

POOR ORIGINAL



200706040211
Skagit County Auditor

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WHEN RECORDED RETURN TO:

NORTHWEST BUSINESS DEVELOPMENT ASSOCIATION
ATTN: PAMELA DYE
9 S WASHINGTON SUITE 215
SPOKANE WA 99201

LAND TITLE OF SKAGIT COUNTY

LAND TITLE OF SKAGIT COUNTY

DOCUMENT TITLE(S):

SUBORDINATION AGREEMENT

REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED:

200610100118

200701080205

GRANTORS:

NORTHWEST BUSINESS DEVELOPMENT
SMALL BUSINESS ADMINISTRATION
Vollans Enterprises

GRANTEES:

WHIDBEY ISLAND BANK

ABBREVIATED LEGAL DESCRIPTION:

LOTS 21-24, BLK 15, WOOLLEY THE HUB OF SKAGIT COUNTY

TAX PARCEL NUMBER(S):

4177-015-024-0009/P77544

113084-s

12284654

When Recorded Return To:

Northwest Business Development Association
Attn: Pamela Dye
9 S. Washington, Suite 215
Spokane, WA 99201

SBA Loan Name: Vollans Enterprises, LLC
SBA Loan Number: CDC 740-599-4010 WA

Grantee: Whidbey Island Bank

Abbreviated Legal Description: Lots 21-24, Blk15, Woolley, the Hub of Skagit Co.

Lots 21, 22, 23, and 24, Block 15, "WOOLLEY, THE HUB OF SKAGIT COUNTY, WASHINGTON," as per plat recorded in Volume 2 of Plats, page 92, records of Skagit County, Washington. Situate in the City of Sedro-Woolley, County of Skagit, State of Washington.
Assessors PTP or Account Nos.: 4177-015-024-0009
Reference Number(s) of Documents Assigned or Released:

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference April 14, 2007, and is between VOLLANS ENTERPRISES, LLC, a limited liability company, owner of the land described in the Deed of Trust referenced below ("Owner"), WHIDBEY ISLAND BANK, ("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 Trust Deed, dated October 5, 2006, to Northwest Business Development Association, beneficiary, Land Title Company of Skagit County, as trustee, to secure a note in the sum of \$227,000.00 in favor of Northwest Business Development Association, assigned to SBA ("SBA Security Instrument"). The SBA Security Instrument was recorded on October 10, 2006 in the Official Records of Skagit County, Washington, as Document Number 200610100118. Said SBA Security Instrument was subsequently assigned to SBA by instrument dated October 6, 2006, recorded on October 10, 2006 in the Official Records of Skagit County, Washington, as Document Number 200610100119. Owner also executed an Assignment of Leases and Cash Collateral ("Assignment of Leases") dated October 6, 2006 in favor of Northwest Business Development Association further assigned to SBA. The Assignment of Leases was recorded on October 10, 2006 in the Official

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Records of Skagit County, Washington as Document Number 200610100121. Said Assignment of Leases was subsequently assigned to SBA by instrument dated October 6, 2006, recorded on October 10, 2006 in the Official Records of Skagit County, Washington as Document Number 200610100122.

Owner has also executed, or is about to execute, a deed of trust/mortgage and note not to exceed \$272,500.00, in favor of Lender. Lender's Security Instrument is to be recorded concurrently herewith.

* 200701080205

As a condition precedent to Lender's performance under the loan agreement, the SBA Security Instrument and Assignment of Leases must be subordinated to the Lender's Security Instrument ("Lender's Security Instrument"). SBA and NWBDA are willing to subordinate the lien of the SBA Security Instrument and Assignment of Leases 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 liens of the SBA Security Instrument and Assignment of Leases.

(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 and Assignment of Leases. 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 and Owner's execution of this agreement.
- b.) Guarantor(s) written consent to this agreement.

This agreement is void if these conditions are not met.

(9) Lender will provide notice of default to Northwest Business Development Association (NWEDA) and SBA within 30 days of any default upon which Third Party Lender intends to take action, and sixty days notice prior to any foreclosure sale. In the event of such a default, NWEDA and SBA have the right to immediately purchase Lender's loan. Notices should be sent to the following addresses:

Northwest Business Development Association
9 S. Washington, Suite 215
Spokane, WA 99201

U.S. Small Business Administration
Commercial Loan Servicing Center
2719 North Air Fresno Drive, Suite 107
Fresno, CA 93727

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.

(10) The default interest rate on the Lender's Loan will not exceed the interest rate permitted by SBA's regulations.



(11) Upon request, the Lender will disclose the Borrower's loan balance to NWBDA or SBA; provided that Lender receives the written consent of Borrower to this disclosure.

(12) This agreement is binding on Lender's successors and assigns.

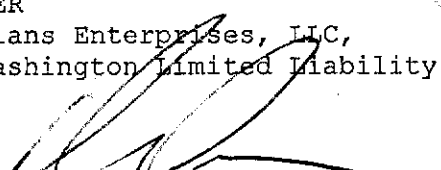
(13) All proceeds of Lender's loan must be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument and Assignment of Leases, the following described uses, if any, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

(14) Lender agrees to reconvey the Deed of Trust recorded on October 12, 2004 in the Official Records of Skagit County, Washington as Document Number 200410120164 and cause said Deed of Trust to be reconveyed.


