

AND WHEN RECORDED MAIL TO:

Housing Capital Company  
1825 S. Grant Street, Ste. #630  
San Mateo, Ca. 94402

Attn:; Loan Administrator  
Loan No. 777.2-08-10

Douglas County - NV  
Werner Christen - Recorder  
Page: 1 Of 13 Fee: 26.00  
BK-0806 PG-10637 RPTT: 0.00



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**SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT,  
ESTOPPEL,  
ATTORNMEN AND NON-DISTURBANCE AGREEMENT  
(Lease To Deed of Trust)**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR  
LEASE BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN  
THE LIEN OF THE DEED OF TRUST (DEFINED BELOW).**

THIS SUBORDINATION AGREEMENT; ACKNOWLEDGMENT OF LEASE ASSIGNMENT, ESTOPPEL, ATTORNMEN AND NON-DISTURBANCE AGREEMENT ("Agreement") is made August 9, 2006 by and between DGD DEVELOPMENT LIMITED PARTNERSHIP, a Nevada limited partnership, ("Owner"), HOME PORT ENTERPRISES, INC., a Nevada corporation ("Lessee") and HOUSING CAPITAL COMPANY, a Minnesota partnership ("Lender").

**RECITALS**

- A. Pursuant to the terms and provisions of the Lease Agreement dated May 21, 2003 ("Lease"), Owner, as "Landlord", granted to Lessee a leasehold estate in and to the property known as Bldg. 5, Suite A, North Valley Plaza Shopping Center, Carson City, Nevada consisting of 1,500 square feet of premises floor area, which is further described as a portion of Exhibit A attached hereto and incorporated herein by this reference (which property, together with all improvements now or hereafter located on the property, is defined as the "Property").
- B. Owner has executed, or proposes to execute, a building loan agreement ("Loan Agreement") a deed of trust with absolute assignment of leases and rents, security agreement and fixture filing ("Deed of Trust") securing, among other things, a promissory note ("Note") in the

principal sum of SIX MILLION SEVEN HUNDRED NINETY-SEVEN THOUSAND FIVE HUNDRED AND 00/100THS DOLLARS (\$6,797,500.00), dated August 9, 2006, in favor of Lender, which Note is payable with interest and upon the terms and conditions described therein ("Loan"). The Deed of Trust is to be recorded concurrently herewith.

- C. As a condition to making the Loan secured by the Deed of Trust, Lender requires that the Deed of Trust, the repayment of the Loan and the other Loan Documents (as defined in the Loan Agreement) be unconditionally and at all times remain a lien or charge upon the Property, prior and superior to all the rights of Lessee under the Lease and that the Lessee specifically and unconditionally subordinate the Lease to the lien of the Deed of Trust.
- D. Owner and Lessee have agreed to the subordination, attornment and other agreements herein in favor of Lender.

NOW THEREFORE, for valuable consideration and to induce Lender to make the Loan, Owner and Lessee hereby agree for the benefit of Lender as follows:

- 1. **SUBORDINATION**. Owner and Lessee hereby agree that:
  - 1.1 **Prior Lien**. The Deed of Trust securing the Note in favor of Lender, and any modifications, renewals or extensions thereof, together with Lender's right to repayment of the Loan and Lender's rights under any other Loan Document shall unconditionally be and at all times remain a lien or charge on the Property prior and superior to the Lease;
  - 1.2 **Subordination**. Lender would not make the Loan without this agreement to subordinate; and
  - 1.3 **Whole Agreement**. This Agreement shall be the whole agreement and only agreement with regard to the subordination of the Lease to the lien or charge of the Deed of Trust together with Lender's right to repayment of the Loan and Lender's rights under any other Loan Document and shall supersede and cancel, but only insofar as would affect the priority between the Deed of Trust and the Lease, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Lease which provide for the subordination of the Lease to a deed or deeds of trust or to a mortgage or mortgages.

