

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



200703060099  
Skagit County Auditor

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LAND TITLE OF SKAGIT COUNTY  
101 838-PA (124452500)

## SUBORDINATION AGREEMENT

Reference Number(s) of Documents Subordinated: 200208060038

Grantor(s): U.S. Small Business Administration

Grantee(s): Zions First National Bank

Legal Description: Ptn SW 1/4 NW1/4in 19-35-02 aka Lots 2 & 3, S/P #ANA94-002

Assessors PTP or Account No.: 350219-0-030-0000, 350219-0-041-0007

THIS AGREEMENT is dated for reference on February 8, 2007, and is between Gumbo Properties, L.L.C., owner(s) of the land described in the Deed of Trust referenced below ("Owner"), Zions Bank ("Lender") and the U.S. Small Business Administration, an agency of the United States of America ("SBA").

### RECITALS:

Owners executed a Deed of Trust dated August 01, 2002, to secure a note in the sum of \$743,000.00 in favor of Evergreen Community Development Association. The Deed of Trust was recorded on August 06, 2002, in the Official Records of Skagit County, Washington under Recording Number 200208060038. The Deed of Trust was assigned to SBA by instrument recorded on August 07, 2002, in the Official Records of Skagit County, Washington under Recording Number 200208070092. The Deed of Trust is hereinafter referred to as "the SBA Security Instrument."

Owner has also executed, or is about to execute, a Deed of Trust to secure a note not to exceed \$951,000.00, dated March 3, 2007 in favor of Lender. This Deed of Trust is referred to herein as "Lender's Security Instrument". Lender's Security Instrument is to be recorded concurrently herewith. RECORDED UNDER AUDITOR FILE NUMBER 200703060098

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) Lender's Loan:
  - a. is not cross-collateralized with other financing provided by Lender.
  - b. does not have an early call feature;
  - c. is not payable on demand unless the loan is in default;
  - d. does not have a term less than 10 years
- (5) If Lender's Loan contains any provision that does not comply with Paragraph 4 of this Agreement, Lender waives its right to enforce that provision.
- (6) All prepayment penalties, late fees, other default charges and increased default interest for the Lender's loan are subordinated to the SBA Security Instrument. Advances made for the reasonable costs of collection, maintenance, and protection of Lender's lien are not subordinated.
- (7) 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.



- (8) 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.

- (9) The default interest rate on the Lender's Loan will not exceed the interest rate permitted by SBA's regulations.
- (10) All proceeds of Lender's loan must be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument, pay customary closing costs, and to refinance Fidalgo Bay debt for \$75,000.00 and Whidbey Island Bank debt for \$71,000.00. Any other use of proceeds not described herein shall void this agreement.
- (11) Lender will provide notice of default to the CDC and SBA within 30 days of any default upon which Lender intends to take action, and sixty-days notice prior to any foreclosure sale. In the event of such a default, CDC and SBA have the right to immediately purchase Lender's Permanent Loan. Notices should 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

- (12) Upon request, the Lender will disclose the Owner's loan balance to CDC or SBA.
- (13) Owner consents to this Subordination Agreement.
- (14) This Agreement may be signed in counterpart.
- (15) This agreement is binding on Lender's successors and assigns.



(16) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Security Instrument to Lender's Security Instrument.

**OWNER(S)**

Gumbo Properties, L. L. C.

By: Patricia E. Strand  
Patricia E. Strand, Manager

By: Judy M. Klein  
Judy M. Klein, Manager

By: Randall T. Burgess  
Randall T. Burgess, Manager

STATE OF WASHINGTON )

County of Oregon ) ss.

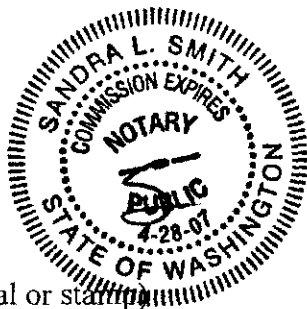
I certify that I know or have satisfactory evidence that Patricia E. Strand, Judy M. Klein & Randall T. Burgess are the person(s) who appeared before me, and said person(s) acknowledged that he/she signed this instrument, on oath stated that ~~they~~ was authorized to execute the instrument and acknowledged it as the Managers of Gumbo LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated 3/5/07, 2007

Sandra L. Smith  
(Signature)

Sandra L. Smith  
(Print Name)

NOTARY PUBLIC in and for the State of  
Washington, residing at Decaden Island  
My appointment expires: 4/28/07



Seal or stamp



**LENDER**

Zions First National Bank

By: Kathy ThomasVP  
Type or print name and titleUtah  
STATE OF WASHINGTONCOUNTY OF Salt Lake ss.

I certify that I know or have satisfactory evidence that Kathy Thomas is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Vice President of Zions First National Bank to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated March 5, 2007Emma J Martin  
(Signature)Emma J Martin  
(Print Name)

Seal or stamp)

UTAH NOTARY PUBLIC in and for the State of  
Washington, residing at SALT LAKE CITY  
My appointment expires: 7-9-07

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

By:

Michelle G. Serrano

Type or print name and title  
Loan Specialist



STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.

On February 21, 2007 before me, Kelly Mahnert  
\_\_\_\_\_, a Notary Public, personally appeared Michelle G Serrano  
\_\_\_\_\_, 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

Kelly Mahnert



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Patricia E. Strand, Judy M. Klein and Randall T. Burgess 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: 3/5, 2007

By: Patricia E. Strand  
Patricia E. Strand, Manager

By: Judy M. Klein  
Judy M. Klein, Manager

By: Randall T. Burgess  
Randall T. Burgess, Manager



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