

201811200045
11/20/2018 11:11 AM Pages: 1 of 11 Fees: \$109.00
Skagit County Auditor

When Recorded Return to:

Northwest Business Development Assoc.
Attn: Servicing Department
9019 E. Appleway Blvd., Ste. 200
Spokane Valley, WA 99212

SBA Loan Name: BALKARAN Limited Liability Company
SBA Loan Number: 2128386005

Reference Number(s) of **Land Title and Escrow**
Document Subordinated: 01-168544-0E

201405300062 & 201811200042
Grantor(s): U.S. Small Business Administration

Grantee(s): Skagit Bank

Legal Description: See Exhibit "A" attached hereto and made a part thereof.

Abbr. Legal Desc.: Lots 2, 3 & E 1/2 Lot 4, Blk 2, Stewarts 1st Add./Tr. 29
Nelson's Add.

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

Tax Parcel ID #: 3833-002-004-0009/P60408 and 3807-020-029-0004/P58107

SUBORDINATION AGREEMENT

This agreement dated for reference September 10, 2018 ("Subordination Agreement"), is made by and among: the SMALL BUSINESS ADMINISTRATION, an agency of the United States of America ("SBA"); Skagit Bank ("Lender"); and BALKARAN Limited Liability Company (LLC) ("Owner").

RECITALS

SBA is the holder and beneficiary of a deed of trust executed by Owner dated May 28, 2014, which was recorded on May 30, 2014 under Auditor's No. 201405300062.

This deed of trust together with an ("SBA Security Instrument") was pledged to secure a note in the sum of \$482,000.00 in favor of Northwest Business Development Association ("CDC"), which evidences a loan made by the CDC to BALKARAN

Limited Liability Company (LLC) ("Borrower") under SBA's 504 Loan Program ("SBA Loan").

Owner has also executed, or is about to execute, a deed of trust dated Nov. 16, 2018 in favor of Lender, which shall be recorded concurrently herewith.

This deed of trust ("Lender's Security Instrument") secures a note in a sum not to exceed \$475,000.00 dated Nov. 16, 2018, which evidences a loan to the Owner made by the Lender ("Lender Loan").

Lender has requested that SBA's lien position on the real and personal property described in the SBA Security Instrument ("Property") be subordinated to the lien position of Lender's Security Instrument. SBA is willing to do so provided that it retains its priority with regard to all other legal and equitable interests in the Property.

AGREEMENT

In consideration of the mutual benefits to the parties and to induce Lender to make the Lender Loan, it is hereby agreed as follows:

- (1) Use of Lender Loan Proceeds. 100% of the proceeds of the Lender Loan shall be used for the following described purpose(s): Refinance of debt in first lien position by Peoples Bank. Any other use of the proceeds, except to pay necessary, reasonable and customary closing costs, shall void this Subordination Agreement.
- (2) Lender Warranty. Lender would not make the Lender Loan without this Subordination Agreement.
- (3) Subordination of SBA Lien Priority. Lender's Security Instrument, and any renewals or extensions thereof, shall be a lien on the Property prior to the lien of SBA's Security Instrument.
- (4) Hold Harmless Agreement. Except as expressly provided herein, this Subordination Agreement shall not operate to, or be construed to, alter the priority of SBA's 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 Agreement.
- (5) Required Signatures. This Subordination Agreement is void if it is not duly executed by SBA, Lender, and Owner, or does not contain the written approval of all other individuals and legal entities with direct or contingent liability for repaying the SBA Loan such as the Borrower and all guarantors.

(6) Lender Compliance with SBA 504 Loan Program Requirements. All documents evidencing the Lender Loan and Lender's Security Instrument must comply with SBA 504 Loan Program requirements, including but not limited to those identified in the following subparagraphs, and, in the event one or more of the provisions in such documents do not comply with these requirements, Lender waives any right to enforce such provisions while the SBA Loan has any unpaid balance.

(a) No Open-Ended Features and No Future Advances. The Lender Loan must not be open-ended. The Lender may not make future advances except for reasonable costs of collection, maintenance, and protection of the Lender Loan and Lender's Security Instrument.

(b) No Early Call or Demand Provisions. The documents evidencing the Lender Loan and the Lender's Security Instrument must not contain an early call feature or any provision that allows Lender to make demand other than when there has been a material default under the terms of the Lender Loan documents, such as failure to make timely payments, failure to pay taxes when due, or violation of any financial covenants that would cause a prudent lender to believe that the prospect of payment or performance of the Lender Loan is impaired.

(c) No Cross-Collateralization. The Property covered by Lender's Security Instrument must only secure the Lender Loan; and the Property must not, currently or in the future, be used as security for any other financing provided by Lender that purports to be in a superior position to that of the SBA Loan, unless authorized in writing by SBA.

(d) No Cross-Default. During the term of the SBA Loan, Lender must not exercise any cross-default, "deem at-risk," or any other provisions in the documents evidencing the Lender Loan or Lender's Security Instrument that allow Lender to make demand on the Lender Loan prior to maturity unless the Lender Loan is in material default.

