

When Recorded Return to:
Evergreen Community Development Association
Attn: Loan Servicing Department
900 Fourth Avenue, Suite 2900
Seattle, WA 98164



200310010156

Skagit County Auditor

10/1/2003 Page 1 of 8 3:32PM

CHICAGO TITLE CO.

C26565✓

SUBORDINATION AGREEMENT

SBA Loan Name: Skagit Powersports, Inc
SBA Loan No.: 8659653000

Reference Number(s) of Documents Subordinated: 9609060115, 9609060116,
200310010155

Grantor(s): 1. Evergreen Community Development Association
2. U.S. Small Business Administration

Grantee(s): Whidbey Island Bank

Legal Description: All of Tract 7, Ptn. Tract 8, "BURLINGTON HILL BUSINESS PARK BINDING SITE PLAN"

Assessors PTP or Account No.: P105942, P103210

THIS AGREEMENT is dated for reference on July 22, 2003, and is between Skagit Valley Toy Boys, L.L.C., a Washington Limited Liability Company, owner(s) of the land described in the Deed of Trust referenced below ("Owner"), Whidbey Island Bank ("Lender") and the U.S. Small Business Administration, an agency of the United States of America ("SBA") and Evergreen Community Development Association ("Evergreen").

RECITALS:

Owners executed a deed of trust dated August 30, 1996, to David F. Stobaugh as trustee, to secure a note in the sum of \$248,000.00 in favor of Evergreen Community Development Association. The deed of trust was recorded on September 6, 1996, in the Official Records of Skagit County, Washington as Document Number 9609060115. The Deed of Trust was assigned to SBA by instrument recorded on September 6, 1996, in the

Official Records of Skagit County, Washington as Recorder's Fee Number 9609060116
"SBA Security Instrument".

Owner has executed, or is about to execute, a deed of trust and note not to exceed
\$527,000.00, dated _____ in favor of Lender. Lender's Security
Instrument is to be recorded concurrently herewith. DT# 200310010 155

As a condition precedent to Lender's performance under the loan agreement, the
SBA Security Instrument must be subordinated to the Lender's Security Instrument. SBA
& Evergreen are willing to subordinate the lien of the SBA Security Instrument provided it
retains its lien priority with respect to all other legal or equitable interest 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 on the following:
 - a.) Lender's, Borrower's and Owner's execution of this agreement.
 - b.) Guarantor(s) written consent to this agreement.



This subordination agreement is null and void if not duly executed by the foregoing parties.

- (7) Lender will 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. Notices must be sent to the following addresses:

Evergreen Community Development Association
900 Fourth Avenue, Suite 2900
Seattle, WA 98164

U.S. Small Business Administration
Fresno Commercial Loan Service Center
2719 North Air Fresno Drive, Suite #107
Fresno, CA 93727-1547

- (8) All proceeds of Lender's loan must be:
1. Applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument
 2. Pay customary closing costs.
 3. No more than \$220,838.00 to be reimbursement.
 4. Any other use of proceeds not described herein shall void this agreement.
- (9) All prepayment penalties, late fees, other default charges and increased default interest for the Lender's loan are subordinated to the SBA Security Instrument.
- (10) Owner consents to this Subordination Agreement.



OWNER(S)

Skagit Valley Toy Boys, L.L.C., a Washington Limited Liability Company

By:

Gary S. Lawver
Gary S. Lawver, General Partner

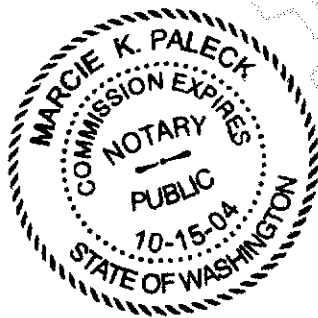
STATE OF WASHINGTON)

County of SKAGIT)

ss.

I certify that I know or have satisfactory evidence that Gary S. Lawver signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the General Partner of Skagit Valley Toy Boys, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated September 30, 2003



Seal or stamp)

Marcie K. Paleck
(Signature)

MARCIE K. PALECK

(Print Name)

NOTARY PUBLIC in and for the State of Washington, residing at Moret Venn

My appointment expires: October 15, 2004



200310010156

Skagit County Auditor

LENDER

Whidbey Island Bank

By: *Tim Northrop*, AVP

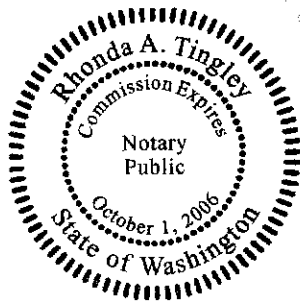
TIM NORTHROP - COMMERCIAL LOAN OFFICER
Type or print name and title

STATE OF WASHINGTON)

COUNTY OF *Skagit*) ss.

I certify that I know or have satisfactory evidence that *Tim Northrop* signed this instrument, on oath stated that ~~she~~ he was authorized to execute the instrument and acknowledged it as the *AVP/Commercial Loan Officer* of Whidbey Island Bank to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated *Aug Sept. 4*, 2003



Seal or stamp)

Rhonda R Tingley
(Signature)
Rhonda R Tingley
(Print Name)

NOTARY PUBLIC in and for the State of
Washington, residing at *Burlington*
My appointment expires: *10/1/06*



200310010156

Skagit County Auditor

**EVERGREEN COMMUNITY DEVELOPMENT
ASSOCIATION**

By: _____

Philip T. Eng, President

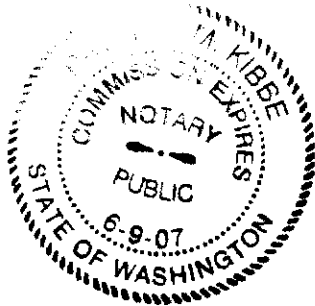
STATE OF WASHINGTON)

) ss.

COUNTY OF KING)

I certify that I know or have satisfactory evidence that Philip T. Eng signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the President of EVERGREEN COMMUNITY DEVELOPMENT ASSOCIATION, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated August 12, 2003



Seal or stamp)

(Signature)

PATRICIA M. KIBBE

Mary Antoinette M. Marasigan

(Print Name)

NOTARY PUBLIC in and for the State of
Washington, residing at KENT TACOMA

My appointment expires: 12-29-05 6/9/07



200310010156

Skagit County Auditor

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

By:

Barbara Jung

BARBARA JUNG

Senior Loan Specialist

Type or print name and title

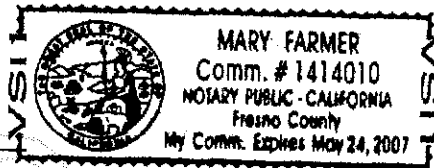
STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.

On August 7, 2003 before me, MARY FARMER
BARBARA J. JUNG, a Notary Public, personally appeared
BARBARA J. JUNG, personally known to me (or proved to me the basis of satisfactory
evidence) to be the person whose name is subscribed to the within instrument and
acknowledged to me that ~~he~~/she executed the same in ~~his~~/her authorized capacity, and that
by ~~his~~/her signature on the instrument the person, or the entity upon behalf of which the
person acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Mary Farmer



200310010156

Skagit County Auditor

Skagit Powersports, Inc., Skagit Valley Toy Boys, a Washington General Partnership; Peter G. Bangs, Judy A. Bangs, William G. Cameron, Edith P. Cameron, and Gary S. Lawver, hereby consent(s) to all terms above and acknowledge their liability for the above referenced SBA loan is in no manner diminished by this agreement.

NOTICE

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Date: _____, 2003

Skagit Powersports, Inc

By: _____
Gary S. Lawver, General Partner

Skagit Valley Toy Boys, a Washington General Partnership

By: _____
Gary S. Lawver, General Partner

x Peter G. Bangs
Peter G. Bangs

x _____
Judy A. Bangs

x William G. Cameron
William G. Cameron

x _____
Edith P. Cameron

x Gary S. Lawver
Gary S. Lawver

