

**RETURN ADDRESS:**

Skagit State Bank  
Anacortes  
1400 Commercial Ave  
P O Box 36  
Anacortes, WA 98221



200312160140

Skagit County Auditor

12/16/2003 Page 1 of 5 3:24PM

**LAND TITLE OF SKAGIT COUNTY**

**NOTICE: THIS SUBORDINATION OF DEED OF TRUST 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.**

**SUBORDINATION OF DEED OF TRUST**

Reference # (if applicable): 109441-P

Additional on page \_\_\_\_

Grantor(s):

1. MATHES, RICHARD G
2. ATKINSON, JOHN K
3. Skagit State Bank

9801020040  
200312160139

Grantee(s)

1. Skagit State Bank

Legal Description: Ptn of E 1/2 of NE 1/4, 34-34-4 E W.M.

Additional on page 2

Assessor's Tax Parcel ID#: 340434-1-002-0002 (P29685) &  
340434-1-016-0006 (P29706)

**THIS SUBORDINATION OF DEED OF TRUST dated December 4, 2003, is made and executed among Skagit State Bank ("Beneficiary"); Land Title Company of Burlington ("Trustee"); RICHARD G MATHES and JOHN K ATKINSON ("Borrower"); and Skagit State Bank ("Lender").**

**SUBORDINATION OF DEED OF TRUST  
(Continued)**

Page 2

**SUBORDINATED INDEBTEDNESS.** Beneficiary has extended the following described financial accommodations (the "Subordinated Indebtedness") to RICHARD G MATHES and JOHN K ATKINSON ("Trustor"):

**NOTE IN THE SUM OF \$75,000.00, DATED 12/26/1997, IN FAVOR OF SKAGIT STATE BANK.**

**SUBORDINATED DEED OF TRUST.** The Subordinated Indebtedness is secured by a deed of trust dated December 4, 2003 from Trustor to Trustee in favor of Beneficiary (the "Subordinated Deed of Trust") recorded in SKAGIT County, State of Washington as follows: Recorded 12/16/03 Auditors # 200312160139

**RECORDED 1/2/98 UNDER AUDITOR'S NO. 9801020040.**

**REAL PROPERTY DESCRIPTION.** The Subordinated Deed of Trust covers the following described real property (the "Real Property") located in SKAGIT County, State of Washington:

The West 1/2 of the Northeast 1/4 of the Northeast 1/4 of that portion of the West 1/2 of the Southeast 1/4 of the Northeast 1/4, lying North of the Little Mountain-Big Lake Road, all in Section 34, Township 34 North, Range 4 East W.M.

Situated in the County of Skagit, State of Washington.

The Real Property or its address is commonly known as 21877 LITTLE MOUNTAIN ROAD, MOUNT VERNON, WA 98274-8197. The Real Property tax identification number is 340434-1-002-0002 (P29685) & 340434-1-016-0006 (P29706)

**REQUESTED FINANCIAL ACCOMMODATIONS.** Beneficiary, who may or may not be the same person or entity as Trustor, and Borrower each want Lender to provide financial accommodations to Borrower (the "Superior Indebtedness") in the form of (A) new credit or loan advances, (B) an extension of time to pay or other compromises regarding all or part of Borrower's present indebtedness to Lender, or (C) other benefits to Borrower. Borrower and Beneficiary each represent and acknowledge to Lender that Beneficiary will benefit as a result of these financial accommodations from Lender to Borrower, and Beneficiary acknowledges receipt of valuable consideration for entering into this Subordination.

**LENDER'S LIEN.** As a condition to the granting of the requested financial accommodations, Lender has required that its deed of trust or other lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Deed of Trust.

**NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:**

**SUBORDINATION.** The Subordinated Deed of Trust and the Subordinated Indebtedness secured by the Subordinated Deed of Trust is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to the lien of the Subordinated Deed of Trust. Beneficiary also subordinates to Lender's Lien all other Security Interests in the Real Property held by Beneficiary, whether now existing or hereafter acquired. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

**BENEFICIARY'S REPRESENTATIONS AND WARRANTIES.** Beneficiary hereby represents and warrants to Lender that Beneficiary has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Beneficiary further acknowledges that the Lease is in full force and effect and that no default by Beneficiary or, to Beneficiary's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

**BENEFICIARY WAIVERS.** Beneficiary waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

**LENDER'S RIGHTS.** Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Beneficiary, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

**DEFAULT BY BORROWER.** If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. Any default by Borrower under the terms of the Subordinated Indebtedness also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Subordination:

**Amendments.** What is written in this Subordination is Beneficiary's entire agreement with Lender concerning the matters covered by this Subordination. To be effective, any change or amendment to this Subordination must be in writing and must be signed by whoever will be bound or obligated by the change or amendment.

**Attorneys' Fees; Expenses.** If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation,



200312160140  
Skagit County Auditor

12/16/2003 Page 2 of 5 3:24PM

**SUBORDINATION OF DEED OF TRUST  
(Continued)**

Page 3

however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Beneficiary also will pay any court costs, in addition to all other sums provided by law.

