

AFTER RECORDING RETURN TO:

U. S. Small Business Administration
2719 N. Air Fresno Drive, Suite 107
Fresno, CA 93727-1547



200307220071

Skagit County Auditor

7/22/2003 Page 1 of 4 11:31AM

Document Title(s)(or transactions contained therein):

Subordination Agreement

LAND TITLE COMPANY OF SKAGIT COUNTY

Grantor(s)(last name first, first name, middle initials):

Small Business Administration

Steven D. Sauer
Angela R. Sauer

Grantee(s)(last name first, first name, middle initials):

Chase Manhattan Mortgage

Legal Description(abbreviated: i.e., lot, block, plat or section, township, range, qtr/qtr):
Lot 2, Plat of Astrea Place, Vol 16 of Plats, Pages 107-08, Skagit County, WA

Reference Number(s) (if applicable): 108772

200205170163

200307220070

Assessor's Tax Parcel ID #/Account Number: 4675-000-002-000

Sauer JWE 06/05/03 Cover page

When Recorded Return To:

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

SBA Loan Name: Sauer
SBA Loan Number: 5373524004

Grantor(s): Steven O. Sauer and Angela R. Sauer
Grantee(s): U.S. Small Business Administration
Legal Description: Lot 2 of Astrea Place
Assessors PTP or Account No.: 4675-000-002-000
Reference Number(s) of Documents Assigned or Released: 108772

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference June 5, 2003, and is between Steven O. Sauer and Angela R. Sauer, owner(s) of the land described in the Deed of Trust referenced below ("Owner"), Chase Manhattan 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 May 3, 2002, to U.S. Small Business Administration, as trustee, to secure a note in the sum of \$168,400 in favor of SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on May 17, 2002 in the Official Records of Skagit County, Washington, as Document Number 200205170163.

Owner has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$147,500, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith.

Recorded 7/22/03 Auditors # 200307220070

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:

Sauer JWE 06/05/03 Subordination Agreement - WA - 98.1

1



200307220071
Skagit County Auditor

7/22/2003 Page 2 of 4 11:31AM

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



SBA Security Instrument, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

Steve O. Sauer By
Steven O. Sauer, Owner

Angela R. Sauer P.O.A.

LENDER

Angela R. Sauer
Angela R. Sauer, Owner

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

By: _____

[Signature] 6/5/03

Gary A. Wamhof
Sr. Loan Specialist

(All signatures must be acknowledged)

State of California
County of Fresno

On June 5, 2003 before me, Consuelo Skeeton, 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 Consuelo Skeeton



200307220071
Skagit County Auditor

7/22/2003 Page 4 of 4 11:31AM