

WHEN RECORDED RETURN TO:

Horizon Bank  
2211 Rimland Drive, Suite 230  
Bellingham, WA 98226  
Attn: NS Ref #: CMLG1089



200804150055

Skagit County Auditor

4/15/2008 Page

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9:49AM

LAND TITLE OF SKAGIT COUNTY

129179-0

**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:

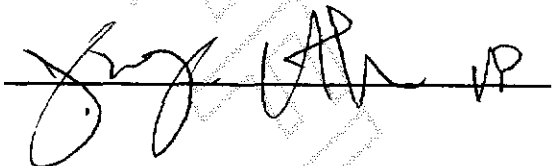
The undersigned subordinator and owner agrees as follows:

1. HORIZON BANK referred to herein as "subordinator", is the owner and holder of a mortgage dated March 2, 2005 which is recorded March 4, 2005, under Auditor's File No. 200503040108 records of Skagit County.
2. HORIZON BANK referred to herein as "lender" is the owner and holder of the mortgage dated March 2, 2005, executed by WATSON PROPERTIES, a Limited Partnership which is recorded March 4, 2005 under Auditor's File No. 200503040104 and the Modification of Deed of Trust dated April 11, 2008, executed by WATSON PROPERTIES, a Limited Partnership, which is recorded under Auditor's File No. 200804150053, records of Skagit County. (which is to be recorded concurrently with the Modification of Deed of Trust herewith).
3. WATSON PROPERTIES, a Limited Partnership referred to herein as "owner", is the owner of all the real property described in the mortgage 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 lien of "lender's" mortgage, 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 which 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 14<sup>th</sup> day of April, 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.

Horizon Bank

 VP

State of Washington )

) ss

County of Whatcom )

On this 14<sup>th</sup> day of April, 2008, before me, the undersigned Notary Public, personally appeared John Voth and personally known to be or proved to me on the basis of satisfactory evidence to the Bank Officer, 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 Pat J. G.

Residing at Bellingham

Notary Public in and for the State of Washington.

My Commission Expires: 06/23/2010

