

When Recorded Return To:

United States Small Business Administration
Attn:
2719 North Air Fresno Drive, Suite 107
Fresno, California 93727-1547



200209300300
Skagit County Auditor

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SBA Loan Name MICHAEL P & KATHY A HOLM
SBA Loan Number: 2339324006

Grantor(s):

Grantee(s):

Legal Description:

Assessors PTP or Account No.:

Reference Number(s) of Documents Assigned or Released:

LAND TITLE COMPANY OF SKAGIT COUNTY

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference September 23, 2002, and is between KATHY A HOLM, owner(s) of the land described in the Deed of Trust referenced below ("Owner"), PEOPLES BANK, ("Lender") and the United States Small Business Administration, an agency duly created under and by virtue of an Act of Congress, having its principal office in Washington, in the District of Columbia, and a Commercial Loan Servicing Center at 2719 North Air Fresno Drive, Suite 107, Fresno, California 93727, ("SBA").

RECITALS:

Owner executed a deed of trust/mortgage, dated September 22, 1998 amended July 20, 1999, to, as trustee, to secure a note in the sum of \$71,900.00 in favor of SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on October 27, 1998 in the Official Records of Skagit County, Washington, as Document Number 9810270127, as amended by Security Agreement recorded September 27, 1999 in the official records of Skagit County, Washington as Document Number 199909270110

Owner has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$244,250.000, dated September 25, 2002, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith.

under Auditor's File No: 200209300299

As a condition precedent to Lender's performance, the SBA Security Instrument must be subordinated to the Lender's Security Instrument ("Lender's Security Instrument"). SBA is willing to subordinate the lien of the SBA Security Instrument provided it retains its lien priority with respect to all other legal or equitable

interests in the property.

AGREEMENT:

In consideration of the mutual benefits accruing to the parties and to induce Lender to make a loan to Owner, it is hereby agreed and understood as follows:

(1) Lender's Security Instrument, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA Security Instrument.

(2) Lender would not make its loan without this subordination agreement.

(3) Lender will not make any additional advances under its Security Instrument except such disbursements that become necessary to protect its security interest and for which Owner is liable under Lender's Security Instrument and related loan documents.

(4) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Security Instrument to Lender's Security Instrument.

(5) Except as expressly provided herein, this agreement shall not operate or be construed to alter the priority of the SBA Security Instrument with regard to any legal or equitable interest in the property. Owner and Lender shall hold SBA harmless from any impairment of its lien (with regard to any third party) which is occasioned by this subordination.

(6) SBA's agreement to subordinate its lien interest to that of the Lender is expressly conditioned upon Lender's, Borrower's and Guarantor's execution of this subordination agreement. This subordination agreement is null and void if not duly executed by the foregoing parties.

(7) Lender shall provide notice to SBA of any default under the terms of the Lender's Security Instrument which remains uncured for 60 days. A default in the obligation secured by Lender's Security Instrument may be cured (including purchase of the property at or prior to foreclosure) by the SBA via cash, certified funds or a United States Treasury check, at SBA's option. Lender will not enforce any default provision in its Security Instrument to the detriment of the SBA, including, but not limited to, any provision regarding a default rate of interest.



(8) All proceeds of Lender's loan shall be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument, the following described uses, if any, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

Kathy A. Holm
Kathy A Holm, Owner

[Signature]

LENDER

ADMINISTRATOR, UNITED STATES
SMALL BUSINESS ADMINISTRATION,
AN AGENCY OF THE UNITED STATES

By: _____

[Signature] 9/23/02

Gary A. Wamhof
Sr. Loan Specialist

(All signatures must be acknowledged)

State of California
County of Fresno

On Sept 24, 2002 before me, MARY FARMER, a Notary Public, personally appeared Gary A. Wamhof, personally known to me to be the person whose name is subscribed to this instrument and acknowledged to me that he/she executed this instrument in his/her authorized capacity, and that by his/her signature on the instrument the United States Small Business Administration executed the instrument.

WITNESS my hand and official seal.

Signature Mary Farmer

