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KATHY HILL
SEALING DIRECTOR

'99 JAN 28 P3:29

Name: InterWest Bank

9901280112

Address: _____

City and State: Oak Harbor, WA

Tax Account Number:
Escrow #: 55954

FIRST AMERICAN TITLE CO.

856637

ORIGINAL
SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

That Whereas, the following entities are lenders and are holder of mortgages which are recorded on the public record or are to be concurrently herewith to be recorded:

- InterWest Bank, whose loan is in the original amount of \$800,000.00
- Island Construction Site & Utilities, Inc, whose loan is in the original amount of \$1,050,000.00
- Housing Assistance Council, whose loan is in the original amount of \$303,030.00
- Grandy Lake 1996 Limited Partnership, a Washington Limited Partnership, whose loan is in the original amount of \$500,772.00

That Whereas, it is the parties to this agreement to establish the relative lien priorities of the respective mortgages securing said loans.

The undersigned subordinator(s) and owner agrees as follows:

1. Grandy Lake 1996 Limited Partnership, a Washington Limited Partnership referred to herein as "lender 4 and 3rd subordinator", is the owner and holder of a mortgage dated April 15, 1998, which is recorded in Volume ___ of Mortgages, page __, under Auditor's File No. **980415105**, records of Skagit County. ***9804150105**
2. Interwest Bank referred to herein as "lender 1", is the owner and holder of a mortgage dated _____, executed by Self-Help Housing, a Washington corporation (which is to be recorded concurrently herewith) (Auditor's File No. **9901280109**).
3. Island Construction Site & Utilities, Inc, a Washington corporation referred to herein as "lender 2 and 1st subordinator", is the owner and holder of a mortgage dated _____, executed by Self-Help Housing, a Washington corporation (which is to be recorded concurrently herewith) (Auditor's File No. **9901280110**).
4. Housing Assistance Council referred to herein as "lender 3 and 2nd subordinator", is the owner and holder of a mortgage dated _____, executed by Self-Help Housing, a Washington corporation (which is to be recorded concurrently herewith) (Auditor's File No. **9901280111**).
5. Self-Help Housing, a Washington corporation referred to herein as "owner", is the owner of all the real property described in the mortgages identified above in Paragraph 1, 2, 3 and 4 above.
6. In consideration of benefits to "subordinator(s)" from "owner", receipt and sufficiency of which is hereby acknowledged, and to induce "lender (s)" to advance funds under their respective mortgages and all agreements in connection therewith, the "subordinator(s)" do hereby unconditionally subordinate the lien of their respective mortgages identified above so that the respective lien of said mortgages above, and all advances or charges made or accruing thereunder, including any extension or renewal thereof shall be in the following relative priority:

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LPB-35
Page 1 of 6

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- **1st Lien Position:** InterWest Bank, whose loan is in the original amount of \$800,000.00
 - **2nd Lien Position:** Island Construction Site & Utilities, Inc, a Washington Corporation, whose loan is in the original amount of \$1,050,000.00
 - **3rd Lien Position:** Housing Assistance Council, whose loan is in the original amount of \$303,030.00
 - **4th Lien Position:** Grandy Lake 1996 Limited Partnership, a Washington Limited Partnership, whose loan is in the original amount of \$500,772.00
7. "Subordinator(s)" acknowledges that, prior to the execution hereof, that they have had the opportunity to examine the terms of the respective "lender's" mortgage(s), note(s) and agreement(s) relating thereto, consents to and approves same, and recognizes that "lender(s)" have no obligation to "subordinators" having a lesser lien position to theirs, to advance any funds under its mortgage or see to the application of "lender's" mortgage funds, and any application or use of such funds for purposes other than those provided for in such mortgage, note or agreements shall not defeat the subordination herein made in whole or in part.
 8. It is understood by the parties hereto that the respective "lender(s)" would not make the loan(s) secured by the mortgages referred to above without this agreement.
 9. This agreement shall be the whole and only agreement between the parties hereto with regard to the subordination of the lien or charge of the mortgage first above mentioned to the lien or charge of the mortgage in favor of "lender" above referred to and shall supersede and cancel any prior agreements as to such, or any, subordination including, but not limited to, those provisions, if any, contained in the mortgage first above mentioned, which provide for the subordination of the lien or charge thereof to a mortgage or mortgages to be thereafter executed.
 10. The heirs, administrators, assigns and successors in interest of the "subordinator" shall be bound by this agreement. Where the word "mortgage" appears herein it shall be considered as "deed of trust", and gender and number of pronouns considered to conform to undersigned.

Executed this 8th day of December, 1998.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

Owner:

Self-Help Housing, a Washington Corporation

By _____

Lender 3 and 2nd Subordinator:

Housing Assistance Council

See exhibit "B" attached hereto and made a part hereof.



Lender 2 and 1st Subordinator:

Island Construction Site & Utilities, Inc, a Washington Corporation

See exhibit "A" attached hereto and made a part hereof

Lender 4 and 3rd Subordinator:

Grandy Lake 1996 Limited Partnership, a Washington Limited Partnership

By _____

- Executed this 8th day of December, 1998.

