

AND WHEN RECORDED MAIL TO

NAME NOVASEL & SCHWARTE dba
ADDRESS Western Highland Mortgage
P.O. Box 11355
CITY & STATE South Lake Tahoe, CA 96155

SPACE ABOVE THIS LINE FOR RECORDER'S USE

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 16th day of December, 1999, by FALCON CAPITAL, LLC., a Wyoming Limited Liability Company owner of the land hereinafter described and hereinafter referred to as "Owner", and NOVASEL & SCHWARTE, INC., dba Western Highland Mortgage Company 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 July 20, 1999, to FIRST AMERICAN TITLE COMPANY OF NEVADA, as trustee, covering:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

A.P. NO. 05-230-11

to secure a note in the sum of \$ 320,000.00, dated July 20, 1999, in favor of Beneficiary, which deed of trust is to be recorded concurrently herewith; and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of \$ 545,000.00 dated December 14, 1999, in favor of NOVASEL & SCHWARTE, INC., dba Western Highland Mortgage Company, 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, it is a condition precedent to obtaining said loan from Lender that said deed of trust last above mentioned shall unconditionally 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 loan 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 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 prior and superior to the lien or charge of the deed of trust first above mentioned.

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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 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 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.

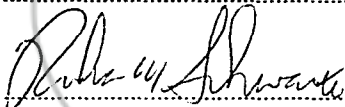
Beneficiary declares, agrees and acknowledges that


- (a) He consents to and approves (i) all provisions of the note and deed of trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan;
- (b) 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;
- (c) 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; and
- (d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has by this instrument been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

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.

NOVASEL & SCHWARTE, INC., dba
Western Highland Mortgage Company

FALCON CAPITAL, LLC.


Richard W. Schwarte Beneficiary


Glenn Hartman Owner
Managing Member

(All signatures must be acknowledged)

This Form Furnished By Fidelity National Title Insurance Company

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

(SUBORDINATION FORM "B")

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STATE OF NEVADA,

ss.

County of Douglas

On December 17, 1999 personally appeared before me, a notary public, Richard W. Schwarte personally known or proved to me to be the person whose name is subscribed to the above instrument who acknowledged that he executed the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official stamp at my office in the County of Douglas the day and year in this certificate first above written.

Karen Pawloski
Signature of Notary



STATE OF NEVADA,

ss.

County of Douglas

On December 22, 1999 personally appeared before me, a notary public, Glenn Hartman personally known or proved to me to be the person whose name is subscribed to the above instrument who acknowledged that he executed the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official stamp at my office in the County of Douglas the day and year in this certificate first above written.

Karen Pawloski
Signature of Notary



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EXHIBIT "A"
DESCRIPTION

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

All that certain piece of land situate in and being a portion of the Southwest 1/4 of Section 15, in Township 13 North, Range 18 East, M.D.B. & M., Douglas County, Nevada described as follows:

Parcel D as set forth of in that certain parcel map for ROUND HILL, LTD., filed for record in the office of the County Recorder of Douglas County, State of Nevada, on September 20, 1979 in Book 979, Page 1667, as Document No. 36918.

A.P. No. 05-230-11

COPY

REQUESTED BY
FIRST AMERICAN TITLE CO.

IN OFFICIAL RECORDS OF
DOUGLAS COUNTY, NEVADA

1999 DEC 30 AM 11: 33

LINDA SLATER
RECORDER

\$10⁰⁰ PAID *KG* DEPUTY

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