

Recording Requested By,
And After Recording, Return To:
WELLS FARGO BANK, N.A.
177 PARK CENTER PLAZA
MAC A0514-011
SAN JOSE, CA 95113
RRT # 49887542



200212130079

Skagit County Auditor

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LAND TITLE COMPANY OF SKAGIT COUNTY PA103173

**SUBORDINATION AGREEMENT
(DEED OF TRUST)**

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

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into as of **November 13, 2002**, by and among **Laurie McPhee Gere**, the owner of the real property described below ("Owner"), **Philip William Gere**, the present owner and holder of the Beneficiary Deed of Trust and Note first identified below ("Beneficiary"), and **WELLS FARGO BANK, N.A.** ("Bank").

RECITALS

A. **Laurie McPhee Gere** executed a deed of trust dated as December 20, 1996, to **Island Title Company**, as Trustee, and for the benefit of Beneficiary (the "Beneficiary Deed of Trust"), to secure a Promissory Note (the "Note") dated as of **December 20, 1996**, in the principal amount of \$ **116,000.00** and payable to **Philip William Gere**, or order, which Beneficiary Deed of Trust was recorded on **December 31, 1996**, as Auditor's No. **9612310029**, in Book (Reel) **n/a**, at Page (Image) **n/a** of the Official Records of **Skagit County**, State of **Washington**, and covers the real property described on **Exhibit A** attached hereto and incorporated herein by this reference (the "Property").

B. Bank has made, or will hereafter make, a loan to Owner in the principal amount of \$**167,000.00** (the "Bank Loan") which is or will be evidenced by an "Agreement" dated as of **November 13, 2002**, payable to the order of Bank with interest and upon the terms and conditions described therein, and which is or will be secured by a deed of trust covering the Property (the "Bank Deed of Trust").

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C. As a condition to Bank making, or continuing to extend credit under, the Bank Loan, Bank requires that the security of the Bank Deed of Trust therefor be unconditionally and at all times remain a lien or charge on the Property prior and superior to the lien or charge of the Beneficiary Deed of Trust thereon, and that Beneficiary specifically and unconditionally subordinates the lien or charge of the Beneficiary Deed of Trust to the lien or charge of the Bank Deed of Trust.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agrees as follows:

1. SUBORDINATION.

(a) The Bank Deed of Trust and any and all extensions, renewals, modifications or replacements thereof and/or of the promissory note evidencing the Bank Loan and secured thereby, shall be and at all times remain a lien or charge on the Property prior and superior to the lien or charge of the Beneficiary Deed of Trust.

(b) Beneficiary acknowledges that Bank would not make, or continue to extend credit under, the Bank Loan without this Agreement.

(c) Beneficiary intentionally and unconditionally waives, relinquishes and subordinates the priority and superiority of the lien or charge of the Beneficiary Deed of Trust to the lien or charge on the Property of the Bank Deed of Trust (including liens and charges thereunder securing all future advances of the Bank Loan and other advances contemplated thereunder), and Beneficiary understands that in reliance upon and in consideration of this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Bank and, as a part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

(d) Beneficiary has placed an endorsement on the promissory note secured by the Beneficiary Deed of Trust that the Beneficiary Deed of Trust has, by this instrument, been subordinated to the lien or charge of the Bank Deed of Trust.

(e) Beneficiary acknowledges that it has such information with respect to the Bank Loan, and all of the loan documents executed in connection therewith, including without limitation the above-described promissory note, as Beneficiary deems necessary in order to make the subordination provided herein. Beneficiary further agrees that Bank, in making disbursements under the Bank Loan, is under no obligation or duty to, nor has Bank represented that it will, see to the application of such proceeds by the person or persons to whom Bank distributes such proceeds, and any application or use of such proceeds for purposes other than those for which they were intended shall not defeat the subordination contained herein in whole or in part.

