

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

2004 JUN -4 PM 3:49

Assessor's Parcel No.: 1320-08-413-006

WERNER CHRISTEN  
RECORDER

RECORDATION REQUESTED BY:

\$230 PAID *BL* DEPUTY

WHEN RECORDED MAIL TO:

Business Bank of Nevada  
Credit Department  
6085 West Twain Avenue  
Las Vegas, NV 89103-1228  
Attn: Patti Liebespeck  
Re: Loan #1821305

#040701076

IMPORTANT NOTICE TO TENANT: THIS STANDARD LEGAL DOCUMENT ASSISTS YOUR LANDLORD IN OBTAINING FINANCING. IT CONFIRMS THAT THE LENDER DESCRIBED BELOW WILL BE ABLE TO CONSIDER YOUR LEASE VALID EVEN IF THE LENDER MUST LATER PURSUE ITS COLLATERAL INTEREST FOR REPAYMENT. IT DOES NOT CHANGE YOUR LEASE; HOWEVER IT DOES MAKE YOUR LEASE SUBJECT TO THE LENDER'S NEW FINANCING AND CONFIRMS YOUR LEASE IS CURRENT. SHOULD YOUR LANDLORD NOT PROMPTLY REPAY ALL THE SUMS DUE TO LENDER, THIS DOCUMENT CONFIRMS THAT YOUR LEASE WILL CONTINUE WITHOUT INTERRUPTION EVEN IF THE LENDER (OR ITS TRANSFEREES AND ASSIGNS) BECOME YOUR SUCCESSOR LANDLORD.

## SUBORDINATION OF AN EXISTING TENANT LEASE TO NEW FINANCING

(Subordination, Nondisturbance, Attornment and Estoppel)

THIS SUBORDINATION OF AN EXISTING TENANT LEASE TO NEW FINANCING (the "Agreement") is dated June 1, 2004, and is made and executed by and among Security Management Group International, Inc., a Nevada corporation ("Lessee" or "Tenant"); Park Place Equities, LLC, ("Borrower", "Lessor" or "Landlord"); and Business Bank of Nevada ("Lender"). Lessee, Lessor and Lender shall collectively be referred to herein as the "Parties".

**PURPOSE OF THIS AGREEMENT.** This Agreement is intended to implement the following agreements between the Parties, as follows: (a) it confirms that the Lease between Landlord and Tenant is current and not in default; (b) it confirms that the Lease will be or will hereby become fully subordinate to the Lender's Loan and new financing; and (c) it confirms that should Lender need to pursue its collateral interests related to the Lease, that Lender will fully recognize Tenant's interests in the Lease and, in return, Tenant will fully recognize Lender or its purchasers/transferees and assigns, as successor Lessor(s).

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used throughout this Agreement. Unless specifically stated to the contrary, all of the references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the NEVADA Commercial Code:

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## SUBORDINATION OF EXISTING TENANT LEASE (Continued)

Page 2 of 2

**Agreement.** The term "Agreement" means this Subordination of Existing Tenant's Lease To New Financing as this Agreement may be modified from time to time, together with all exhibits and schedules attached to this Agreement from time to time.

**Borrower, Lessor and Landlord.** The term "Borrower", "Lessor" and "Landlord" shall be interchangeable and shall mean Park Place Equities, LLC, and all other persons and entities signing the Note or other debt instrument in whatever capacity.

**Lease, Leases and Premises.** The term "Lease", "Leases" or "Premises" shall be interchangeable and shall mean that certain lease of the Premises dated May 1, 2004 by and between Landlord and SMG International, whose correct name is Security Management Group International, Inc., a Nevada corporation, and any approved amendments thereto that will be subordinate to Lender's Loan. The Lease covers a portion of the following described Real Property located in Douglas County, State of Nevada. See Exhibit "A" attached hereto and made a part hereof by this reference for the legal description of the Real Property. The Real Property or its address is commonly known as 2241 Park Place, Suite E, Minden, Nevada. The Real Property tax identification number is: 1320-08-413-006.

**Lender.** The term "Lender" means Business Bank of Nevada, its successors and assigns.

**Loan.** The term "Loan" means any and all loans and financial accommodations entered into by and between Lender and Landlord/Borrower whether now or hereafter existing, and however evidenced, including any and all collateral taken to secure the Loan.

