



200210160107

Skagit County Auditor

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200209190099

Skagit County Auditor

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When Recorded Return To:

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

SBA Loan Name: Hughes
SBA Loan Number:

Grantor(s): Administrator of the Small Business Administration
Grantee(s): Wells Fargo Home Mortgage
Legal Description: Lot 228, Shelter Bay, Div 2
Assessors PTP or Account No.: 5100 002 228 0000 (184225)
Reference Number(s) of Documents Subordinated:

P102233E
LAND TITLE COMPANY OF SKAGIT COUNTY

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference 9-17, 2002, and is between Monte L. Hughes and Cindy L. Hughes, owner(s) of the land described in the Deed of Trust referenced below ("Owner"), Wells Fargo Home Mortgage ("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 Sept 16, 2002, to secure a note in favor of SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on 9/19/02, 2002 in the Official Records of Skagit County, Washington, as Document Number 200209190098 **, Book _____, Page _____.

** re-recorded 10/16/02 # 200210160106
Owner has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$ 184,000, dated September 12, 2002, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith. Auditor's # 20020919 0097

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.



Monte L. Hughes
Monte L. Hughes, Owner

Cindy L. Hughes
Cindy L. Hughes, Owner

LENDER

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

By: _____

Gary A. Wamhof 9/17/02
Gary A. Wamhof
Sr. Loan Specialist



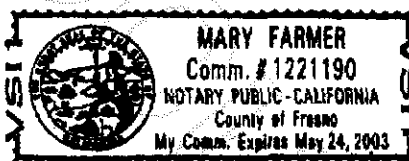
(All signatures must be acknowledged)

State of California
County of Fresno

On Sept 17, 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



UNOFFICIAL DOCUMENT

STATE OF WASHINGTON }ss
COUNTY OF SKAGIT

I, Auditor of Skagit County, State of Washington, do hereby
certify that the foregoing instrument is a true and correct copy
of the original now on file in my office.

IN WITNESS WHEREOF, I hereunto set my hand and seal of

my office this 16 day of October 2002

N Brummett
Auditor

By [Signature] Deputy



200210160107

Skagit County Auditor