

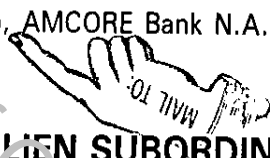


Doc#: 0416940267
Eugene "Gene" Moore Fee: \$40.00
Cook County Recorder of Deeds
Date: 06/17/2004 02:20 PM Pg: 1 of 9

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This instrument was prepared by Michelle Happ, AMCORE Bank, N.A., 501 Seventh Street, Rockford, Illinois 61114

When recorded return to Michelle Happ, AMCORE Bank N.A. Coml Loan Ops, 501 Seventh Street, P.O. Box 1537, Rockford, Illinois 61110-0037



REAL ESTATE LIEN SUBORDINATION AGREEMENT

By Subordinate Lender to Senior Lender

DATE AND PARTIES. The date of this Real Estate Lien Subordination Agreement (Agreement) is June 8, 2004. The parties and their addresses are:

SUBORDINATE LENDER:
MICHAEL PROKSA

Real Estate Index R1118517
JL

SENIOR LENDER:
AMCORE BANK, N.A.
1933 N. Meacham Road
Schaumburg, Illinois 60173

1. PROPERTY. Subordinate Lender and Senior Lender have or may acquire statutory, common law or contractual liens, security interests or other interests in or on real estate legally described as follows (Property):
PARCEL 1: LOTS 6 TO 13 INCLUSIVE IN BLOCK 50 IN THIRD ADDITION TO FRANKLIN PARK A SUBDIVISION IN THE SOUTHWEST 1/4, THE WEST 1/2 OF THE SOUTHEAST 1/4 OF SECTION 21, TOWNSHIP 40 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, AND IN THE WEST 1/2 OF THE NORTHEAST 1/4 OF SECTION 28, TOWNSHIP 40 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 2: THE EAST 1/2 OF THAT PART OF DORA STREET LYING NORTHERLY OF A LINE EXTENDED FROM THE SOUTHWESTERLY CORNER OF BLOCK 50 TO THE SOUTHEASTERLY CORNER OF BLOCK 49 IN THIRD ADDITION TO FRANKLIN PARK AFORESAID (SAID LINE BEING ALSO THE NORTHERLY LINE OF FRANKLIN AVENUE) AND SOUTHERLY OF THE NORTH LINE OF THE SOUTH 1/2 OF THE VACATED ALLEY LYING NORTHERLY OF LOTS 6 TO 13 IN BLOCK 50 AFORESAID, IN COOK COUNTY, ILLINOIS.

PARCEL 3: THE SOUTH 1/2 OF THE VACATED ALLEY LYING NORTHERLY OF AND ADJOINING LOTS 6 TO 13 IN BLOCK 50 IN AFORESAID SUBDIVISION OF COOK COUNTY, ILLINOIS.

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PARCEL 4: THE SOUTHERLY 36 FEET (MEASURED AT RIGHT ANGLES) OF LOT "S" LYING WEST OF THE EAST LINE OF LOT 6, EXTENDED NORTH, IN BLOCK 50 IN THE THIRD ADDITION TO FRANKLIN PARK, ALSO THAT PART OF THE EAST 1/2 OF VACATED DORA STREET WHICH LIES NORTH OF THE NORTHWESTWARDLY EXTENSION OF THE SOUTH LINE OF THE NORTH 1/2 OF VACATED ALLEY LYING SOUTHERLY OF AND ADJOINING LOT "S" AFORESAID, AND WHICH LIES SOUTH OF A LINE DRAWN PARALLEL WITH AND 36.00 FEET (MEASURED AT RIGHT ANGLES) NORTHEASTERLY OF SAID NORTHWESTWARDLY EXTENSION OF THE SOUTHWESTERLY LINE OF LOTS "S" ALL IN THE SOUTHWEST 1/4 OF SECTION 21, TOWNSHIP 40 NORTH, RANGE 12 EAST OF THE THIRD PRINCIPAL MERIDIAN, IN COOK COUNTY, ILLINOIS.

PARCEL 5: THE NORTH 1/2 OF VACATED ALLEY LYING SOUTHERLY OF AND ADJOINING PARCEL 4 AFORESAID IN COOK COUNTY, ILLINOIS.

TAX ID #S 12-21-311-018; AND 12-21-311-022.