**Related Documents.** The phrase "Related Documents" means all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

**Tenant or Lessee.** The term "Tenant" or "Lessee" shall be interchangeable and shall mean Security Management Group International, Inc., including its successors, assigns and legal representatives.

**LEASE WILL BE SUBORDINATE TO LENDER'S LOAN (SUBORDINATION).** The Parties agree that Landlord's and Tenant's interest in the Lease (and the related Real Property) is (and shall be all times in which the Loan to Lender remains unpaid) subordinate in all respects to Lender's Loan, and the collateral securing said Loan, and it is expressly agreed that Lender's Loan shall be and remain at all times prior and superior to Landlord or Tenant's interests, liens, or claims relating to the Lease and the related Real Property. Landlord and Tenant also subordinate to Lender's Loan any and all other collateral or security interests in the Premises and related Real Property held by Landlord or Tenant, whether now existing or hereafter acquired.

**FULL LEASE IS APPENDED HERETO; NO MATERIAL DEFAULT IN THE LEASE IS KNOWN OR THREATENED (ESTOPPEL).** Landlord and Tenant have executed (or will execute) the above-referenced Lease(s). Landlord and Tenant agree that said Lease will be subject to this Agreement. Landlord and Tenant expressly confirm that the Lease is and remains fully current; it is not in material default (and to the knowledge and belief of the Landlord or Tenant no material default is likely to occur or is threatened); and, Landlord and Tenant each agree the Lease is fully described (including exhibits and attachments) in **Exhibit "B"** attached hereto and there are no other written or oral modifications of the Lease not appended or described therein. Landlord and Tenant agree to promptly inform Lender should the Lease not remain current or if a material default should occur or is likely to occur now or hereafter. The Parties agree that as of the date of this Agreement, and until the Loan is fully repaid to Lender, neither Landlord nor Tenant will alter, amend or terminate the Lease; excuse the payment of rent; or release any person or interest set forth in the Lease without the prior written consent of Lender.

**AGREES TO BE BOUND TO LENDER AND/OR NEW PURCHASER (ATTORNMEN).** If any transfer of the Premises and Real Property should occur, and so long as Tenant is not in default under the Lease, Lender or purchaser (as the case may be) shall be fully bound to Tenant and Tenant shall be equally bound to Lender or purchaser (as the case may be) under all of the terms, covenants and conditions of the Lease for the balance of the Lease term and any extensions or renewals of it which may then or later be in effect under any validly exercised extension or renewal option contained in the Lease, all with the same force and effect as if purchaser had been the original Landlord under the Lease. Tenant, its successors and assigns, does hereby agree to fully attorn to purchaser, including Lender, if Lender should become the purchaser, as the successor landlord under the Lease. This

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## SUBORDINATION OF EXISTING TENANT LEASE (Continued)

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attornment shall be effective and self-operative, without the execution of any further instruments, upon purchaser's succeeding to the interest of the original Landlord under the Lease.

**TENANT WILL BE FULLY RECOGNIZED BY LENDER AND/OR NEW PURCHASER (NONDISTURBANCE).** So long as Tenant is current and not in default in the performance of the terms, provisions and conditions contained in the Lease and so long as Tenant observes the provisions of this Agreement, the Parties agree, as follows: (a) Tenant agrees (and to the extent necessary hereby waives) that it shall not be necessary to name or join it in any foreclosure, trustee's sale or other proceeding to enforce the Lender's Loan or related collateral interests unless the joinder is required by law in order to protect such foreclosure, trustee's sale or other proceeding; (b) The enforcement of the Lender's Loan and related collateral interests shall not terminate the Lease or disturb Tenant in the intended possession and use of the Premises and related Real Property in accordance with the Lease; and (c) The leasehold estate granted by the Lease shall not be affected in any manner by any transfer of the Premises and related Real Property or any other proceeding instituted or action taken under or in connection with the Lender's Loan, or related collateral interests, or by Lender's taking possession of the Premises and related Real Property in accordance with any provision of the Lender's Loan; provided that Lender, if it becomes the purchaser or if it takes possession under the Lender's Loan, and any other purchaser shall not; (d) be liable for any damages or other relief attributable to any act or omission of any prior landlord under the Lease (including Landlord/Borrower); (e) be liable for any damages or other relief attributable to any latent or patent defects in construction, injury or operations with respect to any portion of the property; (f) be liable for any consequential damages attributable to any act or omission of purchaser; (g) be liable for any damage or other relief attributable to any breach of any representation or warranty contained in the Lease by purchaser or any prior landlord under the Lease (including Landlord/Borrower); (h) be subject to any offsets or defense not specifically provided for in the Lease and which Lessee may have against any prior landlord under the Lease (including Landlord/Borrower); or (i) be bound by any prepayment by Lessee of more than one month's installment of rent or for any security deposit not actually delivered to purchaser or by any modification or amendment of or to the Lease unless the prepayment, amendment or modification shall have been approved in writing by Lender or by any subsequent beneficiary under the Lender's Loan.

