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200208020128  
Skagit County Auditor  
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When Recorded Return To:  
United States Small Business Administration  
Attn: Collateral Cashier  
2719 North Air Fresno Drive, Suite 107  
Fresno, California 93727-1547

SBA Loan Name: Joseph & Carie MacKenzie  
SBA Loan Number: 2668264002

Grantor(s): Joseph D. MacKenzie and Carie MacKenzie  
Grantee(s):

Legal Description: Tract 6B, WILDWOOD LANE  
Assessors PTP or Account No.: 42090060020006  
Reference Number(s) of Documents Assigned or Released: 9902040088

FIRST AMERICAN TITLE CO.  
109007E

**SUBORDINATION AGREEMENT**

THIS AGREEMENT is dated for reference June 11, 2002, and is between Joseph D. MacKenzie, owner(s) of the land described in the Deed of Trust referenced below ("Owner"), , Carie MacKenzie ("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 January 5, 1999, Joseph D. MacKenzie and Carie MacKenzie, as trustee, to secure a note in the sum of \$49,600.00 in favor of SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on February 4, 1999 in the Official Records of Skagit County, Washington, as Document Number 9902040088, Book , Page .

Owner has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$140,500.00, dated 7/26/02, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith. AF# 20020802027

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.



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(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.

Joseph D. MacKenzie  
Joseph D. MacKenzie, Owner  
by Carie MacKenzie POA.

Carie MacKenzie  
Carie MacKenzie  
Owner

LENDER

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

By: [Signature]  
JASON HAYE  
S.V.P./NATIONAL SALES DIRECTOR  
(All signatures must be acknowledged)

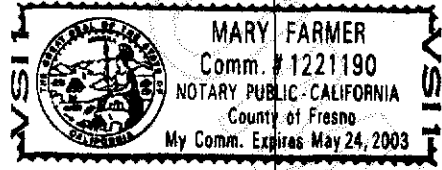
Barbara J Jung 6/11/02  
Barbara J Jung, Acting SLs

State of California  
County of Fresno

On June 11, 2002 before me, MARY FARMER, a Notary Public, personally appeared Barbara J Jung, 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



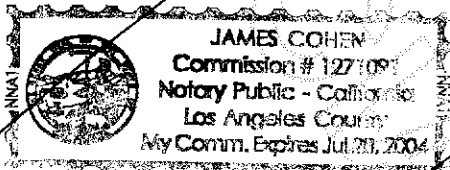
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STATE OF WASHINGTON, }  
County of Los Angeles } SS.

ACKNOWLEDGMENT - Attorney in Fact

On this 1 day of August, 2002, before me personally appeared Jason Hays to me known to be the individual who executed the foregoing instrument as Attorney in Fact for \_\_\_\_\_ and acknowledged that (he/she) signed the same as (his/her) free and voluntary act and deed as Attorney in Fact for said principal for the uses and purposes therein mentioned, and on oath stated that the Power of Attorney authorizing the execution of this instrument has not been revoked and that said principal is now living and is not insane.

GIVEN under my hand and official seal the day and year last above written.



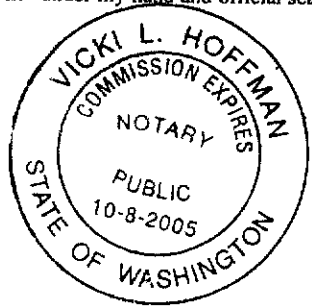
James Cohen  
Notary Public in and for the State of Washington,  
residing at \_\_\_\_\_  
My appointment expires July 23, 2004

STATE OF WASHINGTON, }  
County of SKAGIT } SS.

ACKNOWLEDGMENT - Self & Attorney in Fact

On this 18TH day of JUNE, 2002, before me personally appeared CARIE MACKENZIE to me known to be the individual described in and who executed the foregoing instrument for HER self and as Attorney in Fact for JOSEPH MACKENZIE and acknowledged that SHE signed and sealed the same as HER free and voluntary act and deed for HER self and also as HER free and voluntary act and deed as Attorney in Fact for said principal for the uses and purposes therein mentioned, and on oath stated that the Power of Attorney authorizing the execution of this instrument has not been revoked and that the said principal is now living, and is not incompetent.

GIVEN under my hand and official seal the day and year last above written.



Vicki L. Hoffman  
Notary Public in and for the State of Washington,  
residing at \_\_\_\_\_  
My appointment expires 10-8-05

This jurat is page 4 of 4 and is attached to SUBORDINATION AGREEMENT dated 6/11/02.



**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

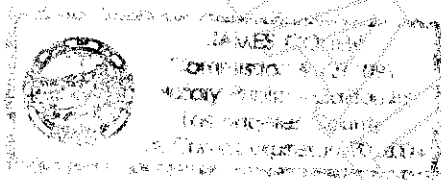
State of California }  
County of LOS ANGELES } ss.

On August 1, 2002, before me, JAMES COHEN, NOTARY PUBLIC  
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared JASON HAYE  
Name(s) of Signer(s)

- personally known to me
- 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.

*[Handwritten Signature]*  
Signature of Notary Public

Place Notary Seal Above

**OPTIONAL**

*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Subordination Agreement

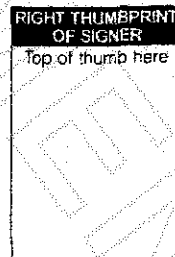
Document Date: 6/1/02 Number of Pages: 5

Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer**

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): \_\_\_\_\_
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_

Signer Is Representing: \_\_\_\_\_



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