AND FURTHER, Lessee individually declares, agrees and acknowledges for the benefit of Lender, that:

- 1.4 **Use of Proceeds**. Lender, in making disbursements pursuant to the Note, the Deed of Trust or any loan agreements with respect to the Property, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any

application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat this agreement to subordinate in whole or in part;

- 1.5 **Waiver, Relinquishment and Subordination.** Lessee intentionally and unconditionally waives, relinquishes and subordinates all of Lessee's right, title and interest in and to the Property to the lien or charge of the Deed of Trust, the repayment of Lender's Loan and Lender's rights under the other loan Documents and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination, specific loans and advances are being and will be made by Lender and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination.
2. **ASSIGNMENT.** Lessee acknowledges and consents to the assignment of the Lease by Landlord in favor of Lender.
3. **ESTOPPEL.** Lessee acknowledges and represents that:
  - 3.1 **Lease Effective.** The Lease has been duly executed and delivered by Lessee and, subject to the terms and conditions thereof, the Lease is in full force and effect, the obligations of Lessee thereunder are valid and binding and there have been no modifications or additions to the Lease, written or oral;
  - 3.2 **No Default.** To the best of Lessee's knowledge, as of the date hereof: (i) there exists no breach, default, or event or condition which, with the giving of notice or the passage of time or both, would constitute a breach or default under the Lease; and (ii) there are no existing claims, defenses or offsets against rental due or to become due under the Lease;
  - 3.3 **Entire Agreement.** The Lease constitutes the entire agreement between Landlord and Lessee with respect to the Property and Lessee claims no rights with respect to the Property other than as set forth in the Lease; and
  - 3.4 **No Prepaid Rent.** No deposits or prepayments of rent have been made in connection with the Lease, except as described in the Lease.
4. **ADDITIONAL AGREEMENTS.** Lessee covenants and agrees that, during all such times as Lender is the Beneficiary under the Deed of Trust:
  - 4.1 **Modification, Termination and Cancellation.** Lessee will not consent to any modification, amendment, termination or cancellation of the Lease (in whole or in part) without Lender's prior written consent and will not make any payment to Landlord in consideration of any modification, termination or cancellation of the

Lease (in whole or in part) without Lender's prior written consent;

- 4.2 **Notice of Default.** Lessee will notify Lender in writing concurrently with any notice given to Landlord of any default by Landlord under the Lease, and Lessee agrees that Lender has the right (but not the obligation) to cure any breach or default specified in such notice within the time periods set forth below and Lessee will not declare a default of the Lease, as to Lender, if Lender cures such default within fifteen (15) days from and after the expiration of the time period provided in the Lease for the cure thereof by Landlord; provided, however, that if such default cannot with diligence be cured by Lender within such fifteen (15) day period, the commencement of action by Lender within such fifteen (15) day period to remedy the same shall be deemed sufficient so long as Lender pursues such cure with diligence;
- 4.3 **No Advance Rents.** Unless otherwise allowed in the Lease, Lessee will make no payments or prepayments of rent more than one (1) month in advance of the time when the same become due under the Lease; and
- 4.4 **Assignment of Rents.** Upon receipt by Lessee of written notice from Lender that Lender has elected to terminate the license granted to Landlord to collect rents, as provided in the Deed of Trust, and directing the payment of rents by Lessee to Lender, Lessee shall comply with such direction to pay and shall not be required to determine whether Landlord is in default under the Loan and/or the Deed of Trust.
5. **ATTORNTMENT.** Lessee agrees for the benefit of Lender (including for this purpose any transferee of Lender or any transferee of Landlord's title in and to the Property by Lender's exercise of the remedy of sale by foreclosure under the Deed of Trust) as follows:
- 5.1 **Payment of Rent.** Lessee shall pay to Lender all rental payments required to be made by Lessee pursuant to the terms of the Lease for the duration of the term of the Lease;
- 5.2 **Continuation of Performance.** Lessee shall be bound to Lender in accordance with all of the provisions of the Lease for the balance of the term thereof, and Lessee hereby attorns to Lender as its landlord, such attornment to be effective and self-operative without the execution of any further instrument immediately upon Lender succeeding to Landlord's interest in the Lease and giving written notice thereof to Lessee;
- 5.3 **No Offset.** Lender shall not be liable for, nor subject to, any offsets or defenses which Lessee may have by reason of any act or omission of Landlord under the Lease, nor for the return of any sums which Lessee may have paid to Landlord under the Lease as and for security deposits, advance rentals or otherwise, except to the extent that such sums are actually delivered by Landlord to Lender; and

5.4 **Subsequent Transfer.** If Lender, by succeeding to the interest of Landlord under the Lease, should become obligated to perform the covenants of Landlord thereunder, then, upon any further transfer of Landlord's interest by Lender, all of such obligations shall terminate as to Lender.