**GENERAL AGREEMENTS MADE BY TENANT.** Tenant agrees and understands that: (a) except as specifically noted herein, this Agreement does not alter or change Landlord's or Tenant's obligations under the Lease; (b) that nothing in this Agreement is intended to confirm that the Landlord is financially responsible or will remain financial responsible to fully carry out the provisions of the Lease for its entire term or that Lender is in any way acting as a guarantor, surety or other responsible party under the Lease to insure it is fully performed; (c) this Agreement does not entitle Tenant to participate in or receive notice of any of the terms, conditions, renewals, extensions or financial information related to the Loan or that Lender shall be in any way responsible to disclose to Tenant any financial information or declining financial position on behalf of the Landlord or any other obligor or provide notice of any actual or pending default except as set forth in this Agreement; (d) Tenant expressly and irrevocably waives any right to require Lender to make, extend, renew, or modify any loan to Landlord or to grant any other financial accommodations to Landlord or any other party whatsoever or to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Lender's Loan or notice of any action or nonaction on the part of the Landlord, Lender, any surety, endorser, or other guarantor in connection with the Loan, or in connection with the creation of new or additional indebtedness; (e) Lender may in its sole discretion resort for payment or proceed directly or at once against any person, including Landlord; (f) Lender may in its sole discretion proceed directly against or exhaust any collateral held by Lender from Landlord or any other person; (g) Lender may give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Landlord or to comply with any other applicable provisions of the Uniform Commercial Code; (h) Lender may in its sole discretion pursue any other remedy within Lender's power; or, (i) Lender may engage in such additional and cumulative rights and commit to any act or omission of any kind, at any time, with respect to any matter whatsoever, as it may choose or find desirable.

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## SUBORDINATION OF EXISTING TENANT LEASE (Continued)

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**LENDER'S RIGHTS.** Lender may take or omit to take any and all actions with respect to Lender's Loan without affecting whatsoever any of Lender's rights under this Agreement. In particular, without limitation, Lender may, without notice of any kind to Tenant: (a) make one or more additional secured or unsecured loans to Landlord/Borrower; (b) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Lender's Loan, or any part of it, including increases and decreases of the rate of interest on the Lender's Loan and extensions may be repeated and may be for longer than the original loan term; (c) take and hold collateral for the payment of the Lender's Loan, and exchange, enforce, waive, and release any such collateral securing Lender's Loan, with or without the substitution of new collateral; (d) release, substitute, agree not to sue, or deal with any one or more of Landlord/Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (e) determine how, when and what application of payments and credits shall be made on the Lender's Loan; (f) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (g) transfer this Agreement to any other party. If Landlord/Borrower becomes insolvent or bankrupt, this Agreement shall nevertheless remain in full force and effect to the greatest extent legally possible and shall be binding on any and all trustees, receivers and other persons acting in a fiduciary capacity. Any default by Landlord under the terms of the Lease also shall constitute an event of default under the terms of this Agreement and Lender's Loan.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth herein. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorney's Fees; Expenses.** If Lender institutes any suit or action to enforce any of the terms of this Agreement, the prevailing party shall be entitled to its reasonable fees, costs and expenses, including legal fees.

**Authority.** Each of the parties executing this Agreement has the legal authority to do so on behalf of himself or the legal entity noted.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by, construed and enforced in accordance with federal law and the laws of the State of Nevada. This Agreement has been accepted by Lender in the State of Nevada.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Lessee, shall constitute a waiver of any of Lender's rights or any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Successors.** This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement, and the covenants of Borrower and Lessee herein in

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**SUBORDINATION OF EXISTING TENANT LEASE (Continued)**

favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Lender's Loan.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity, or enforceability of any other provision of this Agreement.


**Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but when taken together shall constitute one agreement.

**THE CONTENTS OF THIS AGREEMENT DO NOT CONSTITUTE A COMMITMENT TO LEND BY BUSINESS BANK OF NEVADA. ALL TERMS AND CONDITIONS CONTAINED IN THIS AGREEMENT ARE EXPRESSLY SUBJECT TO (I) THE LENDER'S RECEIPT AND REVIEW OF ANY ADDITIONAL ITEMS REQUIRED TO COMPLETE CREDIT ANALYSIS AND UNDERWRITING, (II) CREDIT APPROVAL BY BUSINESS BANK OF NEVADA, WHICH MAY NOT HAVE BEEN, AND MAY NEVER BE OBTAINED, AND (II) LEGAL DOCUMENTATION AND REVIEW.**

**EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES HAVING READ ALL THE PROVISIONS REFERENCED ABOVE AND EACH PARTY AGREES TO BE BOUND BY ITS TERMS. THIS AGREEMENT IS DATED June 1, 2004.**


**BORROWER:**

Park Place Equities, LLC

By:   
Robert M. Shiells, Managing Member


**LESSEE:**

Security Management Group International, Inc.

By:   
Robert M. Shiells, President

**LENDER:**

Business Bank of Nevada

By:   
Susan Potter, Vice President

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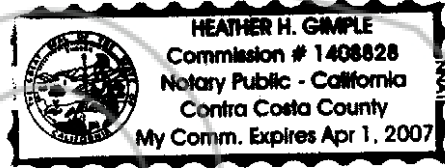
**SUBORDINATION OF EXISTING TENANT LEASE (Continued)**

NOTARY ACKNOWLEDGMENT

STATE OF NEVADA CALIFORNIA )  
 ) SS.  
COUNTY OF CONTRA COSTA )

This instrument was acknowledged before me on JUNE 2, 2004 by Robert M. Shiells as Managing Member of Park Place Equities, LLC.

Heather H Gimple  
Notary Public  
Printed Name: HEATHER H. GIMPLE



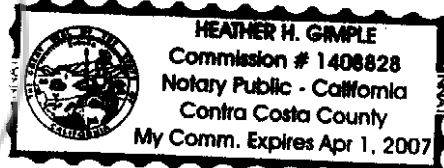
My Commission Expires:  
APRIL 1, 2007

NOTARY ACKNOWLEDGMENT

STATE OF NEVADA CALIFORNIA )  
 ) SS.  
COUNTY OF CONTRA COSTA )

This instrument was acknowledged before me on JUNE 2, 2004 by Robert M. Shiells as President of Security Management Group International, Inc.

