

RETURN ADDRESS:

PEOPLES BANK
MOUNT VERNON OFFICE
PHONE: (360) 848-8872
1801 RIVERSIDE DRIVE
MOUNT VERNON, WA
98273



200612280140

Skagit County Auditor

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2 3:44PM

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):

200603150077

FIRST AMERICAN TITLE CO.

90075-4

Additional on page

Grantor(s):

1. HIGHLAND GREENS SENIOR APARTMENT LLC

Grantee(s)

1. PEOPLES BANK

Legal Description: SECTION 9, TOWNSHIP 34, RANGE 4, PTN. SW NE AND NW SE

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Assessor's Tax Parcel ID#: 340409-4-005-1000

THIS SUBORDINATION OF DEED OF TRUST dated December 22, 2006, is made and executed among HANSELL/MITZEL, LLC, A WASHINGTON LIMITED LIABILITY COMPANY ("Beneficiary"); FIRST AMERICAN TITLE INSURANCE COMPANY ("Trustee"); HIGHLAND GREENS SENIOR APARTMENT LLC ("Borrower"); and PEOPLES BANK ("Lender").

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 OF LATER SECURITY INSTRUMENT.

The undersigned subordinator and owner agrees as follows:

1. Hansell/Mitzel referred to herein as "subordinator", is the owner and holder of a mortgage dated March 2006, which is recorded March 15, 2006 under auditor's file No. 200603150077, records of Skagit County.
2. Peoples Bank referred to herein as "lender", is the owner and holder of a mortgage dated December 2006, executed by Highland Greens Senior Apartment LLC (which is recorded December 20, 2006, under auditor's file No. 200612280137, records of Skagit County) (which is to be recorded concurrently herewith).
3. Salem Village, referred to herein as "owner", is the owner of all 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 thereunder, 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 word "mortgage" appears herein it shall be considered as "deed of trust", and gender and number of pronouns considered to conform to undersigned.

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.

Executed this 22 day of December, 2006

Jeffery D. Hansell
Jeffery D. Hansell

ACKNOWLEDGEMENT

STATE OF WASHINGTON

COUNTY OF Skagit

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I certify that I know or have satisfactory evidence that he is/are the person(s) who appeared before me, and said person(s) acknowledged that he or she signed this instrument and acknowledged it to be of his or her own free and voluntary act for the uses and purposes mentioned in the instrument.

Dated this 22 day of December, 2006

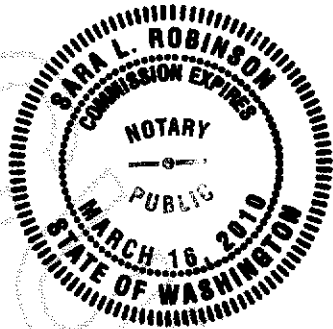
By Sara L. Robinson

Print Name Notary Public

Notary Public in and for the State of Washington

My appointment expires March 16, 2010

Residing at Seeth/No/lay WA



200612280140
Skagit County Auditor