

RETURN ADDRESS:

Skagit State Bank
Main Office
301 E. Fairhaven Ave
P O Box 285
Burlington, WA 98233



200908190044
Skagit County Auditor

8/19/2009 Page 1 of 6 11:35AM

LAND TITLE OF SKAGIT COUNTY

200908190043



* SUBAGREEM#####%#####%08-14-2009*

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): 200706290122

Additional on page ____

Grantor(s):

- 1. HATMAN, ELVA F
- 2. HATMAN, GARY
- 3. Skagit State Bank

Grantee(s)

- 1. Skagit State Bank

Legal Description: Ptn W 1/2 of SE 1/4, 9-35-5 E W.M.

Additional on page ____

Assessor's Tax Parcel ID#: 350509-4-002-0617 (P38770)

THIS SUBORDINATION OF DEED OF TRUST dated August 14, 2009, is made and executed among Skagit State Bank ("Beneficiary"); Land Title of Skagit County ("Trustee"); ELVA F HATMAN and GARY HATMAN ("Borrower"); and Skagit State Bank ("Lender").

**SUBORDINATION OF DEED OF TRUST
(Continued)**

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SUBORDINATED INDEBTEDNESS. Beneficiary has extended the following described financial accommodations, secured by the Real Property (the "Subordinated Indebtedness"):

Credit Agreement and Disclosure dated June 27, 2007 in the original amount of \$35,000.00 and reduced to \$19,000.00 maximum on August 14, 2009 by Change In Terms Agreement.

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is or will be secured by the Real Property and evidenced by a deed of trust dated June 27, 2009 from ELVA F HATMAN and GARY HATMAN ("Trustor") to Land Title of Skagit County ("Trustee") in favor of Skagit State Bank ("Beneficiary") (the "Subordinated Deed of Trust") and recorded in SKAGIT County, State of Washington as follows:

Recorded June 29, 2007 under Auditor's No. 200706290122.

REAL PROPERTY DESCRIPTION. The Subordinated Deed of Trust 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 7583 PARKER RD, SEDRO WOOLLEY, WA 98284. The Real Property tax identification number is 350509-4-002-0617 (P38770).

SUPERIOR INDEBTEDNESS. Lender has extended or has agreed to extend the following described financial accommodations to Borrower, secured by the Real Property (the "Superior Indebtedness"):

Note and Deed of Trust dated August 14, 2009 in the original amount of \$163,000.00 between Elva F. Hatman and Gary Hatman, wife and husband, grantors, Skagit State Bank, a Washington Corporation, Beneficiary, and Land Title Company of Skagit County, Trustee.

LENDER'S LIEN. The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated August 14, 2009, from Borrower to Lender (the "Lender's Lien"). As a condition to the granting of the requested financial accommodations, Lender has required that the Lender's Lien be and remain superior to the Subordinated Deed of Trust.

REQUESTED FINANCIAL ACCOMMODATIONS. Beneficiary, who may or may not be the same person or entity as Trustor, and Borrower each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Borrower and Beneficiary each represent and acknowledge to Lender that Beneficiary will benefit as a result of these financial accommodations from Lender to Borrower, and Beneficiary acknowledges receipt of valuable consideration for entering into this Subordination.

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

SUBORDINATION. The Subordinated Deed of Trust and the Subordinated Indebtedness secured by the Subordinated Deed of Trust 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 Deed of Trust. Beneficiary also subordinates to Lender's Lien all other Security Interests in the Real Property held by Beneficiary, 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.

BENEFICIARY'S REPRESENTATIONS AND WARRANTIES. Beneficiary represents and warrants to Lender that: (A) no representations or agreements of any kind have been made to Beneficiary 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 Beneficiary as to the creditworthiness of Borrower; and (D) Beneficiary has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Beneficiary agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Beneficiary's risks under this Subordination, and Beneficiary further agrees that Lender shall have no obligation to disclose to Beneficiary information or material acquired by Lender in the course of its relationship with Beneficiary.

BENEFICIARY WAIVERS. Beneficiary 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 Beneficiary, (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. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. Any default by Borrower under the terms of the Subordinated Indebtedness also shall constitute an event of default under the terms of the Superior



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**SUBORDINATION OF DEED OF TRUST
(Continued)**

Indebtedness in favor of Lender.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Amendments. What is written in this Subordination is Beneficiary's entire agreement with Lender concerning the matters covered by this Subordination. To be effective, any change or amendment to this Subordination must be in writing and must be signed by whoever will be bound or obligated by the change or amendment.

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 Credit Agreement 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, title insurance, and fees for the Trustee, to the extent permitted by applicable law. Beneficiary 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 Beneficiary represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Beneficiary's security interests in Beneficiary'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.

