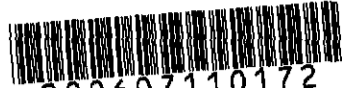


WHEN RECORDED RETURN TO



200607110172
Skagit County Auditor

7/11/2008 Page 1 of 1 3:55PM

Name

Address

City, State, Zip



LAND TITLE
COMPANY

FILED FOR RECORD AT REQUEST OF

LAND TITLE OF SKAGIT COUNTY
121656-S

Subordination Agreement

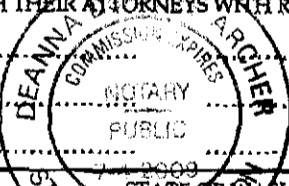
NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

- 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 6/2/1993, which is recorded in volume of Mortgages, page under auditor's file No 930615005 records of SKAGIT County.
 2. HORIZON BANK *9306150059 referred to herein as "lender" is the owner and holder of a mortgage dated 7-10-06, executed by JAMES A AND SHELILA R DAUT (which is recorded in volume of Mortgages, page under auditor's file No. 200607110171, records of Skagit County (which is to be recorded concurrently herewith).
 3. JAMES A. and SHELILA R. DAUT 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 JUNE 2006

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.

W. Tom VA



STATE OF WASHINGTON

COUNTY OF SKAGIT

ss.

STATE OF WASHINGTON

COUNTY OF

ss.

On this day personally appeared before me MIKE CLINE, VP Skagit State Bank to me known to be the individual described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned. of said corporation

On this day of before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared and

to me known to be the President and Secretary, respectively of 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 authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

Witness my hand and official seal hereto affixed the day and year first above written.

GIVEN under my hand and official seal this 29th day of June 2006

Deanna Archer

Notary Public in and for the State of Washington,

residing at

My appointment expires: 7-1-2009

Notary Public in and for the State of Washington,

residing at

My appointment expires: