

WHEN RECORDED RETURN TO:

Name: Horizon Bank
Address: 2211 Rimland Drive, Suite 22
City, State, Zip: Bellingham, WA 98226
Att: Nancy Shipman



200701260170

Skagit County Auditor

1/26/2007 Page 1 of 2 3:28PM

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: **FIRST AMERICAN TITLE CO.**

The undersigned subordinator and owner agrees as follows:

90516-2

1. **HORIZON BANK** referred to herein as "subordinator", is the owner and holder of a mortgage dated December 14, 2005 which is recorded December 15, 2005 under auditor's file No. 200512150043 records of Skagit County.
2. **HORIZON BANK** referred to herein as "lender" is the owner and holder of the mortgage dated January 23, 2007, executed by Little Mountain East, L.L.C. (which is recorded 1-26, 2007 under auditor's file No. 200701260169 records of Skagit County) (which is to be recorded concurrently herewith).
3. **Little Mountain East, L.L.C., a Washington Limited Liability Company**, 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 this 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 which 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 supersede 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 23RD day of January, 2007

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.

HORIZON BANK

Violet Martinson

By: Violet Martinson
Vice President

State of Washington
County of Whatcom

On this 23rd day of January, 2007, before me, the undersigned Notary Public, personally appeared **Violet Martinson** and personally known to be or proved to me on the basis of satisfactory evidence to be the 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 Kris Zuanich

Kris Zuanich, Notary Public in and for the State of Washington.

Residing at Bellingham

My Commission Expires: 11/18/2008

Notary Public
State of Washington
KRISTIN ZUANICH
My Appointment Expires Nov 18, 2008



200701260170

Skagit County Auditor