

**RECORDATION REQUESTED BY:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

3033 Elder Street  
Boise, ID 83705

**WHEN RECORDED MAIL TO:**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

Attn: Collateral Monitoring, Mac #U1851-015  
P.O. Box 8203  
Boise, ID 83707-2203



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Skagit County Auditor

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SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

**SUBORDINATION AGREEMENT – DEED OF TRUST**

This Subordination Agreement is entered into as of March 6, 2008, by Robert J. Klem ("Borrower"), Robert J. Klem and M. Dianne Klem ("Grantor"), Wells Fargo Financial National Bank ("Trustee"), WELLS FARGO BANK, NATIONAL ASSOCIATION (Wells Fargo Private Banking), its successors and/or assigns ("Creditor") and WELLS FARGO BANK, NATIONAL ASSOCIATION.

Reference No. of Deed of Trust: Recording #200612260050 on 12/26/2006 in Skagit County

Reference No. of Deed of Trust: Recording #200804080013 on 04/08/2008 in Skagit County

**RECITALS:**

- A. Creditor has extended, or is about to extend, financial accommodations to Robert J. Klem ("Borrower") secured, in whole or in part, by a security interest in real property of Grantor (the "Collateral") described as:

See Exhibit A

The Real Property or its address is commonly known as: 7630 Cypress Way, Anacortes, WA 98221.

- B. Wells Fargo Bank, National Association (hereinafter referred to as WFB) has extended, or is about to extend, financial accommodations to Borrower secured, in whole or in part, by a security interest in the Collateral as evidenced by:

Promissory Note dated December 26, 2006 in the original principal amount of \$1,700,000.00.

- C. Creditor and WFB desire to set forth their respective rights in the Collateral.

The parties agree as follows:

**AGREEMENT:**

1. As long as Creditor complies with the terms and conditions of this Agreement, Creditor's security interest in the Collateral shall be a lien or charge on the Collateral prior and superior to the lien or charge of WFB's security interest in the Collateral as to all obligations that the Deed of Trust dated **December 26, 2006** from Grantor to Wells Fargo Financial National Bank as Trustee in favor of Wells Fargo Bank, National Association (the Subordinated Deed of Trust) recorded in Skagit County, State of Washington as follows: Instrument Number #200612260050 on December 26, 2006, identified as being secured by the Collateral. Creditor and WFB shall maintain the perfection of their respective security interests in the Collateral. WFB may require the marshaling of assets upon Creditor's foreclosure of its security interest in the Collateral.
2. WFB and Creditor shall each send the other a copy of all notices of default sent by each to the Borrower. Creditor shall give WFB written notice of any uncured default by Borrower. WFB shall have thirty (30) days following the receipt of such notice to cure Borrower's default before Creditor may pursue any remedy against the Collateral.
3. This Agreement is intended solely for the purpose of defining the relative rights of WFB on one hand and Creditor on the other hand, and nothing in this Agreement is intended to or shall impair, as between the Borrower, other creditors, and WFB all amounts due and payable in accordance with the obligations of Borrower to WFB, or to affect the relative rights of WFB and creditors of the Borrower other than Creditor, nor shall anything herein prevent WFB from exercising all remedies against the Borrower otherwise permitted by applicable law, subject to the rights of Creditor under this Agreement.
4. All notices and other communications which are required and may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient and effective in all respects if given in writing or telecopied, delivered or mailed by registered or certified mail, postage prepaid, as follows:

If to LENDER:  
**WELLS FARGO BANK,  
NATIONAL ASSOCIATION**

1604 Hewitt Avenue, Suite 408  
4<sup>th</sup> Floor  
Everett, WA 98201  
Attention: Elizabeth Johnson Mac #P6674-041

or such other address or addresses as any party shall have designated by written notice to the other party. Notices shall be deemed given and effective upon the earlier to occur of (i) the third day following deposit thereof in the U.S. mail or (ii) receipt by the party to whom such notice is directed.