(f) This Agreement constitutes the whole and only agreement between the parties hereto with regard to the subordination of the lien or charge of the Beneficiary Deed of Trust to the lien or charge of the Bank Deed of Trust; there are no agreements (written or oral) outside or separate from this Agreement with respect to the subject matter hereof; and all prior negotiations with respect thereto, if any, are merged into this Agreement. This Agreement shall supersede and cancel, but only insofar as would affect the priority between the Beneficiary Deed of Trust and the Bank Deed of Trust, any prior agreements as to such subordination, including without limitation, those provisions, if any, contained in the Beneficiary Deed of Trust which provide for the subordination of the lien of the Beneficiary Deed of Trust to the lien of a deed of trust or mortgage affecting the whole or any part of the Property.

2. MISCELLANEOUS.

(a) **Notices.** All notices, requests and demands which any party is required or may desire to give to any other party under any provision of this Agreement must be in writing delivered to each party at the address set forth below its signature, or to such other address as any party may designate by written notice to all other parties. Each such notice, request and demand shall be deemed given or made as follows: (i) if sent by hand delivery, upon delivery; (ii) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (iii) if sent by telecopy, upon receipt.

(b) **Costs, Expenses and Attorneys' Fees.** If any party hereto institutes any arbitration or judicial or administrative action or proceeding to enforce any provisions of this Agreement, or alleging any breach of any provision hereof or seeking damages or any remedy, the losing party or parties shall pay to the prevailing party or parties all costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of such prevailing party's in-house counsel), expended or incurred by the prevailing party or parties in connection therewith, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter



or motion brought by Bank or any other person) relating to Owner, Beneficiary or any other person or entity.

(c) **Further Assurances.** At the request of any party hereto, each other party shall execute, acknowledge and deliver such other documents and/or instruments as may be reasonably required by the requesting party in order to carry out the purpose of this Agreement, provided that no such document or instrument shall modify the rights and obligations of the parties provided herein.

(d) **Successors; Assigns; Amendment.** This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties. This Agreement may be amended or modified only in writing signed by all parties hereto.

(e) **Severability of Provisions.** If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such waiver or other provision or any remaining provisions of this Agreement.

(f) **Arbitration Program. Agreement for Binding Arbitration.**

Binding Arbitration. Bank or any party to this agreement may require that any Dispute be resolved by binding arbitration in accordance with the terms of this Arbitration Program, administered by the American Arbitration Association (the "AAA") pursuant to its Commercial Arbitration Rules and the Federal Arbitration Act (Title 9 of the United States Code). A "Dispute" shall include any dispute, claim, or controversy of any kind, whether in contract or in tort, legal or equitable, now existing or hereafter arising, relating in any way to this agreement or any related agreements (the "Documents"), or all past, present, or future loans, transactions, contracts, agreements, relationships, incidents or injuries of any kind whatsoever relating to or involving the Business Banking Group or any successor group or department of Lender. DISPUTES SUBMITTED TO ARBITRATION ARE NOT RESOLVED IN COURT BY A JUDGE OR JURY. Any party who fails to submit to binding arbitration following a lawful demand by the opposing party shall bear all costs and expenses incurred by the opposing party in compelling arbitration of a Dispute. Arbitration may be demanded at any time, and may be compelled by summary proceedings in Court.