6. **NON-DISTURBANCE.** In the event of a foreclosure under the Deed of Trust, so long as there shall then exist no breach, default, or event of default on the part of Lessee under the Lease, Lender agrees for itself and its successors and assigns that the leasehold interest of Lessee under the Lease shall not be extinguished or terminated by reason of such foreclosure, but rather the Lease shall continue in full force and effect and Lender shall recognize and accept Lessee as tenant under the Lease subject to the terms and provisions of the Lease except as modified by this Agreement; provided, however, that Lessee and Lender agree that the following provisions of the Lease (if any) shall not be binding on Lender: any option to purchase with respect to the Property; any right of first refusal with respect to the Property; any provision regarding the use of insurance proceeds or condemnation proceeds with respect to the Property which is inconsistent with the terms of the Deed of Trust.

7. **MISCELLANEOUS.**

7.1 **Heirs, Successors, Assigns and Transferees.** The covenants herein shall be binding upon, and inure to the benefit of, the heirs, successors and assigns of the parties hereto; and

7.2 **Notices.** All notices or other communications required or permitted to be given pursuant to the provisions hereof shall be deemed served upon delivery or, if mailed, upon the first to occur of receipt or the expiration of three (3) days after deposit in United States Postal Service, certified mail, postage prepaid and addressed to the address of Lessee or Lender appearing below:

"OWNER"

DGD Development Limited Partnership  
716 N. Carson Street, Ste. E  
Carson City, NV 89703  
Attn: John Serpa, Jr.

"LENDER"

Housing Capital Company  
1825 South Grant Street, Ste. 630  
San Mateo, Ca. 94402  
Attn: Norma Avery

"LESSEE"

Home Ports Enterprises, Inc.  
6 Colt Circle  
Carson City, NV 89701  
Attn: \_\_\_\_\_



provided, however, any party shall have the right to change its address for notice hereunder by the giving of written notice thereof to the other party in the manner set forth in this Agreement; and

7.3 **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute and be construed as one and the same instrument; and

7.4 **Remedies Cumulative.** All rights of Lender herein to collect rents on behalf of Landlord under the Lease are cumulative and shall be in addition to any and all other rights and remedies provided by law and by other agreements between Lender and Landlord or others; and

7.5 **Paragraph Headings.** Paragraph headings in this Agreement are for convenience only and are not to be construed as part of this Agreement or in any way limiting or applying the provisions hereof.

8. **INCORPORATION.** Exhibit A, is attached hereto and incorporated herein by this reference.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE OWNER TO OBTAIN A LOAN, THE PROCEEDS OF WHICH MAY BE EXPENDED FOR PURPOSES OTHER THAN THE IMPROVEMENT OF THE PROPERTY.**

**IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO.**

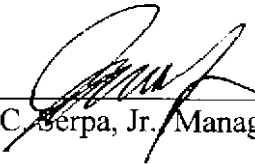
Signatures on Following Page:

"OWNER"

DGD Development Limited Partnership,  
A Nevada limited partnership

By: SSS Investments, LLC, a Nevada  
limited liability company

Its: General Partner


By:   
John C. Berpa, Jr., Manager

"LENDER"

Housing Capital Company, a  
Minnesota partnership

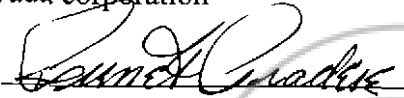
By: DFP Financial, Inc., a California  
corporation

Its: Managing General Partner

By:   
Its: VICEPRESIDENT

"LESSEE"

Home Ports Enterprises, Inc., a  
Nevada corporation

By: 

Its: President

(ALL SIGNATURES MUST BE ACKNOWLEDGED)



## DESCRIPTION OF PROPERTY

EXHIBIT A to Subordination Agreement; Acknowledgement of Lease Assignment, Estoppel, Attornment and Non-Disturbance Agreement dated as of August 9, 2006, executed by DGD DEVELOPMENT LIMITED PARTNERSHIP, a Nevada limited partnership "Owner", HOME PORTS ENTERPRISES, INC., a Nevada corporation, as "Lessee", and HOUSING CAPITAL COMPANY, a Minnesota partnership, as "Lender".