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 Beneficiary 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. Beneficiary understands Lender will not give up any of Lender's rights under this Subordination unless Lender does so in writing. The fact that Lender delays or omits to exercise any right will not mean that Lender has given up that right. If Lender does agree in writing to give up one of Lender's rights, that does not mean Beneficiary will not have to comply with the other provisions of this Subordination. Beneficiary also understands that if Lender does consent to a request, that does not mean that Beneficiary will not have to get Lender's consent again if the situation happens again. Beneficiary further understands that just because Lender consents to one or more of Beneficiary's requests, that does not mean Lender will be required to consent to any of Beneficiary's future requests. Beneficiary waives presentment, demand for payment, protest, and notice of dishonor.

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 AUGUST 14, 2009.

BORROWER:

x Elva F. Hat
ELVA F HATMAN, Individually

x Gary Hat
GARY HATMAN, Individually

BENEFICIARY:

SKAGIT STATE BANK

By: Jeff Connor AUP/RELO
Authorized Signer for Skagit State Bank

By: _____
Authorized Signer for Skagit State Bank

TRUSTEE:

LAND TITLE OF SKAGIT COUNTY

By: _____
Authorized Signer for Land Title of Skagit County

By: _____
Authorized Signer for Land Title of Skagit County



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SUBORDINATION OF DEED OF TRUST
(Continued)

LENDER:

SKAGIT STATE BANK

X Jeff Connor AUP/RELO
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skagit

ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC
My Commission Expires 6-28-2012

On this day before me, the undersigned Notary Public, personally appeared ~~ELVA F HATMAN and GARY HATMAN~~, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals described in and who executed the Subordination of Deed of Trust, and acknowledged that they signed the Subordination as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 14th day of August, 2009

By [Signature]
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12

CORPORATE ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skagit

ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY --- PUBLIC
My Commission Expires 6-28-2012

On this 14th day of August, 2009, before me, the undersigned Notary Public, personally appeared Jeff Connor

and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination of Deed of Trust 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/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By [Signature]
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12

CORPORATE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

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) SS
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On this _____ day of _____, 20____, before me, the undersigned Notary Public, personally appeared _____

and personally known to me or proved to me on the basis of satisfactory evidence to be (an) authorized agent(s) of the corporation that executed the Subordination of Deed of Trust 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/they is/are 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 _____

Residing at _____
My commission expires _____



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Skagit County Auditor

SUBORDINATION OF DEED OF TRUST
(Continued)

LENDER ACKNOWLEDGMENT

STATE OF Washington

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) SS

COUNTY OF Skagit

ANNELIESE MARIA FARRELL
STATE OF WASHINGTON
NOTARY PUBLIC
My Commission Expires 6/28/12

On this 14th day of August, 2009, before me, the undersigned Notary Public, personally appeared Jeff Connor and personally known to me or proved to me on the basis of satisfactory evidence to be the authorized agent for Skagit State Bank that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of Skagit State Bank, duly authorized by Skagit State Bank 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 in fact executed this said instrument on behalf of Skagit State Bank.

By *Annellese Maria Farrell*
WA
Notary Public in and for the State of WA

Residing at La Conner
My commission expires 6/28/12



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Skagit County Auditor

DESCRIPTION:

That portion of the West ½ of the Southeast ¼ of Section 9, Township 35 North, Range 5 East, W.M., described as follows:

Beginning at the Northeast corner of said subdivision;
thence South 0°15'35" West, along the East line of said subdivision, a distance of 625.64 feet to a point which bears North 0°15'35" East a distance of 2,081.81 feet from the Southeast corner of said subdivision;
thence South 88°51'53" West a distance of 348.83 feet;
thence North 0°15'35" East, along a line which is a parallel to and 348.73 feet Westerly of and measured at right angles to the East line of said subdivision, a distance of 623.48 feet to a point on the North line of said subdivision;
thence North 88°30'35" East along the North line of said subdivision a distance of 348.89 feet to the point of beginning.

TOGETHER WITH a non-exclusive easement for ingress, egress and utilities over, under and across those certain access easement roads entitled Parker Road and Ridgewood Road, delineated on the face of that certain five acre subdivision no. 520-81, entitled "Rainbow Ridge", in Volume 5 of Surveys, pages 115 through 117, inclusive, records of Skagit County, Washington, being a portion of Sections 9 and 16, Township 35 North, Range 5 East, W.M.

(Said Survey recorded under Auditor's File No. 8108190024).

Also over and across the Southerly 60 feet of Tract F lying Easterly of Ridgewood Road as said easement is delineated on the face of the survey.

Situate in the County of Skagit, State of Washington.



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