Arbitrators; Preservation of Remedies. A Dispute involving claims or amounts in controversy of \$5,000,000 or less shall be decided by a single arbitrator who shall not render an award of greater than \$5,000,000 (including damages, costs, fees and expenses), and each party expressly waives any right or claim to recover more than \$5,000,000 in such cases. A Dispute involving greater amounts shall be heard by and decided by a majority vote of a panel of three arbitrators. Every arbitrator must be a retired member of the state or federal judiciary or a practicing attorney experienced and knowledgeable in the substantive laws applicable to the subject matter of the Dispute. Arbitrator(s) (i) may grant any remedy or relief within the scope hereof that a court of competent jurisdiction could, including ancillary relief as is necessary to make effective any award, (ii) shall have the power to award recovery of all costs and fees, and (iii) may impose sanctions and take other actions as they deem necessary to the same extent a judge could. The determination of the arbitrator(s) shall be binding on all parties and shall not be subject to further review or appeal except as otherwise allowed by applicable law. Judgment upon an award made hereunder may be entered in any court having jurisdiction. Any claim or dispute related to the exercise of any self-help, auxiliary or other rights under this paragraph shall be a Dispute hereunder. However, no provision of, nor the exercise of any rights under, this Arbitration Program shall limit the right of any party to seek, use, and employ ancillary or preliminary remedies, judicial or otherwise, for the purposes of (i) preserving, foreclosing, or obtaining possession of real or personal property, (ii) exercising self-help remedies including setoff and repossession rights, or (iii) obtaining provisional or ancillary remedies such as injunctive relief, sequestration, attachment, garnishment, or the appointment of a receiver from a court having jurisdiction. Such rights can be exercised at any time, unless contrary to a final award or decision in an arbitration proceeding, and shall not constitute a waiver of the arbitration rights of any party. The involvement of any party in judicial or other proceedings as plaintiff or in any other capacity shall not impair such party's right to demand arbitration of the Dispute at any reasonable time. Any party may proceed



against all liable persons, or against any one or more of them, and may release or settle with any of them, without impairing rights against other liable persons.

Judicial Review; Real Property Collateral; Judicial Reference. Notwithstanding anything herein to the contrary, in any arbitration in which the amount in controversy exceeds \$25,000,000, the arbitrators shall be required to make specific, written findings of fact and conclusions of law. In such arbitrations (i) the arbitrators shall not have the power to make any award which is not supported by substantial evidence or which is based on legal error, (ii) an award shall not be binding upon the parties unless the findings of fact are supported by substantial evidence and the conclusions of law are not erroneous under applicable substantive law, and (iii) the parties shall have, in addition to the grounds referred to in the Federal Arbitration Act for vacating, modifying or correcting an award, the right to judicial review of whether the findings of fact rendered by the arbitrators are supported by substantial evidence, and whether the conclusions of law are erroneous under applicable substantive law. Judgment confirming an award in such a proceeding may be entered only if a court determines the award is supported by substantial evidence and not based on legal error under applicable substantive law. Notwithstanding contrary provisions herein, no Dispute shall be submitted to arbitration if the Dispute concerns indebtedness secured by real property and if arbitration of the Dispute would preclude enforcement of a mortgage, lien or security interest securing such indebtedness, unless the holder of such mortgage, lien or security interest specifically elects in writing to proceed with the arbitration. If such a Dispute is not submitted to arbitration under such circumstances, the Dispute shall be determined by Judicial Reference at the election of any Party. If such an election is made, the Dispute shall be determined by a reference in accordance with California Code of Civil Procedure Section 638, et seq., or the judicial reference procedures of some other state if such state in which the real property is located offers a comparable judicial reference procedure. A referee shall be selected pursuant to AAA procedures and must meet the selection criteria set forth herein for an arbitrator.

Miscellaneous. To the maximum extent practicable, the AAA, the arbitrator and the parties shall act to assure that any arbitration proceeding shall be concluded within 180 days of the filing of the Dispute with the AAA. Arbitration proceedings hereunder shall be conducted at a location mutually agreeable to the parties, or if they cannot agree, then in the state of the applicable substantive law designated in the Documents relating to the Dispute at a location selected by the AAA. All discovery activities shall be expressly limited to matters directly relevant to the Dispute. No party or arbitrator may disclose the existence, content, or results of any arbitration hereunder, except for disclosures of information required in the ordinary course of a party's business or by applicable law or regulation. The parties agree that by engaging in activities with or involving each other as described above, they are participating in transactions involving interstate commerce. This Arbitration Program shall be administered and construed in accordance with the Federal Arbitration Act, other applicable Federal law, and to the extent inapplicable or unenforceable, other applicable law providing for arbitration. If there is any inconsistency between the terms hereof and any governing rules or statutes, the terms hereof shall control. This Arbitration Program constitutes the entire agreement of the parties and supersedes all prior arrangements and other communications on dispute resolution concerning Disputes. In the event more than one arbitration program entered into by the parties is potentially applicable to a Dispute, the one most directly related to the Documents or transaction that is the subject of the Dispute shall control. The provisions of this Arbitration Program shall survive any termination, amendment, or expiration of the Documents or relationships of the parties.

