

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

Assessor Parcel No(s):
1220-04-101-016

2004 SEP 14 PM 3:00

WERNER CHRISTEN
RECORDER

\$23⁰⁰ PAID *Kj* DEPUTY

RECORDATION

REQUESTED BY:
California Bank &
Trust
Community
Development
Business Group
2399 Gateway Oaks
Drive
Suite 110
Sacramento, CA
95833

WHEN RECORDED MAIL

TO:
CALIFORNIA BANK &
TRUST
Commercial Loan
Operations
401 W. Whittier Blvd.
La Habra, CA 90631

90089LS

FOR RECORDER'S USE ONLY

NOTICE: THIS SUBORDINATION AGREEMENT - LEASE 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.

SUBORDINATION AGREEMENT - LEASE

THIS SUBORDINATION AGREEMENT - LEASE dated September 3, 2004, is made and executed among Land of Oz Preschool, Inc. ("Lessee"); The Lynn D. Wagner Family Trust ("Borrower"); and California Bank & Trust ("Lender").

LEASE. Lessee has executed a lease dated August 25, 2004 of the property described herein (the "Subordinated Lease").

REAL PROPERTY DESCRIPTION. The Lease covers a portion of the following described real property located in Douglas County, State of Nevada:

See See Exhibit "A", which is attached to this Subordination and made a part of this Subordination as if fully set forth herein.

The Real Property or its address is commonly known as 1287 Toler Lane, Gardnerville, NV 89410. The Real Property tax identification number is 1220-04-101-016

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REQUESTED FINANCIAL ACCOMMODATIONS. Lessee and Borrower each want Lender to provide financial accommodations to Borrower in the form of (A) new credit or loan advances, (B) an extension of time to pay or other compromises regarding all or part of Borrower's present indebtedness to Lender, or (C) other benefits to Borrower. Borrower and Lessee each represent and acknowledge to Lender that Lessee will benefit as a result of these financial accommodations from Lender to Borrower, and Lessee acknowledges receipt of valuable consideration for entering into this Subordination.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Lease.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessee's right, title, and interest in and to the Subordinated Lease and the Real Property is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to Lessee's interests in the Subordinated Lease and the Real Property. Lessee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessee, whether now existing or hereafter acquired.

LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee hereby represents and warrants to Lender that Lessee has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Lessee further acknowledges that the Lease is in full force and effect and that no default by Lessee or, to Lessee's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

LESSEE WAIVERS. Lessee waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Lessee, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan

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term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of 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 Superior Indebtedness; (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 Subordination to another party.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. Any default by Borrower under the terms of the Subordinated Lease also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

LEASE.. Lease for property located at 1287 Toler Road, Gardnerville, NV 89410.

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

Amendments. This Subordination, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination 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.

Attorneys' Fees; Expenses. If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable as attorneys' fees at trial and upon any appeal. Whether or not any court action is involved, and to the extent not prohibited by law, all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Lessee also will pay any court costs, in addition to all other sums provided by law. Fees and expenses shall include attorneys' fees that Lender, Trustee, or both incur, if either or both are made parties to any action to enjoin foreclosure or to any legal proceeding that Lessee institutes. The fees and expenses are secured by this Subordination and are recoverable from the Property.

Authority. The person who signs this Subordination as or on behalf of Lessee represents and warrants that he or she has authority to execute this Subordination and to subordinate

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the Subordinated Indebtedness and the Lessee's security interests in Lessee's property, if any.

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

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

Choice of Venue. If there is a lawsuit, Lessee agrees upon Lender's request to submit to the jurisdiction of the courts of Douglas County, State of Nevada. (Initial Here *AW*))

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Subordination 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 Subordination 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 Subordination. 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 of any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, 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 Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Lessee herein in 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 Superior Indebtedness.

Waive Jury. All parties to this Subordination hereby waive the right to any jury trial in any action, proceeding, or counterclaim brought by any party against any other party.

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.

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED SEPTEMBER 3, 2004.

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BORROWER:

THE LYNN D. WAGNER FAMILY TRUST

By: *Lynn D. Wagner Trustee*
Lynn D. Wagner, Trustee of The Lynn D. Wagner
Family Trust

LESSEE:

LAND OF OZ PRESCHOOL, INC.

