

When Recorded Return To:

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

Loan No. CDC668 330 3001 LV

B58880JC

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 25th day of August, 1998, by Mark A. and Karen S. Smith, owner of the land hereinafter described and hereinafter referred to as "Owner", and the U. S. SMALL BUSINESS ADMINISTRATION, assignee and 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 November 28, 1994, to Western Title Company, Inc., as trustee, covering:

All that certain real property situate in the County of Douglas, State of Nevada, MORE PARTICULARLY DESCRIBED AS EXHIBIT "A" ATTACHED HERETO AND INCORPORATED BY THIS REFERENCE

to secure a note in the sum of THREE HUNDRED EIGHTY-EIGHT THOUSAND DOLLARS (\$388,000.00) in favor of NEVADA STATE DEVELOPMENT CORPORATION recorded on November 28, 1994 in Douglas County Official Records as Document Number 351417, Book 1194, Page 4121; and the beneficial interest under said deed of trust was assigned of record to the U.S. SMALL BUSINESS ADMINISTRATION by Assignment dated November 28, 1994, recorded November 28, 1994, in Douglas County Official Records as Document Number 351418, Book 1194, Page 4127, and;

WHEREAS, Owner has executed a deed of trust dated October 5, 1994 in favor of NEVADA BANKING COMPANY, herein referred to as "Lender," covering such land and securing an indebtedness in the amount of FOUR HUNDRED SIXTY-EIGHT THOUSAND DOLLARS (\$468,500), which deed of trust was recorded on October 20, 1994 in Douglas County Official Records as Document Number 348980, Book 1094, page 3417, payable with interest and upon the terms and conditions described therein; and

WHEREAS, Owner has executed, or is about to execute, a note representing an additional advance in the sum of NINETY-NINE THOUSAND DOLLARS (\$99,000.00), dated August 25, 1998, in favor of Lender, upon the terms and conditions described therein, secured by said deed of trust in favor of lender; and

WHEREAS, it is a condition precedent to obtaining said additional advance 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 make said additional advance 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 additional advance 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 said additional advance 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 \$481,460.00, 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) Lender warrants there are no intervening liens between the beneficiary's deed of trust and the lender's deed of trust.

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, 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.

MARK A. SMITH AND KAREN S. SMITH

Date: August 25, 1998

By: *Mark A. Smith*

Mark A. Smith

Date: August 25, 1998

By: *Karen S. Smith*

Karen S. Smith

Date: August 25, 1998

By: [Signature]
Brent Holderman, Vice President

U.S. SMALL BUSINESS ADMINISTRATION

Date: 6/22/98



[Signature]
Mantel R. Gonzalez
Supervisory Loan Specialist

(All signatures must be acknowledged)

STATE OF NEVADA)
) ss.
COUNTY OF Douglas

On August 25, 1998, personally appeared before me, a Notary Public, MARK A. SMITH AND KAREN S. SMITH, 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.



[Signature]
NOTARY PUBLIC

STATE OF NEVADA)
) ss.
COUNTY OF Douglas

On August 25, 1998, personally appeared before me, a Notary Public, Brent Holderman, known to me to be an officer of NEVADA BANKING COMPANY and known to me to be the person whose name is subscribed to the foregoing instrument and who acknowledges to me that (s)he executed the same on behalf of said bank.



[Signature]
NOTARY PUBLIC

STATE OF CALIFORNIA)
) ss.
COUNTY OF FRESNO)

On June 22, 1998, personally appeared before me, a Notary Public, Manuel R. Gonzalez, known to me to be 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 instrument and who acknowledges to me that he executed the same on behalf of said Small Business Administration.


NOTARY PUBLIC

FRESNO\SUBORDAG.LG



EXHIBIT " A "

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

PARCEL 1:

Parcel 3-C-2-B, as set forth on Parcel Map #4 for Jacobsen Family Trust of 1982 filed for record in the office of the County Recorder of Douglas County, State of Nevada on May 27, 1994, in Book 594, at Page 4732, as Document No. 338399.

PARCEL 2:

An Access, Parking and Public Utility Easement located within a portion of Section 10, Township 12 North, Range 20 East, M.D.B. & M., Douglas County, Nevada, described as follows:

Commencing at the most southwesterly corner of Parcel 3-C-2-B at a point on the Northeasterly right-of-way line of U.S. Highway 395 as shown on Parcel Map No. 4 for JACOBSEN FAMILY TRUST OF 1982 as recorded in Book 594 at Page 4732 as Document No. 338399; thence along said right-of-way line North 44°45'21" West, 23.67 feet; thence North 45°14'39" East, 19.83 feet; thence North 45°45'21" West, 620.58 feet; thence along the arc of a curve to the right having a delta angle of 01°11'18", a radius of 1938.49 feet and an arc length of 40.20 feet; thence South 68°24'34" West 21.37 feet to the Northeasterly right-of-way of U.S. Highway 395; thence along the arc of a curve to the right non-tangent to the preceding curve having a delta angle of 00°56'31", a radius of 1958.32 feet, arc length of 32.19 feet and a chord bearing of North 42°51'45" West, 32.19 feet; thence North 68°24'34" East, 77.40 feet; thence South 44°45'21" East, 677.41 feet; thence South 31°58'39" West, 74.83 feet to THE POINT OF BEGINNING.

A.P.N. 25-740-02 1220-10-510-001

REQUESTED BY
WESTERN TITLE COMPANY, INC.
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'98 AUG 27 P12:32

0447958
BK 0898 PG 5601

LINDA SLATER
RECORDER
\$ 12.00 PAID 12 DEPUTY