functional regulators (Comptroller of the Currency, Federal Deposit Insurance Corporation, Office of Thrift Supervision, or National Credit Union Administration), Third Party Lender represents that it is subject to the Joint Final Rule on Customer Identification Programs (CIP) in 31 C.F.R. 103.121 and that it or its agent will perform with respect to the Borrower the specified requirements of its CIP.



13. No Implied Third Party Beneficiaries. To the extent there is a conflict between this Agreement and any provision in any agreement either Party may have with a third party, including but not limited to, Borrower, the terms and conditions in this Agreement shall supercede any such provision. The parties agree that SBA may enforce this agreement as a third party beneficiary, and further agree that this Agreement shall not grant any right, benefit, priority, or interest to any other third party, including but not limited to, Borrower.

14. Successors and Assigns. This Agreement will inure to the benefit of and bind the respective parties to this Agreement, and their successors and assigns, including any party acquiring the Third Party Loan and Third Party Lender Lien by sale, assignment, or other transfer from Third Party Lender. Third Party Lender agrees that CDC may assign this Agreement to the SBA, and waives all rights to contest such assignment.

15. Federal Law. When SBA is the holder of the loan instruments evidencing the 504 Loan and any security for that loan (including but not limited to the CDC Lien on the Common Collateral), this Agreement and all such instruments 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, but by using these procedures, SBA does not waive any federal immunity from local or state control, penalty, tax, or liability. The Third Party Lender may not 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.

16. Termination. This document will be released and terminated upon the payment in full of either the Third Party Loan or the 504 loan and all costs related thereto.

17. 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.

18. Validity of Provisions. In the event that any provision of this Agreement is deemed invalid by a court of competent jurisdiction, all other provisions of this Agreement shall remain valid and enforceable.

19. Revision of this Agreement. Both Third Party Lender and CDC agree that this Agreement is a standard SBA Form, and, as such, neither party has authority to modify or delete any provision in this Agreement, or add any additional provisions, without prior written authorization from the SBA.

20. Authority to Execute Agreement. The persons signing below certify that they have been duly authorized to execute this Agreement on behalf of their respective party.



Skagit State Bank

By: MFD

Print Name: Michael Fredlund

Title: Vice President

State of Washington  
County of Skagit

On June 21, 2012 before me, Laura L. Iles, a Notary Public, personally appeared Michael Fredlund 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.

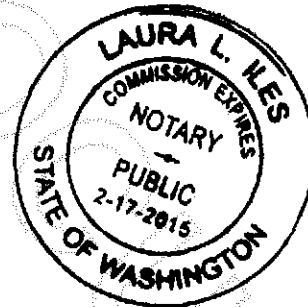
I certify under PENALTY OF PERJURY under the laws of the State of Washington that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Laura L. Iles

My Commission Expires: 2-17-15

(seal)



Northwest Business Development Association

By:

Print Name: Gilbert Acevedo

Title: President

ASSIGNMENT TO SBA

CDC assigns this Third Party Lender Agreement to SBA.

By:

Date: June 25, 2012

Print Name: Gilbert Acevedo

, authorized officer of CDC.

Attest:

State of Washington

County of Spokane

On June 25, 2012

before me,

Misty K. Hoxie

, a Notary

Public, personally appeared

Gilbert Acevedo

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 Washington that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Misty K. Hoxie

My Commission Expires: 2-19-15

(seal)

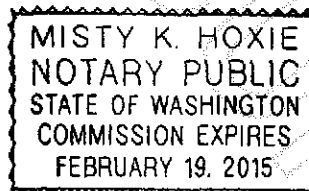




Exhibit A

PARCEL "A":

Parcel A of that certain Boundary Line Adjustment Survey approved April 23, 2010, recorded May 12, 2010, under Auditor's File No. 201005120047, records of Skagit County, Washington and being more fully described as follows:

That portion of the Northwest  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$  and that portion of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 4, Township 34 North, Range 2 East, W.M., described as follows:

Beginning at a point on the South line of the Anacortes-Mount Vernon Highway right-of-way at a point 1,023.24 feet East of its intersection with the Section line between Sections 4 and 5, Township 34 North, Range 2 East, W.M.;  
thence South 40 rods, more or less, to a point 26 rods South of the  $\frac{1}{2}$  Section line;  
thence East 8 rods;  
thence North 40 rods, more or less, to the South line of said Highway;  
thence West along the South line of said Highway to the place of beginning.

