

202866MTO

When Recorded Return To:

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

Loan No. CDC663924 3010LV

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made this 21st day of July, 1998, by John and Paula Colyer, owners of the land hereinafter described and hereinafter referred to as "Owner", and U.S. Small Business Administration, present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary";

WITNESSETH

THAT WHEREAS, Owner has executed a deed of trust, dated March 24, 1994, to First American Title Company of Nevada, as trustee, covering:

Please refer to Exhibit "A" attached for a complete legal description.

to secure a note in the sum of \$302,000.00 dated November 28, 1994, in favor of Nevada State Development Corporation which deed of trust was recorded on November 28, 1994 in Douglas County Official Records as Document Number 351328, Book 1194, Page 3978; which was assigned to Beneficiary by document dated November 28, 1994 and recorded on November 28, 1994 in Douglas County Official Records as Document Number 351329, Book 1194, Page 3983; and is subject and subordinate to the deed of trust next hereinafter described; and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of \$339,882, dated July 21, 1998, in favor of Interwest Bank, hereinafter referred to as "Lender", payable with interest and upon the terms and conditions described therein, which deed of trust is also to be recorded concurrently herewith; and

WHEREAS, the Sierra-Bella, a General Partnership, Lessor, and Reliance Parts Corporation, a Nevada Corporation, Lessee, executed an Assignment of Lease for Security, dated November 22, 1994, recorded on November 28, 1994, in Book 1194, as Document No. 351333, Official Records of Douglas County, and further assigned to the U. S. Small Business Administration by virtue of an Assignment of Lease, dated November 28, 1994, recorded on November 28, 1994, in Book 1194, as Document No. 351332, Official Records of Douglas County, hereinafter described as "Assignment of Lease"; and

WHEREAS, it is a condition precedent to obtaining valuable consideration from Lender that said deed of trust last above mentioned shall unconditionally, except as herein provided, be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the deed of trust first above mentioned; and

WHEREAS, Lender is willing to give consideration provided the deed of trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the deed of trust first above mentioned and provided that Beneficiary will specifically and unconditionally except as herein provided, subordinate the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally, except as herein provided, prior and superior to the lien or charge of the deed of trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

- (1) That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof, shall unconditionally, except as herein provided, be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the deed of trust first above mentioned.
- (2) That Lender would not make its loan above described without this subordination agreement.
- (3) That Lender agrees it will make no further advances against its first deed of trust, which will cause its first deed of trust to exceed the principal amount of \$339,882, other than those which may be necessary to protect its security, including such items as the payment of real property taxes, insurance premiums and foreclosure costs. The amount subordinated to by this agreement shall not include the amount of any other promissory note or deed of trust, which may be considered included within the first deed of trust indebtedness by way of cross collateralization.
- (4) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any, contained in the deed of trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.
- (5) Owner and Lender shall indemnify and hold harmless the SBA from any intervening liens between the Lender's deed of trust and the SBA's deed of trust which arise as a result of this subordination.

Beneficiary declares, agrees and acknowledges that

- (a) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or

persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(b) He intentionally and unconditionally waives, except as herein provided, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

7-27-98
Date

7-27-98
Date

[Signature]
John Colyer
[Signature]
Paula Colyer

The undersigned guarantors, consent to this transaction and unconditionally acknowledge their continuing legal responsibility as guarantors of the primary obligation of John and Paula Colyer.

7-27-98
Date

7-27-98
Date

Reliance Parts Corporation, a Nevada Corporation
By: [Signature]
John Colyer
By: [Signature]
Paula Colyer

Interwest Bank

Date: July 21 1998

By: [Signature]
Thomas M. Newman
Vice President

U.S. SMALL BUSINESS ADMINISTRATION

Date: 6/11/98

By: [Signature]

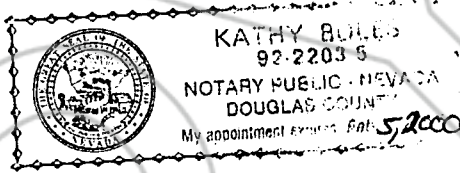


(All signatures must be acknowledged) Manuel R. Gonzalez
Supervisory Loan Specialist

STATE OF NEVADA)
COUNTY OF Douglas) ss.

On July 27, 1998, personally appeared before me, a Notary Public, John and Paula Colyer, known (or proved) to me to be the persons whose names are subscribed to the foregoing instrument and who acknowledge to me that they executed the same on behalf of said Corporation.

[Signature]
NOTARY PUBLIC



STATE OF NEVADA)
COUNTY OF WASHOE) ss.

On July 21, 1998, Thomas M. Newman personally appeared before me, a Notary Public, and known (or proved) to me to be an official of Interwest Bank and known to me to be the person whose name is subscribed to the foregoing instrument.

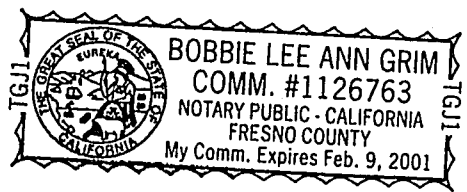
[Signature]
NOTARY PUBLIC



NOTARY PUBLIC
STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.

On June 11, 1998, personally appeared before me, a Notary Public, Manuel R. Gonzalez, known to me to be the Supervisory Loan Specialist of the Fresno Service Center of the Small Business Administration, an agency of the United States of America, and known to me to be the person whose name is subscribed to the foregoing Subordination Agreement instrument and who acknowledges to me that he executed the same on behalf of said Small Business Administration.

[Signature]
NOTARY PUBLIC



0445741

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DESCRIPTION

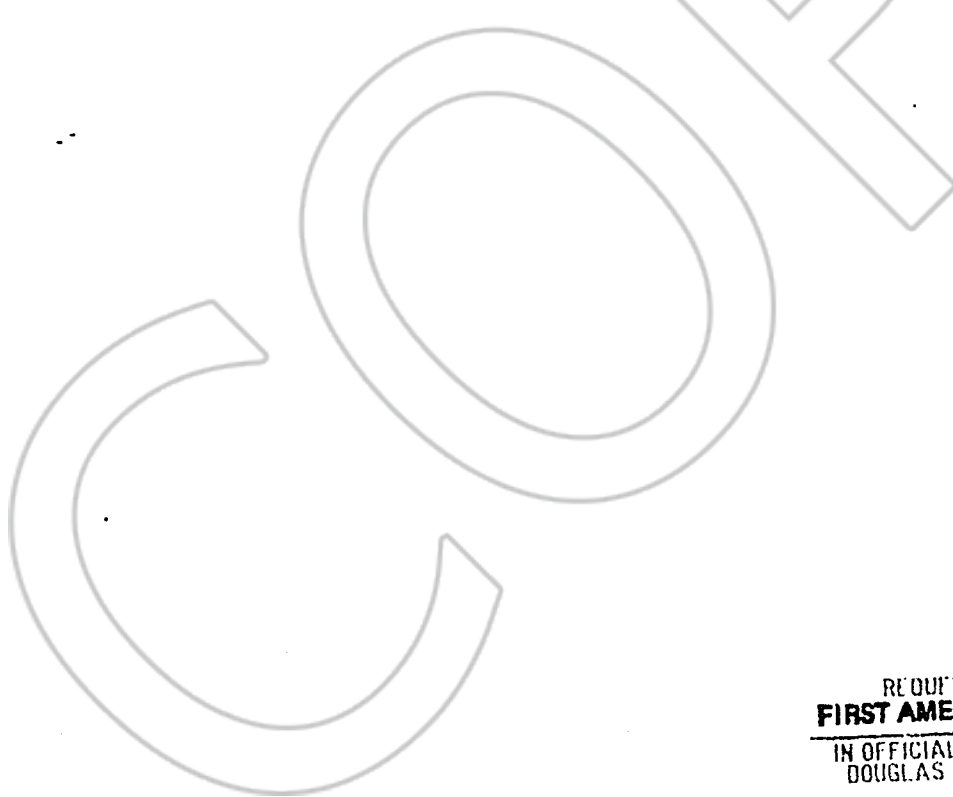
All that certain lot, piece or parcel of land situate in the County of Douglas, State of Nevada, described as follows:

PARCEL 1:

Lot 4 in Block C as shown on the official map of Carson Valley Business Park Phase 1, recorded in the office of the Douglas County Recorder, State of Nevada, on September 21, 1993, in Book 993, at Page 3579, as File No. 318019, Official Records.

PARCEL 2:

Non-exclusive easements for ingress and egress as an appurtenance to Parcel 1 above, as described in Quitclaim Grant of Easement recorded on March 17, 1981 in Book 381, at Page 1302 as Document No. 54436 and in book 381, at Page 1304 as Document No. 54437 and those easements for ingress and egress as shown on Division of Land Map recorded November 29, 1978 as Document No. 27700 and on Record of Survey Map recorded on January 27, 1983, as Document No. 75477, Official Records.



REQUESTED BY
FIRST AMERICAN TITLE CO.
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'98 JUL 29 P4:19

0445741

BK0798PG6635

LINDA SLATER
RECORDER
\$ 11.00 PAID *[Signature]* DEPUTY