

AFTER RECORDING MAIL TO:

THE BANK OF WASHINGTON
5901 196TH ST. SW
LYNNWOOD, WA 98036



200501180161

Skagit County Auditor

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1st Am. G.H. Esc. # 183287-2

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.

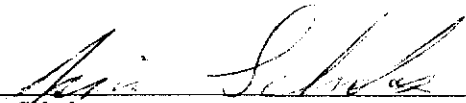
The undersigned subordinator and owner agrees as follows:

1. Jim Schols, referred to herein as "subordinator," is the owner and holder of a mortgage dated March 25, 2002, which is recorded under auditor's file no. 200204040086, records of Skagit County.
2. The Bank of Washington, referred to herein as "lender," is the owner and holder of a mortgage in the principal amount of \$105,000.00, dated January 18, 2005, executed by Jerry A. Highet and Shellie D. Highet (which is recorded under auditor's file no. 200501180160, records of Skagit County) (which is to be recorded concurrently herewith).
3. Jerry A. Highet and Shellie D. Highet, referred to herein as "owner," is the owner of all the real property described in the mortgage identified above in Paragraph 2.
4. The maximum sum to be advanced by "lender" to "owner" to which "subordinator" shall be subordinated is the principal balance of no more than \$105,000.00, plus interest, late fees, attorneys' fees, and costs.
5. 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 its 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.
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. It is also understood by the parties hereto that "lender's" mortgage does not allow for negative amortization.
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 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 January, 2005.

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 HIS/HER/THEIR ATTORNEYS WITH RESPECT THERETO.


Jim Schols

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON)
COUNTY OF Skagit) ss.

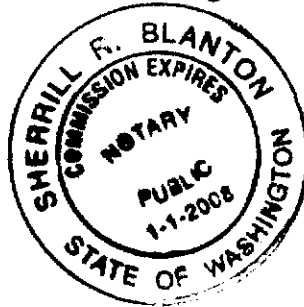
On this 8th day of January, 2005, before me, the undersigned Notary Public, personally appeared Jim Schols personally known to me or proved to me on the basis of satisfactory evidence to be the individual that executed the foregoing instrument and acknowledged the instrument to be his free and voluntary act and deed for the uses and purposes therein mentioned.

By: Sherrill R. Blanton

Residing at Sedro Woolley, Washington

Notary Public in and for the state of Washington

My commission expires: 1-1-08



200501180161
Skagit County Auditor