Heather H Gimple  
Notary Public  
Printed Name: HEATHER H. GIMPLE



My Commission Expires:  
APRIL 1, 2007

**SUBORDINATION OF EXISTING TENANT LEASE (Continued)**

NOTARY ACKNOWLEDGMENT

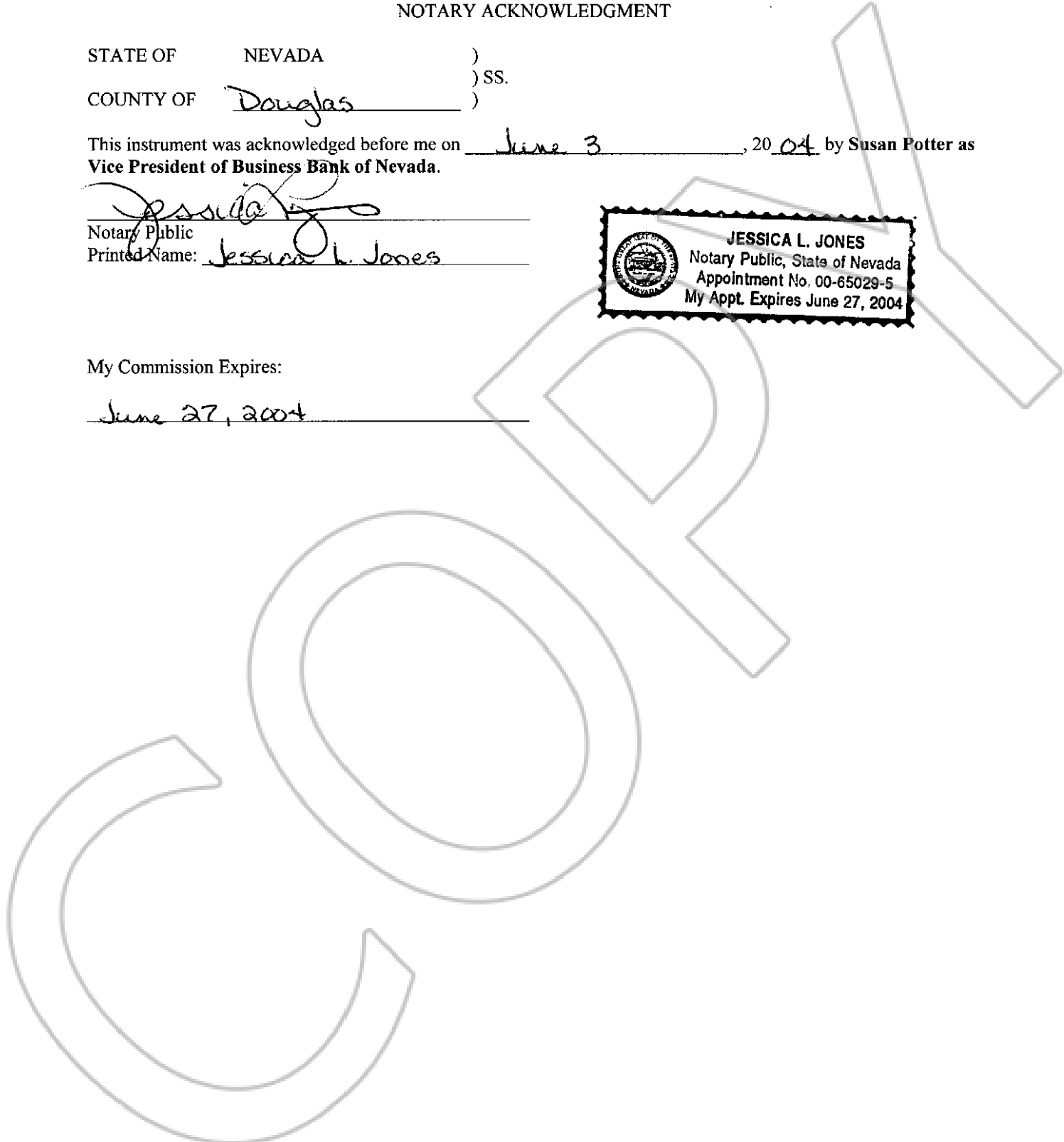
STATE OF NEVADA )  
 ) SS.  
COUNTY OF Douglas )

This instrument was acknowledged before me on June 3, 2004 by Susan Potter as Vice President of Business Bank of Nevada.

Jessica L. Jones  
Notary Public  
Printed Name: Jessica L. Jones



My Commission Expires:  
June 27, 2004



Assessor's Parcel No.: 1320-08-413-006

**Attachment to Subordination of an Existing Tenant Lease to New Financing**

**EXHIBIT "B"**

**MEMORANDUM OF LEASE AGREEMENT**

THIS MEMORANDUM OF LEASE AGREEMENT ("Memorandum") is entered into as of this 1st day of June, 2004, by and between Park Place Equities, LLC, whose address is 2241 Park Place, Suite E, Minden, Nevada ("Lessor") and Security Management Group International, Inc., whose address is 2241 Park Place, Suite E, Minden, Nevada ("Lessee").

**RECITALS**

By that certain Nevada Commercial Lease dated on or about May 1, 2004 (the "Lease"), Lessor has leased to Lessee certain real property located at 2241 Park Place, Suite E, Minden, Nevada, and more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, consisting of a commercial building, together with all appurtenant rights, privileges and easements and all other improvements now or hereafter located thereon ("Leased Premises").

TO HAVE AND TO HOLD the Leased Premises for an initial term of approximately (2) two years running from and including the date of June 1, 2004, through and including the date of May 31, 2006 unless earlier terminated as provided in the Lease. The Lessee has the right and option to renew said lease for (2) two years, for a total rental period, including extensions and renewals, of (4) four years.