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

(16) Owner consents to this Subordination Agreement.

OWNER
Vollans Enterprises, LLC,
A Washington Limited Liability Company



Christopher Vollans
Member

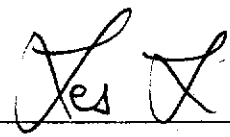


Anne Marie Holmgren
Member

STATE OF WASHINGTON)
) ss.
County of SKAGIT)

I certify that I know or have satisfactory evidence that Christopher Vollans and Anne Marie Holmgren, signed this instrument and acknowledged it as Members, of Vollans Enterprises, LLC, to be the free and voluntary act of such limited liability company, for the purposes mentioned in the instrument.

DATED: April 4, 2007.



Notary Public



NOTARY PUBLIC in and for the State
of WASHINGTON, residing at Burlington
My appointment expires: 7/1/07

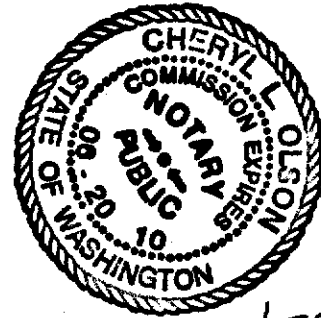
LENDER

Whidbey Island Bank

By: Les L. Moller

Name: LES L. Moller

Title: V.P.



STATE OF Washington)

) ss.

County of SKAGIT)

I certify that I know or have satisfactory evidence that LES L. Moller signed this instrument and acknowledged it as V.P./MANAGER of Whidbey Island Bank, to be the free and voluntary act, of such corporation, for the uses and purposes mentioned in the instrument.

DATED: April 4, 2007.

Cheryl L. Olson
NOTARY PUBLIC in and for the State
of Washington, residing at
My appointment expires: 10-20-10



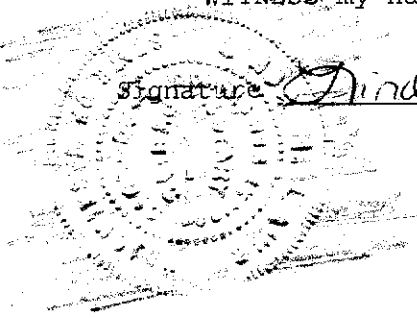
UNITED STATES SMALL BUSINESS ADMINISTRATION,
AN AGENCY OF THE UNITED STATES OF AMERICA

By: *Maria Costello*
Lead Lender Relations Spec.

State of Washington
~~California~~
County of King) ss

On 03-28-07 before me, Linda M. Laws, a
Notary Public, personally appeared Maria Costello,
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 *Linda M. Laws*



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The undersigned guarantors, Christopher Vollans and Anne Marie Holmgren and Vollans Automotive, Inc, consent to all terms above and acknowledge their legal liability for the above referenced SBA loan is in no manner diminished by this agreement.

[Signature]
Christopher Vollans

[Signature]
Anne Marie Holmgren

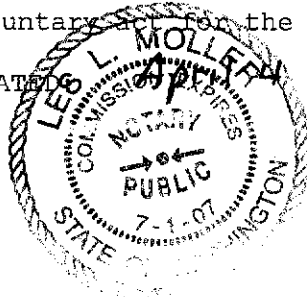
Vollans Automotive, Inc.

By: [Signature]
Christopher Vollans, President/Secretary

STATE OF WASHINGTON)
) ss.
County of SKAGIT)

I certify that I know or have satisfactory evidence that Christopher Vollans signed this instrument on oath and stated that he is authorized to execute the instrument and acknowledged it to be his free and voluntary act for the uses and purposes mentioned in the instrument.

DATED [Signature], 2007.



[Signature]

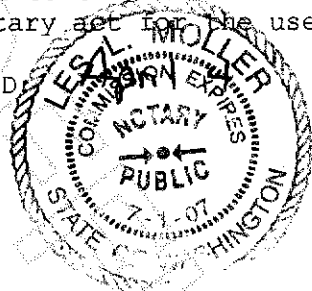
NOTARY PUBLIC in and for the State of WASHINGTON, residing at Burlington
My appointment expires: 7/1/07

STATE OF WASHINGTON)
) ss.
County of SKAGIT)
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I certify that I know or have satisfactory evidence that Anne Marie Holmgren signed this instrument on oath and stated that she is authorized to execute the instrument and acknowledged it to be her free and voluntary act for the uses and purposes mentioned in the instrument.

DATED



, 2007.

Les Moller

NOTARY PUBLIC in and for the State of Washington, residing at Burlington
My appointment expires: 7/1/07

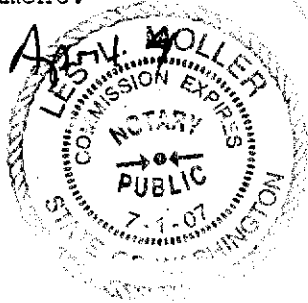
STATE OF Washington

County of Skagit

) ss.

I certify that I know or have satisfactory evidence that Christopher Vollans, President/Secretary signed this instrument acknowledged it as Members, respectively, of Vollans Enterprises LLC, to be the free and voluntary act of such Corporation, for the uses and purposes mentioned in the instrument.

DATED:



, 2007.

Les Moller

NOTARY PUBLIC in and for the State of Washington, residing at Burlington
My appointment expires: 7/1/07



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