EXCEPT the South 200 feet thereof;

AND EXCEPT that portion conveyed to the State of Washington by Deed dated January 12, 1961, for Primary State Highway No. 1 Jet SSH No. 1-D to Swinomish Slough, and recorded February 6, 1961, under Auditor's File No. 603837;

AND that portion of said Section, described as follows:

Beginning at a point on the South line of the Anacortes-Mount Vernon Highway at a point 1,012.24 feet East of its intersection with the Section line between Sections 4 and 5 of Township 34 North, Range 2 East, W.M.;  
thence East along the South line of said Highway 11 feet;  
thence South 431 feet;  
thence West 11 feet;  
thence North 431 feet to the point of beginning.

EXCEPT that portion annexed to the State of Washington by Deed dated January 12, 1961, for Primary State Highway No. 1 JET. SSH No. 1-D to Swinomish Slough, and recorded February 6, 1961, under Auditor's File No. 603837.

TOGETHER WITH the West 67.40 feet of the following described property:

Beginning at a point on the South line of the Anacortes-Mount Vernon Highway, 80 rods East of the Section line between Sections 4 and 5, said Township and Range;  
thence West 10 rods along the South line of said Anacortes-Mount Vernon Highway;  
thence South 8 rods;  
thence East parallel to the South line of said Highway 10 rods to the East line of said Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$ ;  
thence North 8 rods along the East line of said Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  to the point of beginning;



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Exhibit A continued

PARCEL "A" continued:

EXCEPT any portion thereof lying within the boundaries of a tract conveyed to George Sullivan and Dora Sullivan, husband and wife, by deed dated April 29, 1946, recorded May 18, 1946, in Volume 209 of Deeds, page 449, under Auditor's File No. 391956, records of Skagit County, Washington,

Situate in the City of Anacortes, County of Skagit, State of Washington.

PARCEL "B":

Parcel B of that certain Boundary Line Adjustment Survey approved April 23, 2010, recorded May 12, 2010, under Auditor's File No. 201005120047, records of Skagit County, Washington and being more fully described as follows:

That portion of the Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  of Section 4, Township 34 North, Range 2 East, W.M., described as follows:

Beginning at a point on the South line of the Anacortes-Mount Vernon Highway, 80 rods East of the Section line between Sections 4 and 5, said Township and Range;  
thence West 10 rods along the South line of said Anacortes-Mount Vernon Highway;  
thence South 8 rods;  
thence East parallel to the South line of said Highway 10 rods to the East line of said Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  ;  
thence North 8 rods along the East line of said Southwest  $\frac{1}{4}$  of the Northwest  $\frac{1}{4}$  to the point of beginning;

EXCEPT any portion thereof lying within the boundaries of a tract conveyed to George Sullivan and Dora Sullivan, husband and wife, by deed dated April 29, 1946, recorded May 18, 1946, in Volume 209 of Deeds, page 449, under Auditor's File No. 391956, records of Skagit County, Washington,

AND EXCEPT the West 67.40 feet thereof.

Situate in the City of Anacortes, County of Skagit, State of Washington.



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Exhibit A continued

Group of (16) LIFE FITNESS LeMond Revmaster LF350000-6 stationary bikes w/pilot meters

Group of TROY barbells & plate weights (2-1/2-71/2 lbs) w/TROY rack

Group of TROY dumbbells (2-10 lbs) w/rack

Group of assorted dumbbells

Group of (6) BOSU balls w/rack

Group of TKO dumbbells (2-10 lbs) w/rack

Group of approx. (20) medicine balls w/racks

Group of (7) fans, (2) heaters, lamps & assorted décor

Group of approx. (15) Aeromats & POWER SYSTEMS blocks

Group of POWER SYSTEMS versa-tubes

Group of (23) THE STEP aerobic steps w/bases

Sound equipment to include: RADIO SHACK 3-channel stereo sound mixer, SAMSON CR77 receiver, MARANTZ MM9000 5-channel amp, DENON DN-H800 5 disc changer, (2) BEHRINGER Euroline B212D loud speakers, (4) KLIPSCH wall mounted speakers, BEHRINGER XENYX802 mixer & stereo cabinet

