

RETURN ADDRESS:

Frontier Bank
Mount Vernon
119 E College Way
PO Box 1124
Mount Vernon, WA
98273



200705080161
Skagit County Auditor

5/8/2007 Page 1 of 7 2:23PM

LAND TITLE OF SKAGIT COUNTY

NOTICE: THIS SUBORDINATION OF MORTGAGE 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 MORTGAGE

Reference # (if applicable): MTVE-XX2736 ORDER NO. 125389-S

Additional on page ____

Grantor(s):

1. NORM NELSON, INC.
2. NORM NELSON, INC.

Grantee(s)

1. Frontier Bank

200705080 159
2007 06040080

Legal Description: A PTN OF BLKS 10, 11, AND 12 AMENDED BURL.

Additional on page 2

Assessor's Tax Parcel ID#: 4076-010-010-0008; 4076-010-017-0001; 4076-010-020-0006;
4076-010-020-0004 & 4076-012-010-0004

THIS SUBORDINATION OF MORTGAGE dated April 23, 2007, is made and executed among NORM NELSON, INC. ("Borrower"); JEANNE KNUTZEN, Mortgagee Assignee; BELTIE ELLICE HOPKINS, Mortgagee Assignee; JAMES N. NELSON, Mortgagee Assignee; NORM NELSON, JR., Mortgagee Assignee; and JAMES N. NELSON, Individually ; and Frontier Bank ("Lender").

**SUBORDINATION OF MORTGAGE
(Continued)**

Page 2

SUBORDINATED INDEBTEDNESS. Mortgagee has extended the following described financial accommodations (the "Subordinated Indebtedness") to NORM NELSON, INC. ("Mortgagor"):

A Note in the total amount of \$1,031,916.00 by and between Norm Nelson, Inc. a Washington corporation as Mortgagor and Mortgagees Jeanne Nelson, a single woman and James N. Nelson, a married man as his separate estate, in the amount of \$329,400.00 payable to Jeanne Nelson, or order, and \$702,516.00 payable to James N. Nelson, or order.

SUBORDINATED MORTGAGE. The Subordinated Indebtedness is secured by a mortgage dated May 30, 2002 from Mortgagor to Mortgagee (the "Subordinated Mortgage") recorded in SKAGIT County, State of Washington as follows:

Recorded on June 4, 2002, under Auditor's File Number 200206040080.

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

See SCHEDULE A-1, which is attached to this Subordination and made a part of this Subordination as if fully set forth herein.

The Real Property or its address is commonly known as 605 AVON AVE., BURLINGTON, WA 98233. The Real Property tax identification number is 4076-010-010-0008; 4076-010-017-0001; 4076-010-020-0006; 4076-010-020-0004 & 4076-012-010-0004.

REQUESTED FINANCIAL ACCOMMODATIONS. Mortgagee, who may or may not be the same person or entity as Mortgagor, 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 Mortgagee each represent and acknowledge to Lender that Mortgagee will benefit as a result of these financial accommodations from Lender to Borrower, and Mortgagee 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 mortgage or other lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Mortgage.

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

SUBORDINATION. The Subordinated Mortgage and the Subordinated Indebtedness secured by the Subordinated Mortgage 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 Mortgage. Mortgagee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Mortgagee, 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. * AF 200705080159

MORTGAGEE'S REPRESENTATIONS AND WARRANTIES. Mortgagee represents and warrants to Lender that: (A) no representations or agreements of any kind have been made to Mortgagee which would limit or qualify in any way the terms of this Subordination; (B) this Subordination is executed at Borrower's request and not at the request of Lender; (C) Lender has made no representation to Mortgagee as to the creditworthiness of Borrower; and (D) Mortgagee has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Mortgagee agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Mortgagee's risks under this Subordination, and Mortgagee further agrees that Lender shall have no obligation to disclose to Mortgagee information or material acquired by Lender in the course of its relationship with Mortgagee.

MORTGAGEE WAIVERS. Mortgagee 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 Mortgagee, (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. 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. This Subordination constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this



200705080161
Skagit County Auditor

5/8/2007 Page

2 of

7 2:23PM

**SUBORDINATION OF MORTGAGE
(Continued)**

Page 3

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, 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 and title insurance, to the extent permitted by applicable law. Mortgagee 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 Mortgagee represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Mortgagee's security interests in Mortgagee'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 federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Subordination has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Mortgagee agrees upon Lender's request to submit to the jurisdiction of the courts of Skagit County, 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 Mortgagee 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. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Mortgagee, shall constitute a waiver of any of Lender's rights or of any of Mortgagee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

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 APRIL 23, 2007.

BORROWER:

NORM NELSON, INC.

By: 

GERALD E. NELSON, President of NORM NELSON, INC.

By: 

MYRON AYERS, Secretary of NORM NELSON, INC.

MORTGAGEE:

X 

JEANNE KNUTZEN, Mortgagee Assignee

X 

BELTIE ELLICE HOPKINS, Mortgagee Assignee

X 

JAMES N. NELSON, Mortgagee Assignee

X 

NORM NELSON, JR., Mortgagee Assignee

X 

JAMES N. NELSON, Individually



200705080161
Skagit County Auditor

5/8/2007 Page

3 of 7 2:23PM

SUBORDINATION OF MORTGAGE
(Continued)

Page 4

LENDER:

FRONTIER BANK

X

Authorized Officer

CORPORATE ACKNOWLEDGMENT

STATE OF

Washington

COUNTY OF

Skagit

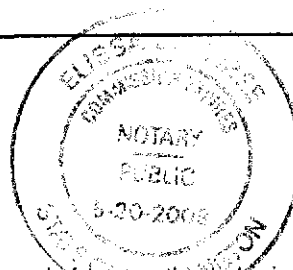
On this 7th day of May, 2007, before me, the undersigned Notary Public, personally appeared GERALD E. NELSON, President of NORM NELSON, INC., and personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the corporation that executed the Subordination of Mortgage 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 is authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By

