



201212100197

Skagit County Auditor

12/10/2012 Page 1 of 7 1:32PM

RETURN ADDRESS:

PEOPLES BANK
MOUNT VERNON OFFICE
1801 RIVERSIDE DRIVE
MOUNT VERNON, WA
98273

CHICAGO TITLE 620017459

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): 201212100196

Additional on page ____

Grantor(s):

- 1. STUDEBAKER, THOMAS K.
- 2. PEOPLES BANK

Grantee(s)

- 1. PEOPLES BANK

Legal Description: PTN BLK 134, & LOTS 1 & 2, BLK 134, 1ST ADD TO BURLINGTON LOTS 1-7 AND PTN LOT 8, BLK 7, KNUTZEN'S

Additional on page ____

Assessor's Tax Parcel ID#: 4077-134-002-005/ P72187, 4089-007-007-0004/ P72736 AND 4089-007-008-0102/ P72738

THIS SUBORDINATION OF DEED OF TRUST dated December 5, 2012, is made and executed among PEOPLES BANK ("Beneficiary"); Chicago Title Insurance Co. ("Trustee"); THOMAS K. STUDEBAKER ("Borrower"); and PEOPLES BANK ("Lender").

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

Promissory Note dated October 16, 2012 from Thomas K. Studebaker to Peoples Bank in the amount of \$75,000.00

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is or will be secured by the Real Property and evidenced by a deed of trust dated October 16, 2012 from THOMAS K. STUDEBAKER ("Trustor") to Chicago Title Insurance Co. ("Trustee") in favor of PEOPLES BANK ("Beneficiary") (the "Subordinated Deed of Trust") and recorded in SKAGIT County, State of Washington as follows:

recorded October 16, 2012 under recording number 20110160075 records of Skagit County.

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 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 624, 632, 654, 676 AND NHN SPRUCE ST. BURLINGTON, WA 98233. The Real Property tax identification number is 4077-134-002-005/ P72187, 4089-007-007-0004/ P72736 AND 4089-007-008-0102/ P72738.

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"):

Promissory Note dated December 5, 2012 in the amount of \$729,716.50.

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 December 5, 2012, 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. Trustor, who may or may not be the same person or entity as Borrower, and Beneficiary each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Trustor 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 or 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 Indebtedness in favor of Lender.



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

Loan No: 5038480-201

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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 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, Beneficiary agrees upon Lender's request to submit to the jurisdiction of the courts of SKAGIT 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. (Initial Here *TS*)

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 DECEMBER 5, 2012.

BORROWER:

x *Thomas K. Studebaker*
THOMAS K. STUDEBAKER

BENEFICIARY:

PEOPLES BANK

By: *[Signature]*
Authorized Signer for PEOPLES BANK



SUBORDINATION OF DEED OF TRUST

Loan No: 5038480-201

(Continued)

LENDER:

PEOPLES BANK

X [Signature]
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington

COUNTY OF Skagit

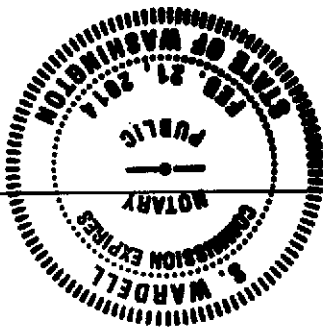
)
) SS
)

On this day before me, the undersigned Notary Public, personally appeared THOMAS K. STUDEBAKER, personally known to me or proved to me on the basis of satisfactory evidence to be the individual described in and who executed the Subordination of Deed of Trust, and acknowledged that he or she signed the Subordination as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 7th day of December, 2012.
Residing at Mount Vernon
My commission expires 2-21-14

Notary Public in and for the State of WA

My commission expires 2-21-14



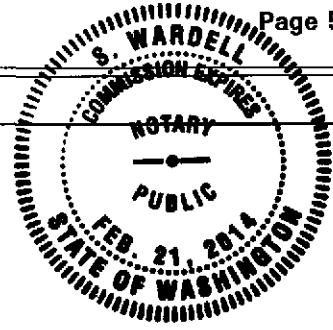
Skagit County Auditor

SUBORDINATION OF DEED OF TRUST
(Continued)

Loan No: 5038480-201

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LENDER ACKNOWLEDGMENT



STATE OF Washington)
) SS
COUNTY OF Skagit)

On this 7th day of December, 2012, before me, the undersigned Notary Public, personally appeared John J Veth 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**.

