



200408030166
Skagit County Auditor

8/3/2004 Page 1 of 5 3:08PM

RETURN ADDRESS:
Horizon Bank
Commercial Banking
Center
2211 Rimland Drive, Suite
230
Bellingham, WA 98226

FIRST AMERICAN TITLE CO.
B82174-E-2

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): 200407190091 Additional on page _____

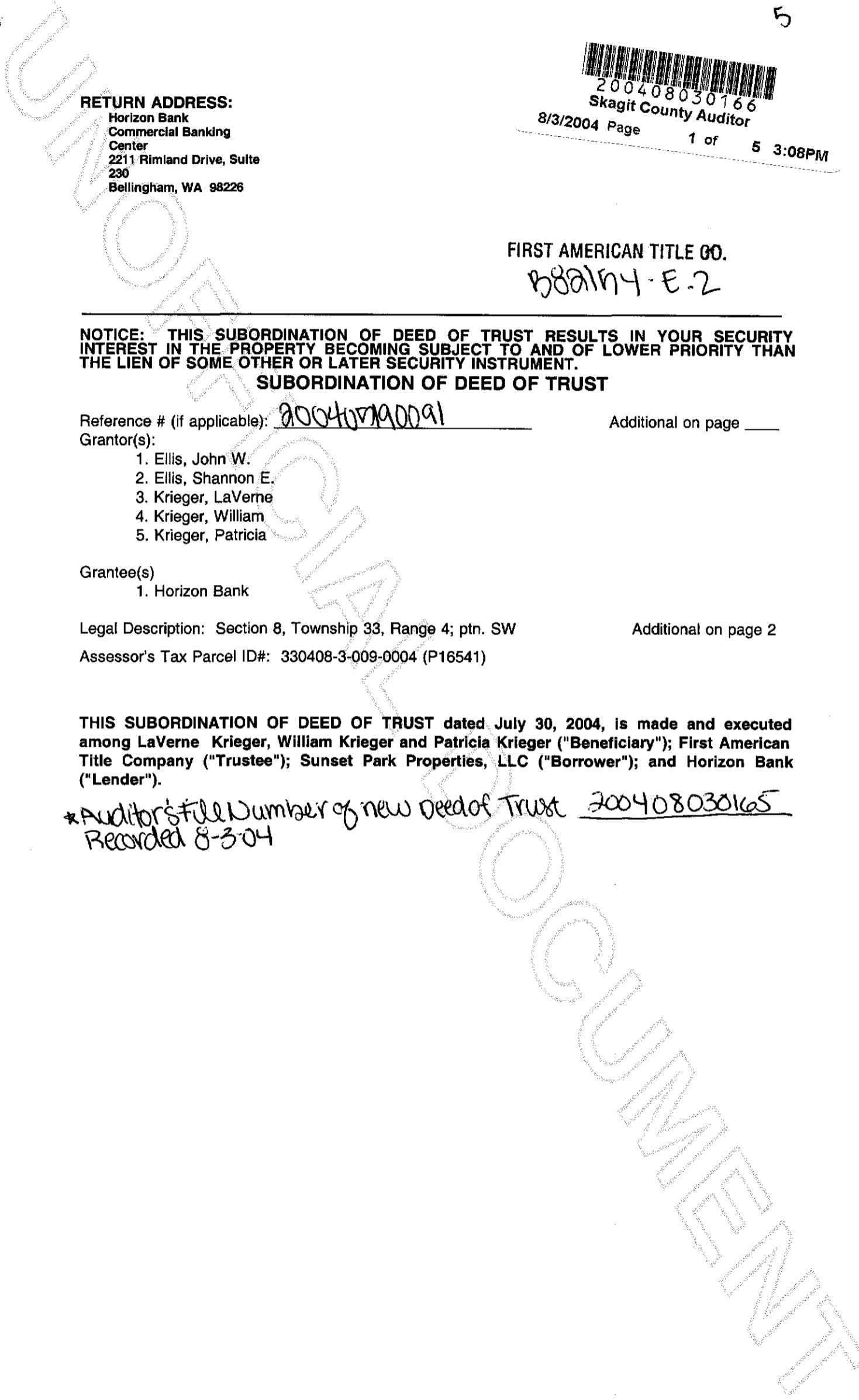
- Grantor(s):
- 1. Ellis, John W.
 - 2. Ellis, Shannon E.
 - 3. Krieger, LaVerne
 - 4. Krieger, William
 - 5. Krieger, Patricia

- Grantee(s)
- 1. Horizon Bank

Legal Description: Section 8, Township 33, Range 4; ptn. SW Additional on page 2
 Assessor's Tax Parcel ID#: 330408-3-009-0004 (P16541)

THIS SUBORDINATION OF DEED OF TRUST dated July 30, 2004, is made and executed among LaVerne Krieger, William Krieger and Patricia Krieger ("Beneficiary"); First American Title Company ("Trustee"); Sunset Park Properties, LLC ("Borrower"); and Horizon Bank ("Lender").

* Auditor's File Number of new Deed of Trust 200408030165
Recorded 8-3-04



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

Loan No: 1060000108

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SUBORDINATED INDEBTEDNESS. Beneficiary has extended the following described financial accommodations (the "Subordinated Indebtedness") to John W. Ellis and Shannon E. Ellis ("Trustor");

Note in the amount of \$100,000 in favor of LaVerne Krieger, William & Patricia Krieger.