(e) Reasonable Interest Rate. The Lender Loan must have a reasonable interest rate that must not exceed the maximum interest rate for loans from commercial financial institutions as published periodically by SBA in the Federal Register and in effect as of the date of this Subordination Agreement.

(7) Notice of Default on Lender Loan. Lender must provide CDC and SBA with written notice of any material default on the Lender Loan or Lender's Security Instrument (referencing the SBA Loan number on page one of this Agreement) within thirty (30) days after the expiration of any cure period. Lender must also provide CDC and SBA with written notice of its intent to enforce collection of the Lender Loan at least sixty (60) days prior to initiating any judicial or non-judicial proceedings against the Borrower, guarantors or the Property. Notice under this Subordination Agreement

shall be deemed to have been given when sent to the CDC at the following address: 9019 E. Appleway Blvd., Ste. 200, Spokane Valley, WA 99212; and to SBA at the following address: 801 R Street, Suite 101, Fresno California.

(8) Limitation on Default Interest Rate on Lender Loan. In the event of default on the Lender Loan, Lender may not escalate the interest rate to a rate greater than the maximum rate published by SBA in the Federal Register and in effect as of the date of this Subordination Agreement. If SBA purchases the Lender Loan or note, SBA will only pay the interest rate on the note in effect before the date of default.

(9) Marshalling of Collateral for Lender Loan. In the event Lender decides to liquidate the Lender Loan, if Lender has taken additional collateral as security for the Lender Loan, Lender must liquidate the additional collateral prior to foreclosing its Security Interest in the Property, and must apply the proceeds from liquidation of the additional collateral to the Lender Loan prior to the proceeds from liquidation of the Property. Provided, however, that the Lender shall not be required to liquidate the additional collateral if it is not commercially reasonable to do so, (e.g., the additional collateral has insufficient value to justify the cost of collection) and Lender provides written justification for not liquidating the additional collateral in the 60 day notice it is required to provide the CDC and SBA prior to foreclosing its Security Interest in the Property.

(10) Subordination of Default Charges to SBA Loan.

(a) The term "Default Charges" includes, but is not limited to, prepayment penalties, as well as late fees, escalated interest, and other charges after default on the Lender Loan.

(b) To the extent the Lender's Security Instrument secures any amounts attributable to Default Charges, the Lender's Security Instrument is and will be subordinate to SBA's Security Instrument. This subordination applies only to CDC and SBA and their successors and assigns, and shall not inure to the benefit of Borrower or any guarantor of the Lender Loan.

(c) In the event of default on the Lender Loan, CDC or SBA may bring the Lender Loan current or acquire the Lender Loan including Lender's Security Instrument. Lender agrees that in either of these circumstances, the amount to bring the Lender Loan current or the purchase price of the Lender Loan will be net of all amounts attributable to Default Charges subordinated to the SBA Mortgage. Lender further agrees that if it receives any amounts attributable to Default Charges, Lender holds such funds in trust for SBA and will immediately remit them to SBA.

(d) If Lender sells, or intends to sell the note evidencing the Lender Loan:

(1) If the Lender Loan is not in default, within 15 calendar days of the sale Lender must provide CDC and SBA with written notice of the purchaser's name, address and telephone number and confirmation that the purchaser has received an executed copy of this Subordination Agreement.

(2) If the Lender Loan is in default and the Lender intends to sell the note as part of its liquidation strategy, Lender must provide the CDC and SBA with the option to purchase the note at the same price offered by any potential purchaser, net any Default Charges. SBA shall have 45 calendar days from receipt of the notice to exercise its option to purchase the note. If SBA does not exercise its option and the Lender sells the note, within fifteen calendar days of the sale the Lender must provide CDC and SBA with written notice of the purchaser's name, address and telephone number and confirmation that the purchaser has received an executed copy of this Subordination Agreement.

(11) Subordination of Swap Agreement Costs to SBA Loan. If the Lender Loan documents contain a swap component or hedging contract ("Swap Agreement"), all costs associated with the Swap Agreement, (which may be termed swap fees, termination fees, default fees), or other related fees, shall be subordinate to the amounts secured by SBA's Security Instrument.

(12) Cooperation in Event of Liquidation. In the event either the Lender Loan or SBA Loan is declared in default, the parties agree to liquidate the Property in a commercially reasonable and cooperative manner. For example, Lender agrees to: (a) accept a U.S. Treasury check(s) from SBA or CDC to facilitate SBA's liquidation strategy, including, for example, purchase of the Lender Loan; (b) to provide CDC and SBA with the loan payment status, loan payment history, and an itemized payoff statement on the Lender Loan; (c) to provide CDC and SBA, at no charge (except for reasonable charges for photocopies) with copies of any appraisal, environmental investigation, title examination or searches conducted by or for the Lender; and (d) provide any other information about Borrower or the Lender Loan requested by CDC and SBA.

(13) Lender Waiver of Right to Indemnification by SBA or CDC. If the Lender Loan documents contain provisions granting Lender the right to indemnification by subsequent owners of the Property, Lender waives its right to enforce such provisions against SBA and CDC in the event SBA or CDC acquires title to the Property through foreclosure, acceptance of a deed in lieu of foreclosure, or otherwise.

