

010502771

When Recorded Return To:

United States Small  
Business Administration  
Attn: collateral cashier  
2719 North Air Fresno  
Drive, Suite 107  
Fresno, CA 93727-1547

Name: Horst & Peggy Gerich  
Loan No.: 9985593006

space above line for recorder

## SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference November 26, 2001, and is between Horst Gerich and Peggy Gerich, owner(s) of the land described in the Deeds of Trust referenced below ("Owner"), Nevada State Bank ("Lender") and the 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 (hereinafter called "SBA").

SBA is the present holder and beneficiary of that certain deed of trust or mortgage, dated March 2, 1997, to secure a note or notes in the sum of \$79,500.00 ("SBA Security Instrument"). The SBA Security Instrument was recorded on April 18, 1997 as Document Number(s) 0410859, Official Records of Douglas County, Nevada.

Owner has also executed, or is about to execute, a deed of trust or mortgage securing a note in a sum not to exceed \$197,000.00 dated 12-19-01, in favor of Lender ("Lender's Security Instrument"). Lender's Security Instrument shall be recorded concurrently herewith.

As a condition precedent to Lender's performance, the SBA Security Instrument must be subordinated to the Lender's Security Instrument. SBA is willing to subordinate the lien(s) of the SBA Security Instrument provided it retains its lien priority with regard to all other legal or equitable interests in the property.

In consideration of the mutual benefits to the parties and to induce Lender to make a loan to Owner, it is hereby agreed 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 note.

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

(5) 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.

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

(7) Lender shall provide notice to SBA of any default under the terms of the Lender's Security Instrument which remains uncured for 60 days. A default in the obligation secured by the Lender's Security Instrument may be cured (including purchase of the property at, or prior to, foreclosure sale) by the SBA via cash, certified funds or a United States Treasury check, at the option of the SBA. Lender will not enforce any default provision in its Security Instrument to the detriment of the SBA, including, but not limited to, any provision regarding a default rate of interest.

(8) SBA's agreement to subordinate its lien interest to that of the Lender is expressly conditioned upon Lender's, Borrower's, and Guarantor's execution of this subordination agreement. This subordination agreement is null and void if not duly-executed by all of the forgoing parties.

Horst Gerich  
Horst Gerich as individual &  
As Trustee of the Horst & Peggy  
Gerich Family trust dated 6/17/86  
And amended 5/22/93

Peggy Gerich  
Peggy Gerich as individual & as  
Trustee of the Horst & Peggy  
Gerich Family trust dated  
6/17/86 and amended 5/22/93

LENDER: NEVADA STATE BANK

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

Jeryl Johnson  
JERYLYN JOHNSON

Barbara J Jung 11/27/01  
BARBARA J Jung, Acting SAs

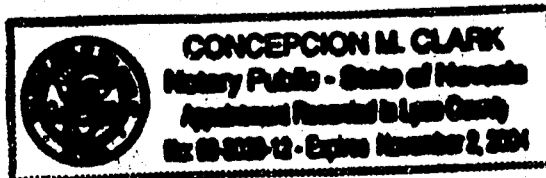
State of Nevada  
& City of NEVADA } ss.  
County of

On 12-19-01 Date personally appeared before me,

CONCEPCION M. CLARK  
a Notary Public (or judge or other officer, as the case may be).

JERYLYN JOHNSON  
who acknowledged that he executed the above instrument.

In Witness Whereof, I have hereunto set my hand  
and affixed my official stamp at my office  
in the City of CARSON  
the day and year in this certificate first above written.



No. 92-3038-12

0530794

BK1201PG7994

(All signatures must be acknowledged)

State of California  
County of Fresno

On Nov. 27, 2001 before me, Sandra Winters, a Notary Public, personally appeared Barbara J. Jung, personally known to me (or proved on 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.

Signature Sandra Winters



REQUESTED BY  
**STEWART TITLE OF DOUGLAS COUNTY**  
IN OFFICIAL RECORDS OF  
DOUGLAS CO., NEVADA

2001 DEC 24 AM 11:03

LINDA SLATER  
RECORDER

\$16<sup>00</sup> PAID Ka DEPUTY