The property is located in Cook County at 10150 Franklin Avenue, Franklin Park, Illinois 60131.

2. SENIOR LOAN. Senior Lender has extended or may extend credit, secured by the Property, evidenced by the Senior Loan Documents, dated June 8, 2004, up to an original outstanding principal balance of \$600,000.00. The Senior Loan Documents permit or will permit multiple or future advances.

3. SUBORDINATE LOAN. Subordinate Lender has extended or may extend credit, secured by the Property, evidenced by the Subordinate Loan Documents, dated April 10, 2002 with the original principal balance or maximum credit limit of \$189,605.00.

4. DEFINITIONS. As used in this Agreement, the following terms will have the following meanings. Any capitalized terms used, but not defined in this Agreement, will have the meanings set forth in the Senior Loan Documents.

A. Loan Documents. All documents relating to the Subordinate or Senior Loans including without limitation any note or other evidence of indebtedness executed by any borrower, guarantor or other party in favor of Subordinate Lender or Senior Lender, and all other documents evidencing, securing or relating to the Subordinate or Senior Loans, as modified, amended, supplemented, extended, renewed, restated, consolidated, split, otherwise changed from time to time, subject to this Agreement's restrictions.

B. Property Owners. The Property is owned or will be owned by the following persons: Thomas J. Paoli.

C. Subordinate Loan Documents. All Loan Documents relating to the Subordinate Loan.

D. Senior Loan Documents. All Loan Documents relating to the Senior Loan.

E. Security Documents. All documents securing the Senior or the Subordinate Loans, including without limitation, mortgages, deeds of trust, deeds to secure debt, other security instruments, assignments of leases and rents, other assignments, pledge agreements, lockboxes, reserve accounts, escrow accounts, and security agreements, UCC-1 financing statements, as changed from time to time including without limitation modified, amended, supplemented, extended, renewed, replaced and spread, severed and restated, consolidated, split, but excluding increases in the principal balance that this Agreement does not permit.

F. Subordinate Security Documents. All of the Subordinate Loan's Security Documents, dated April 10, 2002 and recorded in the official records under Document No. 0021275004.

G. Senior Security Documents. All Security Documents relating to the Senior Loan. Owner has encumbered or will encumber the Property in favor of Senior Lender, including without limitation a mortgage dated June 8, 2004. The Senior Security Documents were recorded in the official records for Cook County, Illinois.

5. CONSIDERATION. Subordinate Lender and Senior Lender desire agreement on the relative priorities of their interests in the Property and their rights and obligations if certain events occur. Subordinate Lender acknowledges that Subordinate Lender will benefit from the Senior Loan, and is willing to subordinate its interests to ensure Senior Lender will enter into the Senior Loan. Subordinate Lender acknowledges that Senior Lender would not extend credit without this Agreement and is relying on this Agreement when extending credit.

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under the Senior Loan. Subordinate Lender and Senior Lender acknowledge the receipt of this and other good and valuable consideration.

6. LIEN SUBORDINATION. The Subordinate Security Documents, the lien imposed by and any rights, remedies and claims arising under the Subordinate Security Documents will be subject and subordinate to the Senior Security Documents, the lien imposed by and any rights, remedies and claims arising under the Senior Security Documents. Priorities will be determined by law, except as this Agreement provides otherwise. If any property is encumbered by Subordinate Security Documents, but is not encumbered by Senior Security Documents, Subordinate Lender will hold this encumbered property in trust for Senior Lender and will pay Senior Lender any payments or proceeds realized from this encumbered property until the Senior Loan is fully paid.

If Senior Lender accepts a deed or other conveyance from Owner in lieu of exercising Senior Lender's remedies under its Senior Security Documents, no merger will occur between the estate arising under the Senior Security Documents and the estate that Owner conveys or assigns to Senior Lender. These estates will remain separate and distinct, except to the extent Senior Lender provides otherwise in writing.

The Senior Security Documents' lien will remain senior to the Subordinate Security Documents' lien whether or not the Senior Loan's:

- A. future advances are obligatory or discretionary;
- B. conditions precedents to each advance are satisfied; advances are paid to a borrower or to a third party;
- C. advances are applied for the purpose for which they were advanced;
- D. advances are to cure a default that Senior Lender determines occurred under the Senior Loan Documents.