Notary Public in and for the State of WA

Residing at

My commission expires



CORPORATE ACKNOWLEDGMENT

STATE OF

Washington

COUNTY OF

Skagit

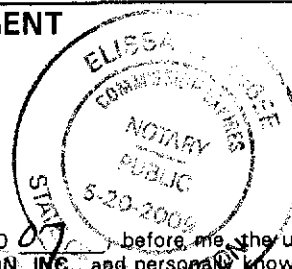
On this 7th day of May, 2007, before me, the undersigned Notary Public, personally appeared MYRON AYERS, Secretary of NORM NELSON, INC., and personally known to me or proved to me on the basis of satisfactory evidence to be an authorized agent of the corporation that executed the Subordination of Mortgage 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 is authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By

Notary Public in and for the State of WA

Residing at

My commission expires



INDIVIDUAL ACKNOWLEDGMENT

STATE OF

WASHINGTON

COUNTY OF

KING

On this day before me, the undersigned Notary Public, personally appeared JEANNE KNUTZEN, Mortgage Assignee, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Mortgage, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

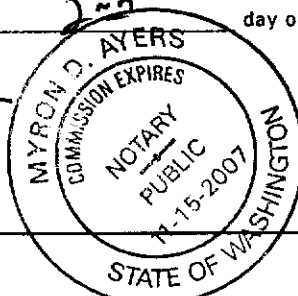
Given under my hand and official seal this 2nd day of May, 2007

By

Notary Public in and for the State of WA

Residing at

My commission expires



200705080161
Skagit County Auditor

SUBORDINATION OF MORTGAGE
(Continued)

Page 5

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this day before me, the undersigned Notary Public, personally appeared **BELTIE ELLICE HOPKINS**, Mortgagee Assignee, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Mortgage, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 2nd day of May, 20 07

By [Signature]

Residing at MOUNT VERNON

Notary Public in and for the State of WASHINGTON

My commission expires 11/15/07

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this day before me, the undersigned Notary Public, personally appeared **JAMES N. NELSON**, Mortgagee Assignee, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Mortgage, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 2nd day of May, 20 07

By [Signature]

Residing at MOUNT VERNON

Notary Public in and for the State of WASHINGTON

My commission expires 11/15/07

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON)
) SS
COUNTY OF SKAGIT)

On this day before me, the undersigned Notary Public, personally appeared **NORM NELSON, JR.**, Mortgagee Assignee, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Mortgage, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 2nd day of May, 20 07

By [Signature]

Residing at MOUNT VERNON

Notary Public in and for the State of WASHINGTON

My commission expires 11/15/07



200705080161
Skagit County Auditor

SUBORDINATION OF MORTGAGE
(Continued)

Page 6

INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON

)

) SS

COUNTY OF SKAGIT

)

On this day before me, the undersigned Notary Public, personally appeared **JAMES N. NELSON**, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Mortgage, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 11th day of MAY, 20 07

By [Signature]

Notary Public in and for the State of WA

Residing at MOUNT VERNON

My commission expires 11/15/07

LENDER ACKNOWLEDGMENT

STATE OF Washington

)

) SS

COUNTY OF Skagit

)

On this 7th day of May, 20 07, before me, the undersigned Notary Public, personally appeared Scott DeGrauw, and personally known to me or proved to me on the basis of satisfactory evidence to be the VP, Commercial Sales Office 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 [Signature]

Notary Public in and for the State of WA

Residing at Sedro Woolley

My commission expires 5/20/09



200705080161

Skagit County Auditor

DESCRIPTION:

PARCEL "A":

The South 19 feet of Lots 1, 2 and 3 and all of Lots 6 through 20, inclusive, Block 10, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.

TOGETHER WITH all of the vacated alley in said Block 10 as conveyed by the City of Burlington to Norm Nelson, Inc., a Washington corporation, in Quit Claim Deed recorded May 2, 1994, under Auditor's File No. 9405020207, records of Skagit County, Washington.

ALSO TOGETHER WITH all that portion of Burlington Northern Railroad Company's (formerly Great Northern Railway Company) 25.0 foot wide Spur Track right of way, now discontinued, being 12.5 feet wide on each side of said Railroad Company's Spur Track centerline, as originally located upon, over and across Lots 11 through 20, inclusive, Block 10, Town of Burlington, Skagit County, Washington; bounded on the Southeasterly side by the South and East lines of said Block 10, and bounded on the Northwesterly side by the West and North lines of said Lot 11.

Situate in the City of Burlington, County of Skagit, State of Washington.

PARCEL "B":

Lots 1 through 20, inclusive, Block 11, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.

TOGETHER WITH the vacated South ½ of Magnolia Avenue adjacent to Lots 1 through 10, inclusive, of said Block 11, as vacated by City of Burlington Ordinance No. 37, recorded October 14, 1955, under Auditor's File No. 525767, records of Skagit County, Washington.

ALSO TOGETHER WITH all of the vacated alley in said Block 11, as conveyed by the City of Burlington to Norm Nelson, Inc., a Washington corporation, by Warranty Deed recorded January 21, 1986, under Auditor's File No. 8601210015, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington.

PARCEL "C":

Lots 7, 8, 9, and 10, Block 12, "AMENDED PLAT OF BURLINGTON, SKAGIT COUNTY, WASH.", as per plat recorded in Volume 3 of Plats, page 17, records of Skagit County, Washington.

Situate in the City of Burlington, County of Skagit, State of Washington.



200705080161
Skagit County Auditor

5/8/2007 Page

7 of

7 2:23PM