(g) **Final Agreement.** The agreement supersedes all prior negotiations, communications, discussions, and correspondence concerning these matters. It may be amended or modified only by a written instrument signed by the party to be bound.

(h) **Counterpart.** This document may be executed in any number of separate counterparts, each of which shall be an original but all of which shall constitute one and the same agreement.

(i) **Fax.** An electronic transmission or other facsimile of this signed document shall be deemed an original and shall be admissible as evidence of the signed original.



(j) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

BANK:

WELLS FARGO BANK, N.A.

By: Joann Sipsas
Name: Joann Sipsas
Title: Loan Closing Officer

OWNER:

Laurie McPhee Gere

By: Laurie McPhee Gere
Name: Laurie McPhee Gere
Title: Individual

By: _____
Name: _____
Title: _____

Address:
4011 W 3rd St.
Anacortes, WA 98221



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Skagit County Auditor

EXHIBIT A
TO
SUBORDINATION AGREEMENT
(MORTGAGE/DEED OF TRUST)

Legal Description of Property:

Lots 1 and 2, Block 34, "MAP OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON," as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington,

EXCEPT that portion thereof described as follows:

Beginning at the Southeast corner of said Lot 1; thence North along the East line of said Lot, 50.86 feet, more or less, to the South wall of the brick and concrete building lying immediately North of property described in the deed recorded under Auditor's File No. 437638, records of Skagit County, Washington; thence Westerly along the South wall of said building to a point on the West line of said Lot 2, 50.50 feet North, more or less, of the Southwest corner of said Lot 2; thence South along the West line of said Lot 2 to the Southwest corner thereof; thence East along the South line of said Lots 1 and 2 to the point of beginning.

Also, Lots 3, 4, and 5, Block 34, "MAPS OF THE CITY OF ANACORTES, SKAGIT COUNTY, WASHINGTON," as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington,

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



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NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH MAY ALLOW 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.

BENEFICIARY:

Philip William Gere

By: Philip William Gere

Name: Philip William Gere

Title: Individual

By: _____

Name: _____

Title: _____

Address:

River's Edge RV Park

2299 Winterhaven Drive, Space #81

Winterhaven, CA 92283



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State of Washington)

County of Skagit)

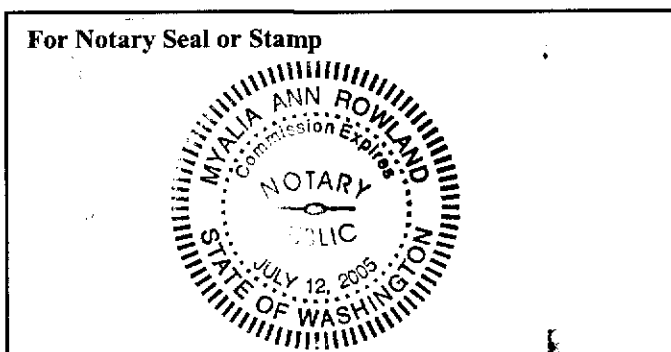
On November 22 2002, before me, the undersigned, a Notary Public in and for Said County and State, personally appeared

Laurie McPhee Gere

Personally known to me (or 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.

WITNESS my hand and official seal.

Signature



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State of Arizona)

County of Yuma)

On December 5th 2002, before me, the undersigned, a Notary Public in and for Said County and State, personally appeared

Philip William Gere

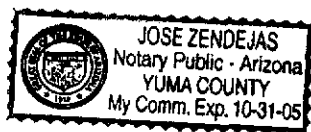
Personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Jose Zendejas

For Notary Seal or Stamp



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