7. DEBT SUBORDINATION. The Subordinate Loan, amounts due under the Subordinate Loan Documents and any rights, remedies and claims arising under the Subordinate Loan Documents will be subject and subordinate to the Senior Loan, any amounts due under the Subordinate Loan Documents and any rights, remedies and claims arising under the Senior Loan Documents. Subordinate Lender acknowledges that the disbursement of amounts due under the Senior Loan may increase the indebtedness above the original principal evidenced and secured by the Senior Loan Documents.

A. Effective Immediately. This debt subordination of the amounts due under the Subordinate Loan to the amounts due under the Senior Loan takes effect immediately. Without Senior Lender's prior written consent, Subordinate Lender will not allow the Subordinate Loan to be set off, redeemed, purchased, partially or fully prepaid or accelerated.

B. Subordinate Loan Payments. After this debt subordination is effective, Subordinate Lender will hold in trust for Senior Lender any payment or distribution made against the Subordinate Loan Documents. Subordinate Lender will segregate these payments and distributions held in trust from other funds and property that Subordinate Lender holds. Subordinate Lender must turn over these payments or distributions, in kind, along with any necessary endorsements to Senior Lender within five days of their receipt. If Subordinate Lender is unable or unwilling to assign or endorse any prohibited payment to Senior Lender, then Subordinate Lender irrevocably appoints Senior Lender as its attorney in fact, coupled with an interest, to make this assignment or endorsement.

Senior Lender will apply these payments and distributions to amounts due under the Senior Loan Documents. Payments, distributions or securities include those of any kind or character, whether in cash or securities that would otherwise be payable or deliverable to Subordinate Lender under the Subordinate Loan. Payments, distributions and securities include without limitation post-petition interest or adequate protection payments, title insurance policy proceeds relating to the Subordinate Security Documents and additional security for the Subordinate Loan.

8. SUBORDINATE LENDER'S CONSENT TO SENIOR LOAN CHANGES. Subordinate Lender is subject to each Senior Loan's change, except as provided below. If the Senior Loan's maturity is extended from time to time, the Subordinate Loan's maturity will also to be similarly extended, so that the Subordinate Loan's maturity date will always be at least one year after of the Senior Loan's maturity date. The Subordinate Loan's maturity date's extension will automatically occur when the Senior Loan's maturity date is extended. On Senior Lender's written request, Subordinate Lender and each Obligor will provide Senior Lender copies of any appropriate written extension of the Subordinate Loan's maturity date.

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If Senior Lender increases the Senior Loan Documents' principal amount or interest rate, other than as this Agreement authorizes, then the unpaid balance due at the time of this increase under the Subordinate Loan Documents will have priority over this increase in the unpaid amount due under the Senior Loan Documents.

9. SUBORDINATE LENDER'S WARRANTIES AND REPRESENTATIONS. Subordinate Lender warrants and represents to Senior Lender as follows.

A. Copies of Subordinate Loan Documents. Subordinate Lender has delivered to Senior Lender up-to-date, true, correct, and complete copies of the Subordinate Loan Documents. These documents have not been changed, except for any amendment that has been delivered to the Senior Lender.

B. Authority. If Subordinate Lender is not an individual, Subordinate Lender has the full authority to enter into this Agreement and this Agreement has been duly authorized by the necessary actions. Subordinate Lender's governing body, like a board of directors or a loan committee, approved this Agreement, the governing body's official records reflect this approval and that Subordinate Lender will maintain this Agreement and this approval as a part of Subordinate Lender's official record.

C. No Conflicts. Neither this Agreement's execution or delivery nor compliance with this Agreement's terms and conditions will conflict with or cause a breach or default of any agreement or instrument that Subordinate Lender is now subject.

D. No Assignment. Subordinate Lender has not assigned any Subordinate Loan Documents and is the sole owner of the Subordinate Loan Documents.

E. No Default. No event has occurred that constitutes a default or would constitute a default with the passage of time or giving of notice under the Subordinate Loan Documents.

F. No Agreements. No agreements exist between Subordinate Lender and anyone else that would bind Senior Lender or anyone who obtains title to the Collateral from or through Senior Lender.

G. Senior Loan Documents. Subordinate Lender has reviewed, is familiar and satisfied with the Senior Loan Documents' terms and conditions.

H. Legend. Subordinate Lender has caused all Subordinate Loan Documents to be conspicuously inscribed with a legend stating that the Subordinate Loan Document's payment and priority are subordinate to the Senior Lender's claims under this Agreement.