By: *Lynn D. Wagner Pres.*
Lynn D. Wagner, President/Secretary of Land of Oz
Preschool, Inc.

LENDER:

CALIFORNIA BANK & TRUST

x *Debi Stutz*
Authorized Officer
Debi Stutz

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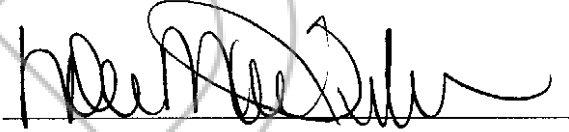
TRUST ACKNOWLEDGMENT

STATE OF Nevada

)
) SS

COUNTY OF Douglas

This instrument was acknowledged before me on September 10, 2004 by Lynn D. Wagner, Trustee of The Lynn D. Wagner Family Trust , as designated trustee of The Lynn D. Wagner Family Trust .



(Signature of notarial officer)



Notary Public in and for State of Nevada

(Seal, if any)

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CORPORATE ACKNOWLEDGMENT

STATE OF Nevada

)

) SS

COUNTY OF Douglas

)

This instrument was acknowledged before me on September 10, 2004 by Lynn D. Wagner, President/Secretary of Land of Oz Preschool, Inc., as designated agent of Land of Oz Preschool, Inc..

[Handwritten Signature]

(Signature of notarial officer)



Notary Public in and for State of Nevada

(Seal, if any)

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LENDER ACKNOWLEDGMENT

STATE OF _____)

)

) SS

COUNTY OF _____)

)

This instrument was acknowledged before me on _____ by _____
_____ as designated agent of _____
_____.

(Signature of notarial officer)

Notary Public in and for State of _____

(Seal, if any)

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EXHIBIT "A"

All that real property situate in the County of Douglas , State of Nevada, described as follows:

~~All that certain lot or parcel of land lying and being in a portion of the Northeast ¼ of the Northwest ¼ of Section 4, Township 12 North, Range 20 East, M.D.B. & M., in Gardnerville, Douglas County, Nevada, and more particularly described by metes and bounds as follows, to wit:~~

BEGINNING at a point at the Northeast corner of the parcel and 31.72 feet South from the line between Townships 12 and 13 North, Range 20 East and on the Southerly side of the county roadway, or Douglas Avenue, said point of beginning being further described as bearing South 88°20'18" East, a distance of 917.37 feet from the so-called Dettling Monument to the Town of Gardnerville, said Monument being described as bearing South 89°48'45" West, a distance of 3960.40 feet from the Northeast corner of said Section 4;
Thence from said point of beginning South 00°09' East, a distance of 150.00 feet to a point at the Southeast corner of the parcel;
Thence South 89°51' West, a distance of 44.25 feet to a point on the Easterly side of the State Highway Right-of-Way line;
Thence North 51°06' West, along the Easterly side of said highway, a distance of 61.85 feet to a point;
Thence North 20°28' West, a distance of 118.25 feet to a point at the Northwest corner of the parcel, on the Southerly side of said Douglas Avenue;
Thence North 89°51' East, along the Southerly line of said Avenue, a distance of 133.30 feet to the POINT OF BEGINNING.

NOTE (NRS 111.312): The above metes and bounds description appeared previously in that certain GRANT, BARGAIN AND SALE DEED, recorded in the office of the County Recorder of Douglas County, Nevada on May 2, 2000, in Book 500, Page 611, as Document No. 491171, of Official Records.

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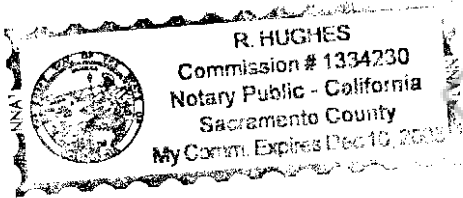
BK 0904 PG 05164

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of Sacramento } ss.

On Sept 8, 2004 before me, R. Hughes
Date Name and Title of Officer (e.g., "Janie Doe, Notary Public")
personally appeared Debi Stytz
Name(s) of Signer(s)

personally known to me
 proved to me on the basis of satisfactory evidence



to be the person(s) whose name(s) is subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[Signature]
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

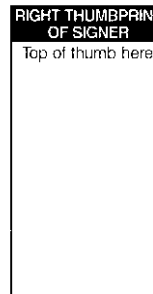
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____



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