

WHEN RECORDED RETURN TO

Name First American Title of Skagit County
Address 160 Cascade Place Suite 104, Burlington, WA 98233
City, State, Zip
Escrow No. 65071
Filed for Record at Request of First American Title of Skagit County



199911030054

Kathy Hill, Skagit County Auditor

11/3/1999 Page 1 of 2 12:28:02PM

FIRST AMERICAN TITLE CO.

Subordination Agreement

860572E-3

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.

The undersigned subordinator and owner agrees as follows:

1. NOOKACHAMP HILLS L.L.C., a Washington Limited Liability Company referred to herein as "subordinator", is the owner and holder of a mortgage dated November 1, 1999 which is recorded in volume _____ of _____ Mortgages, page _____, under auditor's file No. 199911030053, records of Skagit County.
2. Washington Federal Savings referred to herein as "lender", is the owner and holder of a mortgage dated _____, executed by HANSELL HOMES INC., a Washington corporation (which is recorded in volume _____ of _____ Mortgages, page _____, under auditor's file No. 199911030052, records of Skagit County) (which is to be recorded concurrently herewith).
3. HANSELL HOMES INC., a Washington Corporation referred to herein as "owner", is the owner of all the real property described in the mortgage identified above in Paragraph 2.
4. In consideration of benefits to "subordinator" from "owner", receipt and sufficiency of which is hereby acknowledged, and to induce "lender" to advance funds under its mortgage and all agreements in connection therewith, the "subordinator" does hereby unconditionally subordinate the lien of his mortgage identified in Paragraph 1 above to the lien of "lender's" mortgage, identified in Paragraph 2 above, and all advances or charges made or accruing thereunder, including any extension or renewal thereof.
5. "Subordinator" acknowledges that, prior to the execution hereof, he has had the opportunity to examine the terms of "lender's" mortgage, note and agreements relating thereto, consents to and approves same, and recognizes that "lender" has no obligation to "subordinator" 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.
6. It is understood by the parties hereto that "lender" would not make the loan secured by the mortgage in Paragraph 2 without this agreement.
7. 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" 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.
8. 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 _____ day of _____, 1999

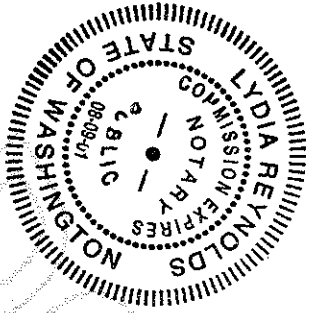
NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT,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

NOOKACHAMP HILLS L.L.C.

By: Dan Mitzel, Managing Member

HANSELL HOMES INC.

By: Jeffrey D. Hansell, President

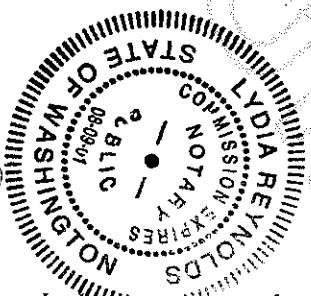


Dated: 11-2-99

I certify that I know or have satisfactory evidence that Dan Mizel is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the Managing Member of Nookachamp Hills L.L.C. to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

STATE OF WASHINGTON
COUNTY OF Skagit
}

ss



Dated: 11-2-99

I certify that I know or have satisfactory evidence that Jeffrey D. Hansell is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he is authorized to execute the instrument and acknowledged it as the President of Hansell Homes, Inc. to be the free and voluntary act of such party for the uses and purposes mentioned in this instrument.

STATE OF WASHINGTON
COUNTY OF Skagit
}

ss

Lydia Reynolds

Notary Public in and for the State of Washington
Residing at Mount Vernon
My appointment expires: August 9, 2001