ALL THAT CERTAIN REAL PROPERTY SITUATE IN THE SOUTHEAST QUARTER (SE 1/4) OF SECTION 6, AND THE NORTHEAST QUARTER (NE 1/4) OF SECTION 7, TOWNSHIP 14 NORTH, RANGE 20 EAST, M.D.M., FURTHER DESCRIBED AS ALL OF ADJUSTED 13-106-01 AND A PORTION OF ADJUSTED 13-110-05, AS SHOWN ON THE RECORD OF SURVEY TO SUPPORT A BOUNDARY LINE ADJUSTMENT, BOOK 299, PAGE 4014, DOCUMENT NO. 461506, OFFICIAL RECORDS OF DOUGLAS COUNTY, NEVADA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;  
THENCE SOUTH  $00^{\circ}51'21''$  WEST, ALONG THE QUARTER SECTION LINE OF SAID SECTION 7, A DISTANCE OF 1325.10 FEET;  
THENCE SOUTH  $89^{\circ}40'08''$  EAST, A DISTANCE OF 810.10 FEET TO A POINT ON THE EASTERLY RIGHT-OF-WAY LINE OF VISTA GRANDE BOULEVARD AND THE TRUE POINT OF BEGINNING;  
THENCE ALONG SAID EASTERLY RIGHT-OF-WAY LINE THE FOLLOWING FIVE (5) COURSES:  
ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 220.00 FEET, ARC LENGTH OF 169.02 FEET, DELTA ANGLE OF  $44^{\circ}01'11''$ , A CHORD BEARING OF NORTH  $21^{\circ}37'16''$  WEST, AND A CHORD LENGTH OF 164.90 FEET;  
THENCE NORTH  $43^{\circ}37'51''$  WEST, A DISTANCE OF 465.00 FEET;  
THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 270.00 FEET, ARC LENGTH OF 325.15 FEET, DELTA ANGLE OF  $69^{\circ}00'00''$ , A CHORD BEARING OF NORTH  $09^{\circ}07'51''$  WEST, AND A CHORD LENGTH OF 305.86 FEET;  
THENCE NORTH  $25^{\circ}22'09''$  EAST, A DISTANCE OF 139.77 FEET;



THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 305.00 FEET, ARC LENGTH OF 114.80 FEET, DELTA ANGLE OF 21°33'60", A CHORD BEARING OF NORTH 14°35'09" EAST, AND A CHORD LENGTH OF 114.13 FEET;  
THENCE LEAVING SAID EASTERLY RIGHT-OF-WAY, SOUTH 09°17'50" EAST, A DISTANCE OF 48.03 FEET;  
THENCE SOUTH 13°06'54" WEST, A DISTANCE OF 73.84 FEET;  
THENCE SOUTH 21°49'40" WEST, A DISTANCE OF 165.25 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 160.00 FEET, ARC LENGTH OF 75.32 FEET, DELTA ANGLE OF 26°58'21", A CHORD BEARING OF NORTH 08°20'30" EAST, AND A CHORD LENGTH OF 74.63 FEET;  
THENCE SOUTH 05°08'41" EAST, A DISTANCE OF 65.17 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 63.36 FEET, ARC LENGTH OF 54.20 FEET, DELTA ANGLE OF 49°00'53", A CHORD BEARING OF SOUTH 29°39'07" EAST, AND A CHORD LENGTH OF 52.57 FEET;  
THENCE SOUTH 57°03'54" EAST, A DISTANCE OF 144.21 FEET;  
THENCE SOUTH 71°42'18" EAST, A DISTANCE OF 47.57 FEET;  
THENCE SOUTH 56°26'08" EAST, A DISTANCE OF 246.91 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 150.00 FEET, ARC LENGTH OF 140.23 FEET, DELTA ANGLE OF 53°33'52", A CHORD BEARING OF SOUTH 83°13'04" EAST, AND A CHORD LENGTH OF 135.18 FEET;  
THENCE NORTH 70°00'00" EAST, A DISTANCE OF 149.91 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 50.00 FEET, ARC LENGTH OF 43.16 FEET, DELTA ANGLE OF 49°27'31", A CHORD BEARING OF NORTH 45°16'14" EAST, AND A CHORD LENGTH OF 41.83 FEET;  
THENCE NORTH 20°32'32" EAST, A DISTANCE OF 245.50 FEET;  
THENCE NORTH 01°49'59" EAST, A DISTANCE OF 303.55 FEET;  
THENCE NORTH 65°00'00" WEST, A DISTANCE OF 329.04 FEET;  
THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 66.06 FEET, ARC LENGTH OF 48.77 FEET, DELTA ANGLE OF 42°18'08", A CHORD BEARING OF NORTH 44°51'51" WEST, AND A CHORD LENGTH OF 47.67 FEET;  
THENCE NORTH 22°21'04" WEST, A DISTANCE OF 20.28 FEET;  
THENCE NORTH 67°38'56" EAST, A DISTANCE OF 155.08 FEET;  
THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 100.00 FEET, ARC LENGTH OF 42.21 FEET, DELTA ANGLE OF 24°11'05", A CHORD BEARING OF NORTH 79°44'28" EAST, AND A CHORD LENGTH OF 41.90 FEET;  
THENCE SOUTH 88°09'59" EAST, A DISTANCE OF 57.07 FEET;  
THENCE NORTH 01°50'01" EAST, A DISTANCE OF 101.83 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 200.00 FEET, ARC LENGTH OF 84.42 FEET, DELTA ANGLE OF 24°11'05", A CHORD BEARING OF NORTH 10°15'32" WEST, AND A CHORD LENGTH OF 83.80 FEET;  
THENCE NORTH 22°21'04" WEST, A DISTANCE OF 14.68 FEET;  
THENCE ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 160.00 FEET, ARC LENGTH OF 91.00 FEET, DELTA ANGLE OF 32°35'10", A CHORD BEARING OF NORTH 06°03'30" WEST, AND A CHORD LENGTH OF 89.78 FEET;  
THENCE NORTH 10°14'05" EAST, A DISTANCE OF 163.38 FEET;  
THENCE ALONG A CURVE TO THE LEFT HAVING A RADIUS OF 160.00 FEET, ARC LENGTH OF 91.00 FEET, DELTA ANGLE OF 32°35'10", A CHORD BEARING OF NORTH 06°03'30" WEST, AND A CHORD LENGTH OF 89.78 FEET;  
THENCE NORTH 22°21'04" WEST, A DISTANCE OF 289.94 FEET TO A POINT ON THE SOUTHERLY RIGHT-OF-WAY OF JACKS VALLEY ROAD;  
THENCE NORTH 67°37'49" EAST, ALONG SAID SOUTHERLY RIGHT-OF-WAY A DISTANCE OF 176.93 FEET;  
THENCE CONTINUING ALONG SAID SOUTHERLY RIGHT-OF-WAY ALONG A CURVE TO THE RIGHT HAVING A RADIUS OF 75.00 FEET, ARC LENGTH OF 149.49 FEET, DELTA ANGLE OF