**In addition to the terms referred to above, the Lease Agreement contains numerous other terms, covenants and conditions which affect the Leased Premises, and notice is hereby given that reference should be had to the Lease Agreement directly with respect to the details of such terms, covenants and conditions. Copies of the Lease Agreement are kept at the offices of Lessor and Lessee at the addresses set forth above. This Memorandum does not alter, amend, modify or change the Lease Agreement or the exhibits thereto in any respect. It is executed by the parties solely for the purpose of being recorded in the public records of DOUGLAS COUNTY, NEVADA, and it is the intent of the parties that it shall be so recorded and shall give notice of and confirm the Lease Agreement and exhibits thereto and all of its terms to the same extent as if all of the provisions of the Lease Agreement and exhibits thereto were fully set forth herein. The Lease Agreement and all exhibits thereto are hereby incorporated by reference in this Memorandum and the parties hereby ratify and confirm the Lease Agreement as if said Lease Agreement were being presently re-executed by both parties and being recorded. In the event of any conflict between the provisions of the Memorandum and the Lease Agreement, the provisions of the Lease Agreement shall control.**

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**SUBORDINATION OF EXISTING TENANT LEASE (Continued)**

IN WITNESS WHEREOF, Lessor and Lessee have set their hands and seals herewith and have caused this instrument to be executed in their names and their seals to be affixed hereunto by duly authorized officials thereof, the day and year first above written.

Lessor:

Lessee:

Park Place Equities, LLC

Security Management Group International, Inc.,

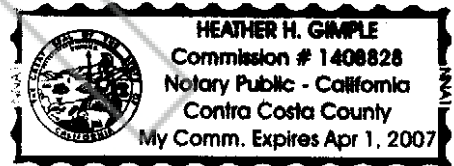
By: Robert M. Shiells  
Robert M. Shiells, Managing Member

By: Robert M. Shiells  
Robert M. Shiells, President

State of ~~Nevada~~ <sup>CALIFORNIA</sup> )  
 ) ss.  
County of ~~CLATSOP~~ <sup>CONTRA COSTA</sup>

On 2 day of JUNE, 2004, personally appeared before me, a notary public, (or Judge or other authorized person, as the case may be) Robert M. Shiells as Managing Member of Park Place Equities, LLC, and is personally known (or proved) to me to be the person whose name is subscribed to the above instrument and who acknowledged that he executed the above instrument.

Heather H. Gimple  
Notary Public



State of ~~Nevada~~ <sup>CALIFORNIA</sup> )  
 ) ss.  
County of ~~CLATSOP~~ <sup>CONTRA COSTA</sup>

On 2 day of JUNE, 2004, personally appeared before me, a notary public, (or Judge or other authorized person, as the case may be) Robert M. Shiells as President of Security Management Group International, Inc., and is personally known (or proved) to me to be the person whose name is subscribed to the above instrument and who acknowledged that he executed the above instrument.

Heather H. Gimple  
Notary Public

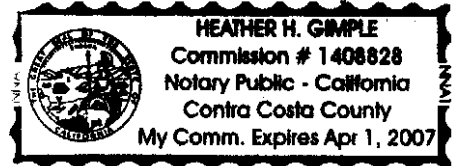


EXHIBIT "A"  
LEGAL DESCRIPTION

Order No.: 040701076

The land referred to herein is situated in the State of Nevada, County of Douglas, described as follows:

A parcel of land located within a portion of the Southwest 1/4 of Section 8, Township 13 North, Range 20 East, Mount Diablo Meridian, Douglas County, Nevada described as follows:

Parcel E as shown on that certain Record of Survey for Al Shankle and the Jager 1988 Family Trust recorded as Document No. 344389, further described as follows:

Commencing at a found 5/8" rebar and plastic cap stamped R.L.S. 1586 at the Northeast corner of Parcel F per said Record of Survey; thence South 46°18'11" West, 68.46 feet to the POINT OF BEGINNING:

thence South 41.00 feet;  
thence West, 64.00 feet;  
thence North 29.00 feet;  
thence North 45°00'00" East, 16.97 feet;  
thence East, 52.00 feet to the POINT OF BEGINNING

Assessors Parcel No. 1320-08-413-006

"IN COMPLIANCE WITH NEVADA REVISED STATUTE 111.312, THE HEREIN ABOVE LEGAL DESCRIPTION WAS TAKEN FROM INSTRUMENT RECORDED OCTOBER 20, 1997, AS FILE NO. 0424425, RECORDED IN THE OFFICIAL RECORDS OF DOUGLAS COUNTY, STATE OF NEVADA."

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