Owner:

By Bill Miller, Executive Director

See Exhibit "B" attached hereto
By and made a part hereof.

See exhibit "A" attached hereto
By: and made a part hereof

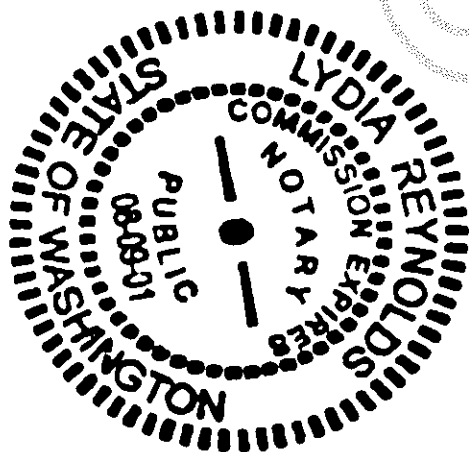
By Eberhard Gemmingen, general partner
By: Kenneth D. Osborn, attorney in fact
Resignation is effective only if and so

4.) You will get at least 30day notice and opportunity to cure any defaults under the loans subordinated to prior to commencement of any foreclosure or other action to collect their loans.

State of Washington }
 } ss.
County of Skagit }

On this 14th day of January, 1998, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Bill Miller to me known to be the Executive Director of Self-Help Housing, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (he/she/they) (is/are) authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Lydia Reynolds

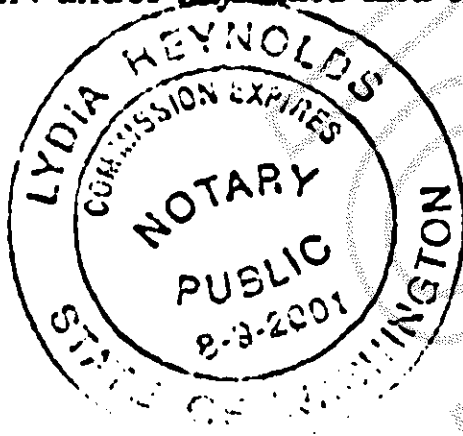
Lydia Reynolds
Notary Public in and for the State of Washington,
residing at Mt. Vernon.

My appointment expires: August 9, 2001.

State of Washington }
 } ss.
County of Skagit }

On this day before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Kenneth D. Osborn Eberhard Gemmingen ^{Attorney-in-fact for} to me known to be the individual _____ described in and who executed the foregoing instrument, as a General partner of the Grandy Lake Forest Associates, a Limited Partnership, and acknowledged to me that he signed and sealed this said instruments his free and voluntary act and deed, for the uses and purposes therein mentioned, and on oath stated he is authorized to execute the said instrument.

GIVEN under my hand and official seal this 28th day of December, 1998 /
January, 1999



Lydia Reynolds

Lydia Reynolds
Notary Public in and for the State of Washington,
residing at Mt. Vernon.

My appointment expires: August 9, 2001.

Exhibit "A"

Island Construction Site & Utilities, Inc.

By:

Corey Johnson Pres

By:

William L. Massey Sec

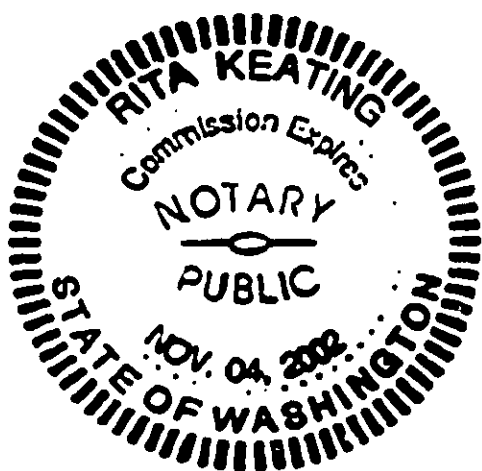
State of Washington

County of Island

SS.

On this 8th day of December, 1998, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Corey Johnson and William L. Massey to me known to be the President and Secretary of Island Construction Site & Utilities, Inc., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (he/she/they) (is/are) authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.



Rita Keating Rita Keating
Notary Public in and for the State of Washington,
residing at Freeland.

My appointment expires: 11-4-2002.

Exhibit "B"

Housing Assistance Council



By: _____ By: _____

DISTRICT OF COLUMBIA

~~XXXXXXXXXXXX~~

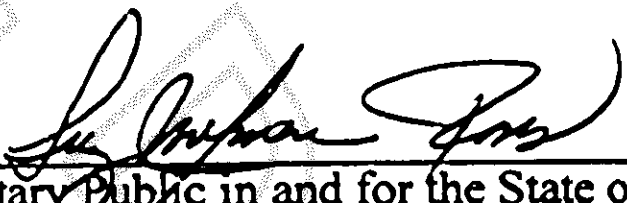
WASHINGTON

~~XXXXXXXXXX~~

SS.

On this 4th day of ~~December~~ ^{JANUARY} 1999, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Moises Loza to me known to be the 2nd Vice Pres. of Housing Assistance Council, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that (he/she/they) (is/are) authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.


Notary Public in and for the State of Washington,
residing at VIRGINIA.

My appointment expires: April 30, 2001

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