Group of (13) wall mounted mirrors

SORINEX 45 degree leg press

CASCADE FITNESS quad mill

SORINEX half/squat rack

SORINEX explosion block w/kettle bells

HAMPTON dumbbells (2.5-25 lbs) w/rack

CEMCO dumbbells (5-160 lbs) w/hammer & (3) strength racks

SORINEX seated arm curl bench

SORINEX dip/chin-up station

BODY SOLID flat/incline/decline bench

SORINEX adjustable bench w/steps

SORINEX 90 degree seat

SORINEX 90 degree seat



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Exhibit A continued

SORINEX flat bench (2)

SORINEX adjustable bench

SORINEX adjustable bench w/steps

SORINEX flat bench w/spotter drop

SORINEX incline bench w/spotter drop

SORINEX smith machine

Group of (2) plate weight racks w/weights & mats

TKO hanging bag

Group of TROY bars & assorted exercise accessories in corner

Group of barbell racks w/assorted exercise accessories

SORINEX explosion block

HAMMER STRENGTH ground base squat /lunge

HAMMER STRENGTH seated calf

HAMMER STRENGTH back extension

HAMMER STRENGTH ab station

HAMMER STRENGTH iso-lateral horizontal bench press

HAMMER STRENGTH olympic flat bench

HAMMER STRENGTH olympic iso-lateral incline press

HAMMER STRENGTH iso-lateral shoulder press

HAMMER STRENGTH olympic decline bench

HAMMER STRENGTH iso-lateral row

HAMMER STRENGTH olympic incline bench

HAMMER STRENGTH iso-lateral row

HAMMER STRENGTH iso-lateral low row

HAMMER STRENGTH iso-lateral high row

HAMMER STRENGTH seated dip

HAMMER STRENGTH V-squat



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Exhibit A continued

VTX plate weight tree

Group of HAMPTON curled barbells (20-110 lbs) w/rack

Group of HAMPTON straight barbells (25-115 lbs) w/rack

SORINEX bench press

Group of JADE plate weights to include: (64) 45 lb, (25) 35 lb, (50) 25 lb, (40) 10 lb, (20) 5 lb, (8) 7.5 lb

SORINEX adjustable bench w/steps

LIFE FITNESS MJ8 multi jungle 8 stack w/adjustable pulley, dual pulley pulldown, (2) adjustable cable crossovers, dual pulley row, low row, triceps, push down, lateral pulldown & all accessories  
Serial#MJ8000325

SORINEX adjustable bench

Group of (24) wall mounted mirrors

Group of (10) JBL E20 speakers

LIFE FITNESS assisted dip/chin

LIFE FITNESS biceps curl

LIFE FITNESS chest press

LIFE FITNESS shoulder press

LIFE FITNESS pectoral fly/rear deltoid

LIFE FITNESS seated leg curl

LIFE FITNESS leg extension

LIFE FITNESS torso rotation

HAMMER STRENGTH MTS ab crunch

SORINEX standing calf

Group of (6) LIFE FITNESS 93T flexdeck treadmills

Group of (2) PRECOR C846i upright bikes

CONCEPT 2 indoor rower

SPEEDSTROKE indoor rower

Group of (2) PRECOR C764i steppers

TKO Big Boy punching bag



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Exhibit A continued

Group of medicine balls, mats, racks & accessories

Group of (3) PRECOR C846i recumbent bikes

Group of (7) PRECOR EFX556i ellipticals

Group of (2) PRECOR EFX546i (no arms)

Group of (11) televisions w/wall mounts

Health-o-Meter scale

Group of estate washer & dryer, metro racks, WARD refer/freezer, table & microwave

Kids room to include: toys, cabinets, television & misc.

Office to include: computers, printers, phones, chairs & misc.

BUNN CW Series brewer w/pump pot

Group of couches, love seat, television, stand, plants, tables, bench & display rack

Group of Bayside Fitness clothing

Group of patio furniture & fountain

Group of computers, scanners, phones & misc. office supplies



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