

RETURN ADDRESS:
PEOPLES BANK
Loan Services Department
PO Box 233
LYNDEN, WA 98264



Skagit County Auditor \$77.00
2/25/2016 Page 1 of 5 3:24PM

GUARDIAN NORTHWEST TITLE CO.



A110762

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): DT# 2016 0122 0098

Additional on page _____

Grantor(s):
1. LG Anacortes, LLC DT# 2016 0005 0079

Grantee(s)
1. PEOPLES BANK

Legal Description: Lot 15, "THE ORCHARDS P.U.D."

Additional on page 2

Assessor's Tax Parcel ID#: 4882-000-015-0000 P123998

THIS SUBORDINATION OF DEED OF TRUST dated February 11, 2016, is made and executed among Gail Ballow ("Beneficiary"); Guardian Northwest Title - Skagit ("Trustee"); LG Anacortes, LLC ("Borrower"); and PEOPLES BANK ("Lender").

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

Loan No: 5043853-211

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

A PROMISSORY NOTE DATED JANUARY 8, 2016 IN THE AMOUNT OF \$357,000.00.

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is or will be secured by the Real Property and evidenced by a deed of trust dated January 8, 2016 from LG Anacortes, LLC ("Trustor") to Guardian Northwest Title - Skagit ("Trustee") in favor of Gail Ballou ("Beneficiary") (the "Subordinated Deed of Trust") and recorded in Skagit County, State of Washington as follows:

A DEED OF TRUST DATED JANUARY 8, 2016 AND RECORDED JANUARY 22, 2016 UNDER AUDITOR'S FILE NO. 201601220088, RECORDS OF SKAGIT COUNTY, WASHINGTON.

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

Lot 15, "THE ORCHARDS P.U.D.", according to the plat thereof recorded January 19, 2006, under Auditor's File No. 200601190126, records of Skagit County, Washington.

The Real Property or its address is commonly known as 4411 Orchard Avenue, Anacortes, WA 98221. The Real Property tax identification number is 4882-000-015-0000 P123998.

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 FEBRUARY 11, 2016 IN THE AMOUNT OF \$308,600.00.

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 February 11, 2016, from Borrower to Lender (the "Lender's Lien") and recorded in Skagit County, State of Washington as follows:

A DEED OF TRUST DATED FEBRUARY 11, 2016 AND RECORDED FEB 25, 2016 UNDER AUDITOR'S FILE NO. _____, RECORDS OF SKAGIT COUNTY, WASHINGTON.

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 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.

SUBORDINATION OF DEED OF TRUST
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LENDER:

PEOPLES BANK

X [Signature]
Authorized Officer

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF WASHINGTON
COUNTY OF SKAGIT

) DIANA K WHITNEY
) SS NOTARY PUBLIC
) STATE OF WASHINGTON
EXPIRES 5/15/2017

On this 18th day of FEBRUARY, 2016, before me, the undersigned Notary Public, personally appeared BRIAN GENTRY, PRESIDENT of Old City Hall Holdings Corp, Member of LG Anacortes, LLC, and personally known to me or proved to me on the basis of satisfactory evidence to be a member or designated agent 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 [Signature] Residing at BOW
Notary Public in and for the State of WA My commission expires 15 MAY 2017

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Washington
COUNTY OF Skagit

) SS
)
)
KLARISSA KNUTSON
COMMISSION EXPIRES
NOTARY
PUBLIC
07-07-2018
STATE OF WASHINGTON

On this day before me, the undersigned Notary Public, personally appeared Gail Ballow, 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 19th day of February, 2016
By [Signature] Residing at MOUNT VERNON
Notary Public in and for the State of WA My commission expires 7-7-18

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 _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

SUBORDINATION OF DEED OF TRUST
(Continued)

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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 Washington
COUNTY OF Snohomish

SARA PORTER
Notary Public, State of Washington
My Commission Expires
March 16, 2018

On this 23 day of February, 20 16, before me, the undersigned Notary Public, personally appeared Dennis Lee and personally known to me or proved to me on the basis of satisfactory evidence to be the 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 Sara Porter Residing at Bellingham WA
Notary Public in and for the State of WA My commission expires March 16, 2018