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is secured by a deed of trust dated May 19, 2004 from Trustor to Trustee in favor of Beneficiary (the "Subordinated Deed of Trust") recorded in Skagit County, State of Washington as follows:

Recorded May 19, 2004, recording #200405190091.

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

The North 20 acres of the West 40 acres of the South 1/2 of the Southwest 1/4 of Section 8, Township 33 North, Range 4 East, W.M., EXCEPT the East 220 feet of the North 330 feet of said North 20 acres; AND EXCEPT that portion, if any, lying within the boundaries of the Southeast 1/4 of the Southwest 1/4 of said Section 8; AND EXCEPT that portion, if any, lying within the boundaries of the South 20 acres of the West 40 acres of the South 1/2 of the Southwest 1/4 of said Section 8; AND EXCEPT that portion conveyed to Skagit County for road purposes by Deed dated August 12, 1935 and recorded January 20, 1941 under Auditor's File No. 334267, in Volume 182 of Deeds, page 371, records of Skagit County,

Washington; AND EXCEPT that portion lying within the as built and existing County road running along the West line of said subdivision; AND ALSO EXCEPT that portion thereof lying within the boundaries of the following described tract:

That portion of the North 1/2 of the Southwest 1/4 of the Southwest 1/4 of Section 8, Township 33 North, Range 4 East, W.M., described as follows:

Beginning at the intersection of the East line of Old State Highway 99 and the South line of said subdivision; thence North along the East line of said Highway, 15 feet; thence East parallel to the South line of said subdivision 350 feet; thence South 45 degrees East to an existing fence line (lying approximately 9 feet North of the North line of the South 1/2 of the Southwest 1/4 of the Southwest 1/4 of Section 8, Township 33 North, Range 4 East, W.M.); thence Easterly along said fence line to the East line of said subdivision; thence South along said East line to the Northeast corner of the South 1/2 of the Southwest 1/4 of the Southwest 1/4 of said Section 8; thence West along the North line of the South 1/2 of the Southwest 1/4 of the Southwest 1/4 to the point of beginning.

Situate in Skagit County, Washington

The Real Property or its address is commonly known as Sedro Woolley, WA 98284. The Real Property tax identification number is 330408-3-009-0004 (P16541)

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 (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 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.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its deed of trust or other lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Deed of Trust.

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 hereby represents and warrants to Lender that Beneficiary has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Beneficiary further acknowledges that the Lease is in full force and effect and that no default by Beneficiary or, to Beneficiary's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

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. 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.



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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 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, construed and enforced in accordance with federal law and the laws of the State of Washington. This Subordination has been accepted by Lender in the State of Washington.

Choice of Venue. If there is a lawsuit, Beneficiary 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 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. 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 Beneficiary, shall constitute a waiver of any of Lender's rights or of any of Beneficiary'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.

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 JULY 30, 2004.

BORROWER:

SUNSET PARK PROPERTIES, LLC

By: [Signature]
John W. Ellis, Manager of Sunset Park Properties, LLC

BENEFICIARY:

x [Signature]
LaVerne Krieger, Individually

x [Signature]
William Krieger, Individually

x [Signature]
Patricia Krieger, Individually



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TRUSTEE:

FIRST AMERICAN TITLE COMPANY

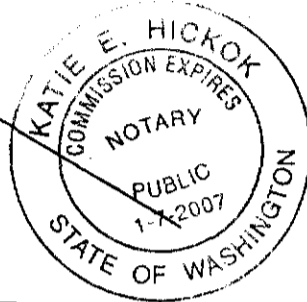
By: _____
Authorized Signer for First American Title Company

By: _____
Authorized Signer for First American Title Company

LENDER:

HORIZON BANK

X _____
Authorized Officer



LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Skagit)

On this 2nd day of August, 2004, before me, the undersigned Notary Public, personally appeared **John W. Ellis, Manager of Sunset Park Properties, LLC**, and personally known to me or proved to me on the basis of satisfactory evidence to be a of the limited liability company that executed the Subordination of Deed of Trust and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, 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 limited liability company.

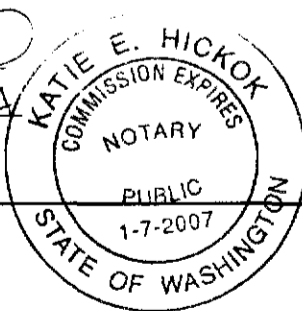
By Katie E. Hickok Residing at Mt Vernon
Notary Public in and for the State of WA My commission expires 1-7-07

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington)
) SS
COUNTY OF Skagit)

On this day before me, the undersigned Notary Public, personally appeared **LaVerne Krieger; William Krieger; and Patricia Krieger, husband and wife**, 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 2nd day of August, 20 04
By Katie E. Hickok Residing at Mt Vernon
Notary Public in and for the State of WA My commission expires 1-7-07



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CORPORATE ACKNOWLEDGMENT

STATE OF _____)
) SS
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 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 _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

LENDER ACKNOWLEDGMENT

STATE OF _____)
) SS
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 the _____, 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 _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____



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