114°12'10", A CHORD BEARING OF SOUTH 55°16'06" EAST, AND A CHORD LENGTH OF 125.95 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY OF U.S. HIGHWAY 395;  
THENCE SOUTH 01°49'59" WEST, ALONG SAID WESTERLY RIGHT-OF-WAY A DISTANCE OF 1999.86 FEET;  
THENCE LEAVING SAID WESTERLY RIGHT-OF-WAY NORTH 89°40'08" WEST, A DISTANCE OF 369.55 FEET TO THE TRUE POINT OF BEGINNING.

SAID PARCEL IS SHOWN AS "ADJUSTED 13-110-17" ON THE RECORD OF SURVEY FILED JANUARY 17, 2001, FILE NO. 506922.

NOTE: THE ABOVE METES AND BOUNDS DESCRIPTION APPEARED PREVIOUSLY IN THAT CERTAIN DOCUMENT RECORDED JANUARY 17, 2001 IN BOOK 101, PAGE 2853, AS INSTRUMENT NO. 506921.



STATE OF NEVADA

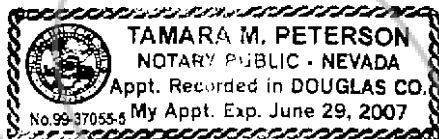
COUNTY OF DOUGLAS ss.

On this 16 day of AUGUST, 2006, before me, TAMARA M. PETERSON  
a Notary Public in and for the State of NEVADA, personally appeared  
JOHN C. SERPA, JR. personally known to me (or proved 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 Tamara M. Peterson

My commission expires June 29, 2007



STATE OF NEVADA

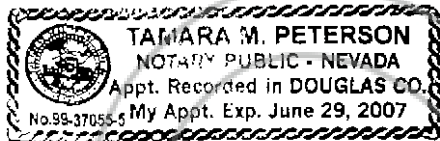
COUNTY OF DOUGLAS SS.

On this 16 day of AUGUST, 2006, before me, TAMARA M. PETERSON  
a Notary Public in and for the State of NEVADA, personally appeared  
PIERRE F. PRADERE personally known to me (or proved 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 Tamara M. Peterson

My commission expires June 29 2007.



STATE OF CALIFORNIA

COUNTY OF SAN MATEO SS.

On this 25 day of August, 2006, before me, HEIDI P. EHRICH  
a Notary Public in and for the State of CALIFORNIA, personally appeared  
NORMAN J. AVROY personally known to me (~~or proved 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 

My commission expires 2/11/09

