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FILED NO. 3635

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MICHELLE UTSLER
RECORDER
MADISON COUNTY, IOWA

Preparer Information: Iowa Business Growth Company, 7043 Vista Drive,
West Des Moines, IA, (515)223-4511

AFTER RECORDING RETURN TO:

Loan Name: Merchandising Frontiers, Inc.
Loan Number: 6023023005

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SUBORDINATION AGREEMENT

THIS AGREEMENT is dated 3-1, 1999, and is between **Merchandising Frontiers, Inc., an Iowa corporation**, owner of the land described in the Mortgage referenced below ("Owner"), **Jerald Mayer and Janet Mayer** (Guarantors), and **Firststar Bank Iowa, N.A., Des Moines, IA** ("Lender") and the U.S. Small Business Administration, an agency duly created under and by virtue of an Act of Congress, having its principal office in Washington, D.C., and a Commercial Loan Servicing Center at 2719 North Air Fresno Drive, Suite 107, Fresno, California, 93727 ("SBA").

RECITALS:

Owner executed a mortgage, dated **December 2, 1993**, to secure a note in the sum of **\$294,000.00** in favor of **Iowa Business Growth Company**. The **Iowa Business Growth Company's** mortgage was recorded on **December 3, 1993** in **Madison County Official Records** in Mortgage Record 170, at Page 11; and **Iowa Business Growth Company** subsequently assigned the mortgage to the U.S. Small Business Administration by assignment dated **December 2, 1993**, and recorded on **December 3, 1993** in **Madison County Official Records** in Mortgage Record 170, at Page 15 covering the following real estate:

The East Half (1/2) of Lot Five (5) in Bellamy Addition to the City of Winterset, Plat No. 2, Madison County, Iowa.

Owner has also executed, or is about to execute, a mortgage and note which does not exceed the sum of **\$241,000** for a Term at least through October 29, 2003, dated October 29, 1998, in favor of **Firststar Bank Iowa N.A., Des Moines, IA**. Lender's mortgage is to be recorded and filed concurrently herewith.

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Subordination Agreement, Loan # 6023023005

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As a condition precedent to Lender's performance under the loan agreement, the SBA Mortgage must be subordinated to the Lender's Mortgage. SBA is willing to subordinate the lien of its Mortgage provided it retains its lien priority with respect to all other legal or equitable interests in the property.

AGREEMENT:

In consideration of the mutual benefits accruing to the parties and to induce Lender to make a loan to Owner, it is hereby agreed and understood as follows:

- (1) Lender's Mortgage, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA mortgage.
- (2) Lender would not make its loan without this subordination agreement.
- (3) Lender will not make any additional advances except such disbursements which become necessary to protect its security interest and which are recoverable from Owner under the terms of its Mortgage. Any lien securing funds advanced or disbursed contrary to this paragraph or monies due as a result of a default interest rate shall be subordinate to the lien of the SBA Mortgage.
- (4) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Mortgage to Lender's mortgage to the Lender's mortgage; except that a previous subordination was given on a previous loan of \$250,000 that is secured by this same mortgage.
- (5) Except as expressly provided herein, this agreement shall not operate or be construed to alter the priority of the SBA Mortgage 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) SBA's agreement to subordinate its lien interest to that of Lender is expressly conditioned upon Lender's, Borrower's, and Guarantor's execution of this subordination agreement. This subordination agreement shall be null and void if not duly executed by the foregoing parties.
- (7) A default in the obligation secured by the Lender's Mortgage 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 Mortgage are inapplicable to SBA.

On this 22 day of Jan., 1999 before me, Genardo Skelton, a Notary Public, personally appeared, F. Keith Butano, personally known to me 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 United States Small Business Administration executed the instrument.

STATE OF CALIFORNIA)
)
 COUNTY OF FRESNO)
)
) ss)

Date: 1/22/99

BY: [Signature]
 F. Keith Butano
 Supervisory Loan Specialist

SMALL BUSINESS ADMINISTRATION

BY: [Signature]
 Brian Bond Vice President
 Firstar Bank Iowa, N.A.
 [please type or print name and title]

Date: _____

[Signature]
 Janet Mayer, Secretary

Date: 3/1/99

[Signature]
 Gerald Mayer, President

Date: March 1, 1999

Merchandising Frontiers, Inc., (an IA Corp.)

[Signature]
 Janet Mayer, Guarantor

Date: 3/1/99

[Signature]
 Gerald Mayer, Guarantor

Date: March 1, 1999

The undersigned guarantors consent to this transaction and unconditionally acknowledge their continuing legal responsibility as guarantor of the primary obligation of Merchandising Frontiers, Inc.

agreement.

(8) All proceeds of Lender's loan to Owner shall be used solely to finance an addition to the existing building. Any other use of proceeds not described herein shall void this

Consuelo Skelton

Notary

