

WHEN RECORDED RETURN TO:

Name: CHICAGO TITLE COMPANY
Address: P O BOX 670
City, State, Zip BURLINGTON, WA 98233

200803310195
Skagit County Auditor
3/31/2008 Page 1 of 2 3:48PM

Chicago Title Company - Island Division

Chicago Title IC44573

Escrow BE11793A

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. CHAFFEY HOMES, INC., a Washington corporation, referred to herein as "subordinator", is the owner and holder of a mortgage dated March 26, 2008, which is recorded under auditor's file No. 200803310192, records of Skagit County, Washington.
2. SKAGIT STATE BANK referred to herein as "lender" is the owner and holder of the mortgage in the amount of \$3,000,000.00, dated March 25, 2008, executed by MONTREAUX 1, L.L.C., a Washington limited liability company, recorded under auditor's file no. 200803310188, records of Skagit County, Washington, (which is to be recorded concurrently herewith). SKAGIT STATE BANK, is also the owner and holder of the mortgage in the amount of \$2,000,000.00, dated March 25, 2008, executed by MONTREAUX 1, L.L.C., a Washington limited liability company, recorded under auditor's file no. 200803310193, records of Skagit County, Washington, (which is to be recorded concurrently herewith).
3. MONTREAUX 1, L.L.C., a Washington limited liability company referred to herein as "owner", is the owner of all the real property described in the mortgages 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 liens of "lender's" mortgages, 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 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 28th day of March 2008

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.

CHAFFEY HOMES, INC., a Washington corporation

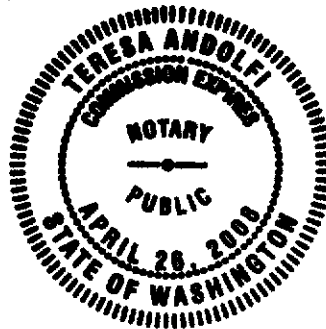
By: Robert A. Chaffey, President

STATE OF WASHINGTON
COUNTY OF KING

On this 28th day of March 2008, before me personally appeared Robert A. Chaffey, to me known to be the President of CHAFFEY HOMES, INC., the corporation that executed the within and 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 state that he was authorized to execute said instrument.

DATED: 3/28/08

Teresa Andolfi
Notary Public in and for the State of Washington
Residing in: Lynnwood
My appointment expires: 4-26-08
Printed Notary Name: Teresa Andolfi



200803310195
Skagit County Auditor