

A.P.N. 1320-02-002-023

When Recorded Return To:

U.S. Small Business Administration  
Attn: Collateral  
2719 North Air Fresno Dr., Suite 107  
Fresno, CA 93727-1547

Loan No. 9985593006 H&G Ind.

Douglas County - NV  
Werner Christen - Recorder  
Page: 1 Of 5 Fee: 18.00  
BK-1205 PG- 3131 RPTT: 0.00



space above line for recorder

## SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference November 18, 2005, and is between Horst Gerich and Peggy Gerich, individually and as trustees of the Horst and Peggy Gerich Family Trust, owner(s) of the land described in the Deeds of Trust referenced below ("Owner"), Homecoming Financial ("Lender") and the SMALL BUSINESS ADMINISTRATION, an agency of the UNITED STATES GOVERNMENT, ("SBA").

SBA is the present holder and beneficiary of that/those certain deed(s) of trust, dated March 2, 1997, to secure a note or notes in the sum of \$79,500 ("SBA Deed(s) of Trust"). The SBA Deed(s) of Trust was/were recorded on April 18, 1997 as Document Number(s) 0410859, Douglas County Official Records.

Owner has also executed, or is about to execute, a deed of trust securing a note in a sum not to exceed \$100,000 dated 12/01/2005, in favor of Lender ("Lender's Deed of Trust"). Lender's Deed of Trust shall be recorded concurrently herewith.

As a condition precedent to Lender's performance, the SBA Deed(s) of Trust must be subordinated to the Lender's Deed of Trust. SBA is willing to subordinate the lien(s) of the SBA Deed(s) of Trust 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 Deed of Trust, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA Deed(s) of Trust.
- (2) Lender would not make its loan without this subordination agreement.
- (3) Lender will not make any additional advances under Lender's Deed of Trust except such disbursements which become necessary to protect its security interest and for which Owner is liable under Lender's Deed of Trust and note. Any lien upon the property securing repayment of additional advances or monies due as a result of a default interest rate shall be subordinate to the lien of the SBA Deed of Trust.
- (4) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Deed(s) of Trust to Lender's Deed of Trust.
- (5) Except as expressly provided herein, this agreement shall not operate or be construed to

alter the priority of the SBA Deed(s) of Trust 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 Deed(s) of Trust, and business debt of H & G Industries International, Inc. and \$20,000 principle reduction of the above-referenced SBA loan, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

(7) A default in the obligation secured by the Lender's Deed of Trust may be cured (including purchase of the property at foreclosure sale) by the SBA via cash, certified funds or a United States Treasury check, at the option of the SBA. Provisions for a so-called "default rate of interest" or any similar penalty payment that may be contained within the Lender's Deed of Trust are inapplicable to SBA.

(8) This subordination agreement is void if not duly executed by Owner, Lender, SBA, the SBA Borrower(s) and all Guarantors of the SBA loan.

Horst Gerich  
Horst Gerich, Individually and as Trustee, Owner

Peggy Gerich  
Peggy Gerich, Individually and as Trustee, Owner

LENDER

ADMINISTRATOR, UNITED STATES  
SMALL BUSINESS ADMINISTRATION

By: \_\_\_\_\_  
(please type or print name and title)

By: Gary A. Wamhof 11/21/05  
Gary A. Wamhof  
Sr. Loan Specialist

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 International, Inc.  
By: Horst Gerich  
, President

By: Peggy Gerich  
, Secretary

ALL SIGNATURES MUST BE ACKNOWLEDGED

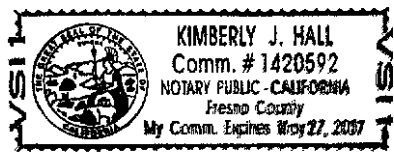
State of California )  
County of Fresno )

On November 20, 2005 before me, Kimberly J. Hall, a Notary Public, personally appeared Gary A. Wamhof, personally known to me (or proved to me on the basis of satisfactory evidence)

to be the person(s) whose name(s) is/are 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 



**COOPY**



STATE OF **NEVADA** )  
 )  
 ) :SS.  
 )  
COUNTY OF **DOUGLAS** )

This instrument was acknowledged before me on

*Dec 2, 2005*

by *Horst Gerich & Peggy Gerich trustees*  
*Mary Kelsh*  
Notary Public



(My commission expires: *11-5-06*)

*COOPY*



