

REQUESTED BY
Stewart Title of Douglas County
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

2003 JUL 21 PM 3:30

WERNER CHRISTEN
RECORDER

\$17.00 PAID *KJ* DEPUTY

When Recorded Return To:

APN 1320-02-002-023
United States Small
Business Administration
Attn: B Jung
2719 North Air Fresno
Drive, Suite 107
Fresno, CA 93727-1547

Name: H & G Industries
Loan No.: 998553006

space above line for recorder

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference July 10, 2003, and is between HORST GERICH AND PEGGY GERICH, TRUSTEES OF THE HORST AND PEGGY GERICH FAMILY TRUST DATED JUNE 17, 1986 AND AMENDED MAY 22, 1993, owner(s) of the land described in the Deeds of Trust referenced below ("Owner"), HOMECOMINGS FINANCIAL NETWORK, INC ("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 IN BOOK NUMBER 0497 PAGE 2878-2883, 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 \$100,000.00 dated July 14, 2003, 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.

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(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.

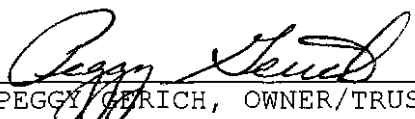
(6) All proceeds of Lender's loan shall be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument, the following described uses, if any PAY CREDIT CARD DEBT AND PROVIDE WORKING CAPITAL FOR BUSINESS, plus customary closing costs. Any other use of proceeds 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, OWNER/TRUSTEE



PEGGY GERICH, OWNER/TRUSTEE

LENDER:

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

By: _____
[please type or print name and title]

[Handwritten Signature] 5/20/03
GARY WAMHOF
ACTING SUPERVISOR LOAN SERVICES

The undersigned Guarantor(s)/Borrower(s) hereby consent to all terms above and acknowledge their liability for the above referenced SBA loan is in no manner diminished by this agreement.

H & G INDUSTRIES INTL INC.

By: *[Handwritten Signature]*
HORST GERICH, President

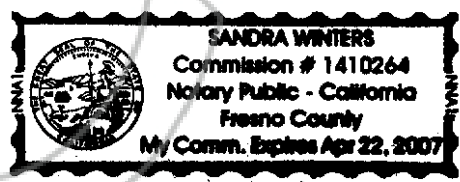
By: *[Handwritten Signature]*
PEGGY GERICH, Secretary

(All signatures must be acknowledged)

State of California
County of Fresno

On MAY 21, 2003 before me, SANDRA WINTERS, a Notary Public, personally appeared GARY B. WAMHOF, 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 *[Handwritten Signature]*



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STATE OF NEVADA)
) SS.
COUNTY OF DOUGLAS)

This instrument was acknowledged before me on July 1, 2003
by Horst Gerich & Peggy Gerich

who personally appeared before me.

Mary H. Kelsh
Notary Public



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