

RECORDING REQUESTED BY
AND WHEN RECORDED, MAIL TO:

SOUTHERN PACIFIC BANK
23530 Hawthorne Blvd #200
Torrance, Ca. 90503



200107230151

, Skagit County Auditor

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Attention: Diana Musick

Assessor-s Parcel No.: 4076-033-018-0002-R71518

FIRST AMERICAN TITLE CO.

SUBORDINATION AGREEMENT

B63731E-5

THOMAS KAMB 200107230150

SOUTHERN PACIFIC BANK 200107230149

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.

THIS SUBORDINATION AGREEMENT is made as of the 13th day of July 2001, between and among (i) Daniel Keck and Megan K. Keck, Husband and Wife who is or shall be the owner of the land hereinafter described, (ii) SOUTHERN PACIFIC BANK, ("Bank"), and (iii) Thomas R. Kamb, as his separate estate ("Junior Lender"), with reference to the following:

RECITALS

A. Owner is in the process of purchasing the real property described in Exhibit A, which is attached hereto and incorporated herein by this reference (1133 East Fairhaven Avenue, Burlington, Washington 98233). Owner has applied to Lender for a loan in the principal amount of \$241,500.00, the proceeds of which are intended to be utilized in purchasing the Property (the "Loan"). In connection therewith, Owner has executed and delivered, or is about to execute and deliver in favor of Bank, a Promissory Note dated as of July 13, 2001 in the original principal sum of \$241,500.00. The Note will be secured, among other things, by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of July 13, 2001 in favor of Bank. The Deed of Trust is to be recorded concurrently herewith. The Note, the Deed of Trust and all other documents, instruments, and agreements evidencing and/or securing the Loan, as now existing, or hereafter amended, modified, renewed or extended, are sometimes collectively referred to herein as the Senior Loan Documents.

B. Owner has also applied to Junior Lender for a loan in the principal amount of



\$23,800.00, the proceeds of which are intended, in part, to supplement Owner's own funds in connection with its purchase of the Property. In connection therewith, Owner has executed and delivered, or is about to execute and deliver in favor of Junior Lender, a Notes secured by Deed of Trust dated as of July 16, 2001 in the original principal sum of \$23,800.00. The Junior Note will be secured by, among other things, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of July 16, 2001 in favor of Junior Lender. The Junior Deed of Trust is to be recorded subsequent to the Deed of Trust, and is to be junior, subordinate and subject to the Deed of Trust. The Junior Note, the Junior Deed of Trust and all other documents, instruments and agreements evidencing and/or securing the Junior Loan, as now existing or hereafter amended, modified, renewed or extended, are sometimes collectively referred to herein as the Junior Loan Documents.

C. It is a condition precedent to obtaining the Loan that the Deed of Trust and other Senior Loan Documents shall unconditionally be and remain at all times a lien or charge upon the Property which is prior and superior to the lien or charge of the Junior Deed of Trust and other Junior Loan Documents.

D. Bank is willing to make the Loan provided, among other things, that (i) the Deed of Trust is a lien or charge upon the Property prior and superior to the lien or charge of the Junior Deed of Trust; (ii) Junior Lender specifically and unconditionally subordinates the lien or charge of the Junior Deed of Trust to the lien or charge of the Deed of Trust; and (iii), notwithstanding any provisions in the Junior Loan Documents to the contrary, Junior Lender agrees that, prior to the full reconveyance of record of the Deed of Trust, subject to the provisions of this Agreement, Junior Lender will unconditionally forbear and refrain from exercising any and all of its rights and remedies available under the Junior Deed of Trust or other Junior Loan Documents, or at law or in equity, with respect to any rights to approve or disapprove any changes to the terms, conditions or provisions of any of the Senior Loan Documents, and specifications for the improvements on the Property.

E. It is to the mutual benefit of the parties hereto that Bank make the Loan to Owner, and Junior Lender is willing that the Deed of Trust shall, when recorded, constitute a lien or charge upon the Property which is unconditionally prior and superior to the lien or charge of the Junior Deed of Trust.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Bank to make the Loan, it is hereby declared, understood and agreed as follows:

AGREEMENT

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1. The Deed of Trust and all other Senior Loan Documents, and any and all modifications, amendments, renewals and extensions thereof, including, without limitation, any increases in the principal amount in excess of the face amount of the Note or increases in the interest rate charged on the Note, as approved from time to time by Bank in its sole and absolute discretion, shall unconditionally be and remain at all times a lien or charge on the Property, prior and superior to the lien or charge of the Junior Deed of Trust and all other Junior Loan Documents.

2. Bank would not make the Loan without this Agreement.

3. This Agreement shall be the whole and only agreement with regard to the subjection and subordination of the lien or charge of the Junior Deed of Trust and all other Junior Loan Documents to the lien or charge of the Deed of Trust and all other Senior Loan Documents and shall supersede and cancel, but only insofar as such would affect the priority between the Senior Loan Documents and the Junior Loan Documents, any prior agreements as to such subjection or subordination, including but not limited to those provisions, if any, contained in the Junior Deed of Trust or other agreements between Owner and Junior Lender which provide for the subjection or subordination of the lien or charge thereof to another deed or deeds of trust or other security instruments.