5. This Agreement shall be binding upon the parties hereto and their respective successors and assigns. This Agreement shall be governed by and construed according to the laws of the state of Idaho. This Agreement may be amended or modified only by written agreement, signed by an authorized representative of each party. This Agreement constitutes the entire agreement between the parties with respect to its subject matter. All prior and contemporaneous negotiations, proposals, and agreements between the parties, whether written or oral, are included in this Agreement.

Executed as of the date set forth above.

**BORROWER(S):**

Robert J. Klem

By: Robert J. Klem  
Robert J. Klem

**GRANTOR(S):**

Robert J. Klem  
M. Dianne Klem

By: Robert J. Klem  
Robert J. Klem

By: M. Dianne Klem  
M. Dianne Klem

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: Barbara A. Gurne  
Authorized Signer

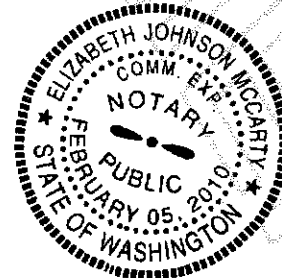
**INDIVIDUAL ACKNOWLEDGMENT**

STATE OF WASHINGTON )  
County of Snohomish ) SS.

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

DATED: July 21, 2008

Elizabeth Johnson McCarty  
Name (typed or printed): Elizabeth Johnson McCarty  
NOTARY PUBLIC in and for the State of WA  
Residing at: Snohomish, WA  
My appointment expires: 2/5/2010



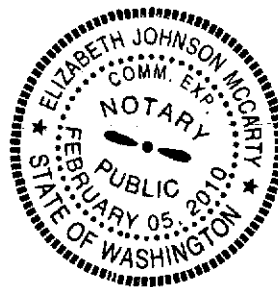
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# INDIVIDUAL ACKNOWLEDGMENT

STATE OF WASHINGTON )  
County of Snohomish ) SS.

I certify that I know or have satisfactory evidence that **M. Dianne Klem** is the person who appeared before me, and said person acknowledged that he/she signed this instrument and acknowledged it to be his/her free and voluntary act for the uses and purposes mentioned in this instrument.

DATED: July 21, 2008  
Name (typed or printed): Elizabeth Johnson McCarty  
NOTARY PUBLIC in and for the State of WA  
Residing at: SNOHOMISH, WA  
My appointment expires: 2/5/2010

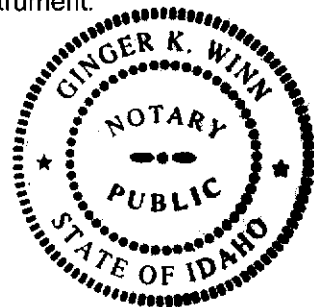


# LENDER ACKNOWLEDGMENT

STATE OF WASHINGTON )  
County of Ada ) SS.

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

DATED: July 30, 2008  
Name (typed or printed): Ginger K Winn - Ginger K Winn  
NOTARY PUBLIC in and for the State of Idaho  
Residing at: Caldwell, ID  
My appointment expires: July 30, 2014



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## Exhibit "A"

### PARCEL "A":

Lot C-1 of SKAGIT COUNTY SHORT PLAT NO. 111-79, as approved November 10, 1979, and recorded November 21, 1979, in Volume 3 of Short Plats, page 218, under Auditor's File No. 7911210038, records of Skagit County, Washington; being a portion of Tract C, Plat of "HOLIDAY HIDEAWAY NO. 1," as per plat recorded in Volume 8 of Plats, pages 36 through 42, inclusive, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.

### PARCEL "B":

An easement for roadway and utilities purposes as delineated on the face of Plat of "HOLIDAY HIDEAWAY NO. 1," as per plat recorded in Volume 8 of Plats, pages 36 through 42, inclusive, records of Skagit County, Washington.

Situate in the County of Skagit, State of Washington.



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