By S. Wardell
Notary Public in and for the State of WA

Residing at mount Vernon
My commission expires 2-21-14

LASER PRO Lending, Ver. 12.3.0.004. Copr. Harland Financial Solutions, Inc. 1997, 2012. All Rights Reserved. -
WA P:\CFIWIN\CFI\LPL\G212.FC TR-24386 PR-4

201212100197
Skagit County Auditor

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 4077-134-002-0005 / P72187, 4089-007-007-0004 / P72736 and
4089-007-008-0102 / P72738

PARCEL "A":

A parcel of land out of The Burlington Northern and Santa Fe Railway Company's (formerly Great Northern Railway Company) 300 foot wide Station Ground property at Burlington, Washington, lying contiguous to and Easterly of Block 134, "FIRST ADDITION TO BURLINGTON, SKAGIT CO., WASH.", as per plat recorded in Volume 3 of Plats, page 11, records of Skagit County, Washington, situate in the Northwest 1/4 of Section 5, Township 34 North, Range 4 East, W.M., Skagit County, Washington, described as follows, to-wit:

Beginning at a point on the Easterly line of Lot 1, Block 134, "FIRST ADDITION TO BURLINGTON, SKAGIT CO., WASH.", distant 129.0 feet Southerly of the Northeast corner of said Lot 1, as measured along the Easterly line of said Lot 1, said point being the most Southerly corner of that certain parcel of land described in Bargain and Sale Deed from Burlington Northern Railroad Company to f Land Company, Inc. filed for record October 31, 1996, as Document No. 9610310111 in and for said County thence South 08°23' East (assuming the North line of said Section 5 being an East-West line) along the Easterly line of said Block 134, also being the Westerly boundary of said 300 foot wide Station Ground property, a distance of 310 feet, more or less, to a point 175.0 feet distant Northwesterly of the Southeast corner of Lot 3, said Block 134 as measured along the Easterly line of said Block thence North 81°37' East, at right angles to the last described course, 148.0 feet; thence North 08°23' West, parallel with said Westerly boundary of said 300 foot wide Station Ground property, a distance of 339 feet, more or less, to the Southerly line of said TF Land Company, Inc. property; thence Southwesterly along said Southerly line 142.5 feet, thence Southeasterly parallel with the Easterly line of said Block 134 and along said Southerly line, 29.0 feet, thence Southwesterly at right angles to the last described course and along said Southerly line, 5.50 feet to the true point of beginning.

Situate in the City of Burlington, County of Skagit, State of Washington.



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Skagit County Auditor

EXHIBIT "A"
Legal Description

PARCEL "B":

Lots 1 and 2, Block 134, "FIRST ADDITION TO BURLINGTON, SKAGIT CO., WASH.", as per plat recorded in Volume 3 of Plats, page ii, records of Skagit County, Washington.

ALSO, Lots 1, 2,3,4, 5, 6,7 and the North 20 feet of Lot 8, Block 7, "KNUTZEN'S ADDITION TO THE TOWN OF BURLINGTON", as per plat recorded in Volume 3 of Plats, page 80, records of Skagit County, Washington.

TOGETHER WITH the North 1/2 of an "Unnamed East-West Street" in Block 7 of said Plat, also described as the North 15 feet of the South 30 feet of Lot 8, Block 7 of said Plat.

ALSO TOGETHER WITH the North 385 feet of vacated alley, said alley also referred to as a North-South unnamed 30 foot wide street.

ALSO TOGETEER WITH the East 15 feet of said North-South unnamed Street abutting on Lot 9, and abutting on the South 15 feet of Lot 8, Block 7 of said Plat, as vacated per Burlington City Ordinance Nos. 673 and 419, dated May 3, 1966 and April 5, 1944, and further recorded under Auditor's File Nos. 755936 and 755937, respectively,

EXCEPT from all of the above, the following described property:

That portion of Lot 2, Block 134, "FIRST ADDITION TO BURLINGTON, SKAGIT CO., WASH.", as per plat recorded in Volume 3 of Plats, page 11, records of Skagit County, Washington, and also that portion of the vacated street along the West line of said Lot 2, more particularly described as follows:

Beginning at the Southwest corner of said Lot 2;
thence South 88°26'05" East along the South line of said Lot 2, a distance of 184.12 feet to the Westerly right of way line of the Burlington Northern Railroad;
thence North 6°53'24" West along said right of way line, a distance of 59.04 feet;
thence North 88°26'18" West, a distance of 175.88 feet to the East line of said vacated street; thence North 88°52'08" West, a distance of 15.00 feet to the centerline of said vacated street; thence South 1007152 West along said centerline, a distance of 58.39 feet to a point which bears North 88°52'08" West from the point of beginning;
thence South 88°52'08" East, a distance of 15.00 feet to the point of beginning.

Situate in the City of Burlington, County of Skagit, State of Washington.



201212100197

Skagit County Auditor