4. Junior Lender declares, agrees and acknowledges that:

(a) Junior Lender consents to and approves (or expressly waives and relinquishes any rights it may now or hereafter have to consent to or approve) all provisions of the Senior Loan Documents, including but not limited to any loan or escrow agreements, between Owner and Bank for the disbursement of the proceeds of the Loan. In the event there is any conflict in any procedures for the disbursement of any loan proceeds in the Junior Loan Documents and the Senior Loan Documents, the procedures provided for in the Senior Loan Documents, subject to the provisions of this Agreement, shall control;

(b) Bank in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Bank represented that it will, see to the application of such proceeds by the person or persons to whom Bank disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) Junior Lender intentionally and unconditionally subjects and subordinates the lien or charge of the Junior Deed of Trust and all other Junior Loan Documents in favor of the lien or charge upon the Property of the Deed of Trust and all other Senior Loan Documents and any and all modifications, amendments, renewals and extensions thereof, and understands that in reliance upon, and in consideration of, this waiver, relinquishment, subjection and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being made and will be entered into which would not be made



or entered into but for said reliance upon this waiver, relinquishment, subjection, and subordination; and

(d) Junior Lender shall from time to time, upon not more than five (5) days prior written request, execute and deliver in recordable form, such additional documents or instruments as Bank may require in order to further evidence and confirm the subordinations provided for in this Agreement.

5. It is acknowledged by Bank, Owner and Junior Lender that a default under the Junior Loan Documents constitutes a default under the Senior Loan Documents.

6. In the event Junior Lender fails to duly and timely deliver the further assurances requested pursuant to Section 4(d) above, such action or failure to act shall, at the election of the holder of the Deed of Trust, constitute an event of default under the Deed of Trust.

7. All notices, requests, demands, directions and other communications provided for or permitted hereunder must be in writing and must be mailed, hand-delivered, sent by overnight commercial courier, or sent by confirmed electronic facsimile transmission (Afax@) to the appropriate party(ies) at the respective addresses set forth below or, as to any party, at any other address as may be designated by it in a written notice sent to the other party(ies) in accordance with this Section. Any notice given by fax must be confirmed within forty-eight (48) hours by letter mailed or delivered to the appropriate party at its respective address. If any notice is given by mail, it will be effective three (3) calendar days after being deposited in the U.S. mail with first-class or air mail postage prepaid; if given by fax, on the next business day following confirmation of receipt; if given by overnight commercial courier, on the date of receipt; or if given by personal delivery, when delivered.

8. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California.


9. Whenever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine and/or neuter.

10. If any provision of this Agreement is held to be inoperative, unenforceable or invalid, such provision shall be inoperative, unenforceable or invalid without affecting the remaining provisions; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and to this end the provisions of this Agreement are declared to be severable, remaining in full force and effect.

11. This Agreement may be amended or modified only by a written instrument duly executed and delivered by the parties hereto or their respective successors in interest and assigns.

12. This Agreement may be executed in any number of counterparts which, when taken together, shall constitute one and the same instrument.

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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.

OWNER:

Daniel Keck
Daniel Keck

Megan K. Keck
Megan K. Keck

JUNIOR LENDER:

Thomas R. Kamb
Thomas R. Kamb

BANK:

SOUTHERN PACIFIC BANK

By: *[Signature]*
Name: *Wayne D. McCoy*
Its: *Vice President*

(ALL SIGNATURES MUST BE ACKNOWLEDGED)



EXHIBIT A

Legal Description

LOTS 14 THROUGH 18, INCLUSIVE, BLOCK 33, "AMENDED PLAT OF BURLINGTON",
AS PER PLAT RECORDED IN VOLUME 3 OF PLATS, PAGE 17, RECORDS OF SKAGIT
COUNTY, WASHINGTON

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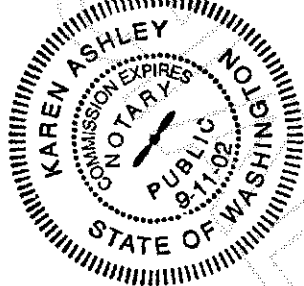
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STATE OF Washington)
) ss
COUNTY OF Skagit)

On July 16, 2001, before me, Karen Ashley, a Notary Public in and for said County and State, personally appeared Daniel Keck Megan K. Keck personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity/ies, and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

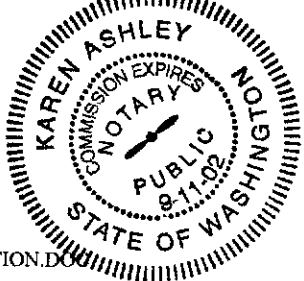


Karen Ashley
Notary Public

STATE OF Washington)
) ss
COUNTY OF Skagit)

On July 18, 2001, before me, Karen Ashley, a Notary Public in and for said County and State, personally appeared Thomas R. Lamb, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity/ies, and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Karen Ashley
Notary Public

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, Skagit County Auditor

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss

On 7-19, 2001, before me, _____, a Notary Public in
and for said County and State, personally appeared _____, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose
name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity/ies, and that by his/her/their signature(s) on
the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

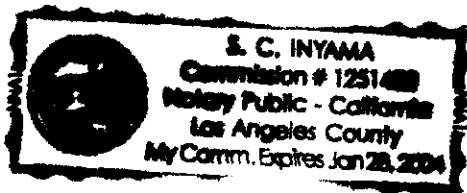
WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss

On 7-19, 2001, before me, S.C. Inyama, a Notary Public in
and for said County and State, personally appeared Wynne D. Hooton, personally
known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose
name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they
executed the same in his/her/their authorized capacity/ies, and that by his/her/their signature(s) on
the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the
instrument.

WITNESS my hand and official seal.



Notary Public



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