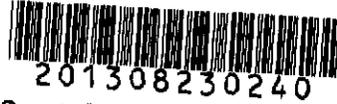


RETURN ADDRESS:  
PEOPLES BANK  
MAIN OFFICE  
418 GROVER STREET  
PO BOX 233  
LYNDEN, WA 98264



Skagit County Auditor  
8/23/2013 Page 1 of 5 3:17PM \$78.00

LAND TITLE OF SKAGIT COUNTY

145000-DE

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): 2011 04280087 Additional on page \_\_\_\_\_

Grantor(s):  
1. KUIPERS, GARRITT E  
2. KUIPERS, SHERYL L  
3. KUIPERS, GARRITT E  
4. KUIPERS, SHERYL L

20130823 0238

Grantee(s)  
1. PEOPLES BANK

Legal Description: SW 1/4 OF SW 1/4 35-34-3 E W.M. & PTN OF N 1/2 OF NW 1/4; NW 1/4 OF NE 1/4, 2-33-3 E W.M.

Additional on page 2

Assessor's Tax Parcel ID#: 330302-0-005-0001/P15296; 330302-0-008-0008/P15299; 330302-0-006-0000/P15297; 340335-3-003-0007/P23194

THIS SUBORDINATION OF MORTGAGE dated August 23, 2013, is made and executed among GARRITT E KUIPERS and SHERYL L KUIPERS ("Borrower"); PEOPLES BANK ("Mortgagee"); and PEOPLES BANK ("Lender").

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

A PROMISSORY NOTE DATED NOVEMBER 14, 2007 IN THE AMOUNT OF \$520,000.00.

**SUBORDINATED MORTGAGE.** The Subordinated Indebtedness is or will be secured by the Real Property and evidenced by a mortgage dated April 26, 2011 from GARRITT E KUIPERS and SHERYL L KUIPERS ("Mortgagor") to PEOPLES BANK ("Mortgagee") (the "Subordinated Mortgage") and recorded in SKAGIT County, State of Washington as follows:  
A MORTGAGE DATED APRIL 26, 2011 AND RECORDED APRIL 28, 2011 UNDER AUDITOR'S FILE NO. 201104280087, RECORDS OF SKAGIT COUNTY, WASHINGTON.

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

See EXHIBIT A, 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 XXX BEAVER MARSH ROAD, MOUNT VERNON, WA 98273. The Real Property tax identification number is 330302-0-005-0001/P15296; 330302-0-008-0008/P15299; 330302-0-006-0000/P15297; 340335-3-003-0007/P23194.

**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"):

A PROMISSORY NOTE DATED AUGUST 23, 2013 IN THE AMOUNT OF \$731,250.00.

**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 23, 2013, from Borrower to Lender (the "Lender's Lien") and recorded in SKAGIT County, State of Washington as follows:  
A MORTGAGE DATED AUGUST 23, 2013 AND RECORDED 8/23/13 UNDER AUDITOR'S FILE NO. 201308230240

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 Mortgage.

**REQUESTED FINANCIAL ACCOMMODATIONS.** Mortgagor, who may or may not be the same person or entity as Borrower, and Mortgagee each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Mortgagor 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.

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.

**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 or 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. 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



**SUBORDINATION OF MORTGAGE  
(Continued)**

Loan No: 5032008-204A

Page 3

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 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 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 paid. 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 WHATCOM County, State of Washington.

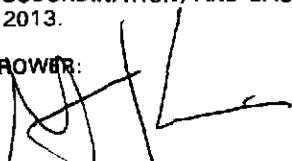
**Successors.** This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Mortgagee herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

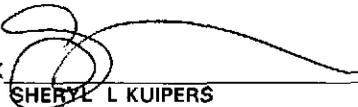
**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by 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.

