

WHEN RECORDED RETURN TO

Name SKAGIT STATE BANK

Address P. O. Box 285

City, State, Zip Burlington, WA 98233



LAND TITLE COMPANY

FILED FOR RECORD AT REQUEST OF

4584-000-004-0003



200308120113  
Skagit County Auditor

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FIRST AMERICAN TITLE CO.  
75059-2

## 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.

The undersigned subordinator and owner agrees as follows:

1. Skagit State Bank referred to herein as "subordinator", is the owner and holder of a mortgage dated April 3, 1998, which is recorded in volume AFN 9804160103 of Mortgages, page 1, under auditor's file No. 200308120113 records of Skagit County.
2. HORIZON BANK referred to herein as "lender" is the owner and holder of a mortgage dated AUGUST 8, 2003, executed by BATES (which is recorded in volume 200308120112 of Mortgages, page 1, under auditor's file No. SKAGIT records of SKAGIT County (which is to be recorded concurrently herewith).
3. RANDAL S. JOHNSON & ANGELA J. JOHNSON, H&W 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 there under, 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" above referred to and shall supercede 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.
8. The heirs, administrators, assigns and successors in interest of the "subordinator" shall be bound by this agreement. Where the work "mortgage" appears herein it shall be considered as "deed of trust", and gender and number of pronouns considered to conform to undersigned.

Executed this 29th day of July, 2003

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.

BY: James E. Bishop, Co-CEO & Vice Chairman  
STATE OF WASHINGTON }  
COUNTY OF Skagit } ss.

On this 29th day of July, 2003, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared James E. Bishop and James E. Bishop Co-CEO & Vice Chairman, Secretary, respectively of Skagit State Bank, 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 authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

GIVEN under my hand and official seal the day and year first above written.  
Notary Public in and for the State of Washington, residing at Seattle, WA 98101  
My appointment expires: 11-15-04