**Authority.** The person who signs this Subordination as or on behalf of Beneficiary represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Beneficiary's security interests in Beneficiary's property, if any.

**Caption Headings.** Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

**Governing Law.** This Subordination will be governed by and interpreted in accordance with federal law and the laws of the State of Washington. This Subordination has been accepted by Lender in the State of Washington.

**Successors.** This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Beneficiary herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

**No Waiver by Lender.** Beneficiary understands Lender will not give up any of Lender's rights under this Subordination unless Lender does so in writing. The fact that Lender delays or omits to exercise any right will not mean that Lender has given up that right. If Lender does agree in writing to give up one of Lender's rights, that does not mean Beneficiary will not have to comply with the other provisions of this Subordination. Beneficiary also understands that if Lender does consent to a request, that does not mean that Beneficiary will not have to get Lender's consent again if the situation happens again. Beneficiary further understands that just because Lender consents to one or more of Beneficiary's requests, that does not mean Lender will be required to consent to any of Beneficiary's future requests. Beneficiary waives presentment, demand for payment, protest, and notice of dishonor.

**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.**

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED DECEMBER 4, 2003.

**BORROWER:**

x   
RICHARD G MATHES, Individually

x   
JOHN K ATKINSON, Individually

**BENEFICIARY:**

**SKAGIT STATE BANK**

By:   
Authorized Signer for Skagit State Bank

By: \_\_\_\_\_  
Authorized Signer for Skagit State Bank

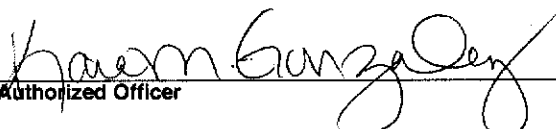
**TRUSTEE:**

**LAND TITLE COMPANY OF BURLINGTON**

By: \_\_\_\_\_  
Authorized Signer for Land Title Company of Burlington

By: \_\_\_\_\_  
Authorized Signer for Land Title Company of Burlington

**LENDER:**

x   
Authorized Officer



200312160140  
Skagit County Auditor

12/16/2003 Page

3 of

5 3:24PM

SUBORDINATION OF DEED OF TRUST  
(Continued)

Page 4

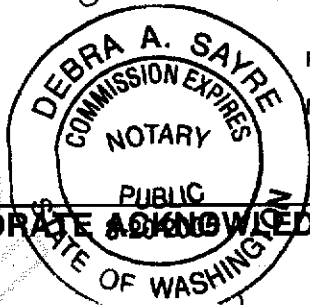
INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington )  
 ) SS  
COUNTY OF Skagit )

On this day before me, the undersigned Notary Public, personally appeared **RICHARD G MATHES and JOHN K ATKINSON**, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals described in and who executed the Subordination of Deed of Trust, and acknowledged that they signed the Subordination as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 8th day of December, 2003

By Debra A Sayre Residing at Oak Harbor  
Notary Public in and for the State of WA My commission expires 3-20-05



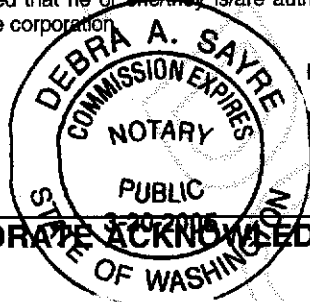
CORPORATE ACKNOWLEDGMENT

STATE OF Washington )  
 ) SS  
COUNTY OF Skagit )

On this 8th day of December, 2003, before me, the undersigned Notary Public, personally appeared Steven P. Hkeney, Senior Vice President

and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination of Deed of Trust and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By Debra A Sayre Residing at Oak Harbor  
Notary Public in and for the State of \_\_\_\_\_ My commission expires 3-20-05



CORPORATE ACKNOWLEDGMENT

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, before me, the undersigned Notary Public, personally appeared \_\_\_\_\_

and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination of Deed of Trust and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By \_\_\_\_\_ Residing at \_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_ My commission expires \_\_\_\_\_



200312160140  
Skagit County Auditor

SUBORDINATION OF DEED OF TRUST  
(Continued)

Page 5

LENDER ACKNOWLEDGMENT

STATE OF Washington )  
 ) SS  
COUNTY OF Skagit )

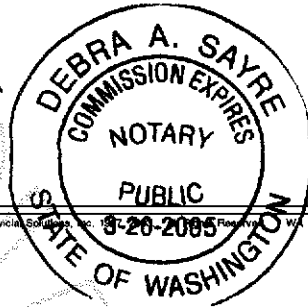
On this 8th day of December, 20 03, before me, the undersigned Notary Public, personally appeared Kara M Gonzalez and personally known to me or proved to me on the basis of satisfactory evidence to be the Asst. Vice President, authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By Debra A Sayre

Notary Public in and for the State of WA

Residing at Oak Harbor

My commission expires 3-20-05



LASER PRO Lending, Ver. 5.22.10.005 Copr. Harland Financial Solutions, Inc. 10/1/2004 Washington, WA L:\CP\PLUG212.FG TR-7263 PR-12



200312160140  
Skagit County Auditor

12/16/2003 Page 5 of 5 3:24PM