**Waive Jury.** All parties to this Subordination hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party. (Initial Here *GFJK*)

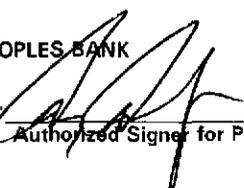
**EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED AUGUST 23, 2013.**

**BORROWER:**

X   
GARRITT E KUIPERS

X   
SHERYL L KUIPERS

**MORTGAGEE:**

PEOPLES BANK  
By:   
Authorized Signer for PEOPLES BANK

By: \_\_\_\_\_  
Authorized Signer for PEOPLES BANK



LENDER:

PEOPLES BANK

Authorized Officer

*[Signature]*

**INDIVIDUAL ACKNOWLEDGMENT**

STATE OF WASHINGTON  
 COUNTY OF SRAFT

On this day before me, the undersigned Notary Public, personally appeared **KUIPERS, 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 Mortgage, 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 23rd day of August, 2013

By Karin Westfall  
 Notary Public in and for the State of WA  
 Residing at Deane  
 My commission expires 6/28/16



**CORPORATE ACKNOWLEDGMENT**

STATE OF \_\_\_\_\_  
 COUNTY OF \_\_\_\_\_

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 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/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 \_\_\_\_\_



**LENDER ACKNOWLEDGMENT**

STATE OF Washington  
 COUNTY OF Whatcom

On this 23rd day of August, 2013, before me, the undersigned Notary Public, personally appeared Douglas E. Dostal and personally known to me or proved to me on the basis of satisfactory evidence to be the Senior Vice President authorized agent for **PEOPLES BANK** that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of **PEOPLES BANK**, duly authorized by **PEOPLES 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 **PEOPLES BANK**.

Residing at Lebanon  
 My commission expires 6/23/16

By Traci L. Matyas  
 Notary Public in and for the State of Washington

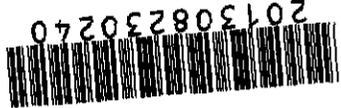


EXHIBIT A

DESCRIPTION:

The Southwest  $\frac{1}{4}$  of the Southwest  $\frac{1}{4}$  of Section 35, Township 34 North, Range 3 East, W.M.; and

All of Lot 5; the West 26 rods of Lot 3; and Lot 4 of Section 2, Township 33 North, Range 3 East, W.M., Skagit County, Washington, less the following tracts:

Beginning at a point bearing North  $55^{\circ}00'00''$  East and 80 feet distant from a point from which the Southwest corner of Lot 4, Section 2, Township 33 North, Range 3 East, W.M. bears South  $74^{\circ}00'00''$  West 15.60 chains distance;

thence North  $55^{\circ}00'00''$  East 80 feet;

thence South  $35^{\circ}00'00''$  East 80 feet to the right bank of the North Fork of the Skagit River;

thence along the river bank South  $62^{\circ}00'00''$  West 80 feet 6 inches;

thence North  $35^{\circ}00'00''$  West 70 feet to point of beginning.

Beginning at a point from which the Southwest corner of Lot 4, Section 2, Township 33 North, Range 3 East, W.M., bears South  $74^{\circ}00'00''$  West 15.60 chains distance;

thence North  $55^{\circ}00'00''$  East 80 feet;

thence South  $35^{\circ}00'00''$  East 70 feet to the right bank of the North Fork of Skagit River;

thence along the bank of the river South  $62^{\circ}00'00''$  West 80 feet 6 inches;

thence North  $35^{\circ}00'00''$  West 60 feet to the point of beginning.

Beginning at a point 829 feet South of the quarter corner of Section 2, Township 33 North, Range 3 East, W.M.;

thence South  $68^{\circ}30'00''$  West, 110 feet;

thence South  $21^{\circ}30'00''$  East 60 feet, more or less, to the North line of the County road;

thence North  $68^{\circ}30'00''$  East along said North line of County road 110 feet;

thence North  $21^{\circ}30'00''$  West 60 feet, more or less, to point of beginning.

TOGETHER WITH right to roadway to each end of the lot diagonally to the County road, and gangways to the river in front, the width of the lot.

EXCEPTING from all the foregoing, County roads and dike and drainage district rights of way.

Situate in the County of Skagit, State of Washington.



201308230240