(14) No Implied Third Party Beneficiaries. The parties agree that this Subordination Agreement shall not grant any right, benefit, priority, or interest to any third party, including but not limited to the SBA Loan Borrower or guarantor(s).

(15) Successors and Assigns. This Subordination Agreement shall bind and inure to the benefit of the respective parties and their successors and assigns, including any party acquiring the Lender Loan and Lender's Security Instrument by sale, assignment, or other transfer from Lender. Lender agrees that SBA may assign this Subordination Agreement, and waives all rights to contest such assignment.

(16) Federal Law. When SBA is the holder of the note evidencing the SBA Loan, this Subordination Agreement and all related loan documents shall 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. Lender may not claim or assert against SBA any local or state law to deny any obligation of the Borrower, or defeat any claim of SBA with respect to the SBA Loan.

(17) Termination. This Subordination Agreement will terminate upon payment in full of either the Lender Loan or the SBA Loan and all costs related thereto.

(18) Counterparts. This Subordination 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.

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

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

U.S. SMALL BUSINESS ADMINISTRATION
BY _____, its Attorney-In-Fact



By: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Fresno

On NOV 09 2018 before me, Jason E. Eroh, notary public, personally appeared John L. Gossett, 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 _____



Skagit Bank

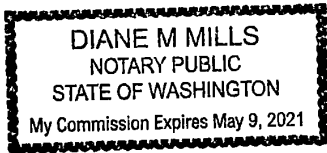
By: Steven P Henry

It's: SVP

STATE OF Washington)
County of Skagit) ss.

I certify that I know or have satisfactory evidence that Steven P. Henry signed this instrument and acknowledged it as SVP of Skagit Bank to be the free and voluntary act, of such corporation, for the uses and purposes mentioned in the instrument.

DATED: Nov. 19, 2018.



Diane Mills
NOTARY PUBLIC in and for the State
of WA, residing at Milton
My appointment expires: 5.09.21

BALKARAN Limited Liability Co. (LLC)
A Washington Limited Liability Company

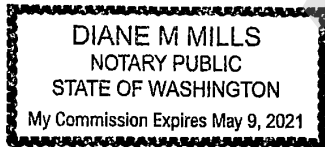
By: [Signature]
Jagdeep Singh Sandhu, Manager/Member

By: [Signature]
Kuljit Shoker, Manager/Member
SHOKER K.S

STATE OF Washington)
) ss.
County of Skagit)

I certify that I know or have satisfactory evidence that Jagdeep Singh Sandhu signed this instrument on oath and stated that he is authorized to execute the instrument and acknowledged it as Manager/Member of BALKARAN Limited Liability Co. (LLC), a Washington limited liability company to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: Nov. 19, 2018.

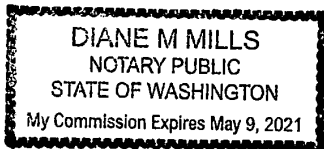


[Signature]
NOTARY PUBLIC in and for the State
of WA, residing at Milton
My appointment expires: 5.09.21

STATE OF Washington)
) ss.
County of Skagit)

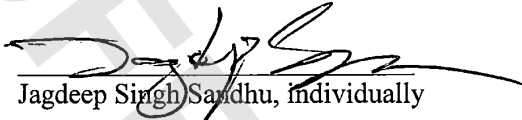
I certify that I know or have satisfactory evidence that Kuljit Shoker signed this instrument on oath and stated that she is authorized to execute the instrument and acknowledged it as Manager/Member of BALKARAN Limited Liability Co. (LLC), a Washington limited liability company to be her free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: Nov. 19, 2018.



[Signature]
NOTARY PUBLIC in and for the State
of WA, residing at Milton
My appointment expires: 5.09.21

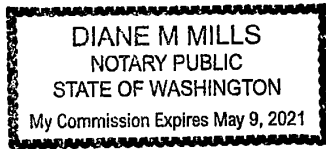
Consented to and approved by:

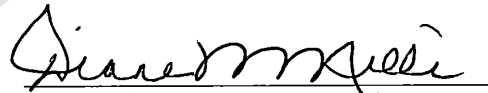

Jagdeep Singh Sandhu, individually

STATE OF Washington)
County of Skagit) ss.

I certify that I know or have satisfactory evidence that Jagdeep Singh 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: Nov. 19, 2018.



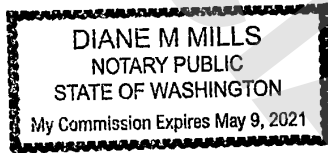

NOTARY PUBLIC in and for the State
of WA, residing at Milton
My appointment expires: 5-09-21

Kuljit Shoker
Kuljit Shoker, individually

STATE OF Washington)
County of Skagit) ss.

I certify that I know or have satisfactory evidence that Kuljit 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: Nov. 19, 2018.



Diane Mills
NOTARY PUBLIC in and for the State
of WA, residing at Milton
My appointment expires: 5.09.21