10. COVENANTS. The parties to this Agreement agree to the following.

A. Subordinate Lender's Consent. Subordinate Lender consents to all of the Senior Loan Documents' terms and conditions. Subordinate Lender will promptly provide any consent or approval required under the Subordinate Loan Documents, when and as Senior Lender directs, whether or not the Subordinate Loan Document's conditions for consent or approval are met.

B. Senior Lender's Consent. Senior Lender consents to the Subordinate Loan and the Subordinate Loan Documents and to the creation of a lien against the Property under the Subordinate Security Documents, but does not waive any rights Senior Lender may have to prohibit more subordinate financing.

C. Postponement of Rights. Except as this Agreement expressly provides otherwise, Subordinate Lender will postpone doing any of the following without Senior Lender's prior written consent:

(1) exercise Subordinate Lender's statutory, common law, contractual or judicial remedies against the Collateral and Property including without limitation, the right of set-off, self-help repossession, foreclosure sale;

(2) seek any accounting from Senior Lender regarding the Property's proceeds;

(3) otherwise interfere with Senior Lender's security interests in the Collateral and Property; or

(4) enforce the obligations arising under the Subordinate Loan Documents.

D. Insurance, Condemnation and Loss Proceeds. Subordinate Lender assigns to Senior Lender Subordinate Lender's interest in and to any property insurance policy proceeds, condemnation awards and any other compensation for damages or other losses arising from the Property up to the amount of the Senior Loan's amount (Proceeds). The Senior Loan Documents, not the Subordinate Loan Documents, govern and control how the Senior Lender can distribute and apply the Proceeds. Subordinate Lender will not join or otherwise participate in adjusting or settling any loss, except to the extent Senior Lender permits in writing.

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Subordinate Lender must direct that any Proceeds, due and payable to Subordinate Lender, be paid directly to Senior Lender or its designee, then Subordinate Lender will hold any Proceeds that Subordinate Lender receives in trust for Senior Lender and immediately pay these Proceeds directly to Senior Lender or its designee. Subordinate Lender irrevocably appoints Senior Lender as Subordinate Lender's attorney-in-fact (coupled with an interest and granted for a valuable consideration) to:

- (1) execute any settlement documents for Subordinate Lender for these Proceeds; and
- (2) endorse the Subordinate Lender's name on any check or other instrument representing these Proceeds.

E. Consent to Leases and Nondisturbance. Subordinate Lender's approval of any lease, sublease or assignment on the Property, or change to these, will occur automatically on Senior Lender's approval. Subordinate Lender's approvals will be considered to meet Subordinate Loan Document requirements.

If Senior Lender enters into a nondisturbance or other agreement with any of the Property's tenants, then Subordinate Lender will enter into the same agreement with this same tenant within ten business days after receiving Senior Lender's request. But, the agreement's references to Senior Lender and the Senior Loan Documents will be changed to Subordinate Lender and the Subordinate Loan Documents. Even if Subordinate Lender fails to give this nondisturbance agreement, Subordinate Lender will not disturb any tenant's possession or occupancy of all the tenant's leased portion of the Property without Senior Lender's prior written consent which can be withheld at Senior Lender's sole discretion. If Subordinate Lender brings a foreclosure proceeding, none of the Property's tenants or occupants will be named as party defendant and no action will be taken that would end any leases or other rights held by or granted by third parties on the Property.

F. Escrows. Subordinate Lender will waive any Subordinate Loan Documents' escrow requirements for paying the same costs that will be paid under an escrow Senior Lender established for costs concerning the Collateral. Subordinate Lender will deliver to Senior Lender any funds Subordinate Lender holds in escrow for the same purposes when Subordinate Lender receives Senior Lender's notice that Senior Lender has established this escrow.

G. Loan Document Changes. Subordinate Lender must not amend or modify Subordinate Loan Documents without obtaining Senior Lender's prior written consent.

Senior Lender must give Subordinate Lender notice of any change to the Senior Loan when this change will further increase the Senior Loan's principal or interest from over those the Senior Loan Documents already permit. Senior Lender need not provide Subordinate Lender notice of a change to any lease or ground lease concerning the Property. Also, Senior Lender need not provide Subordinate Lender notice of any Senior Loan Document changes that increase principal or interest, when Senior Lender acts to:

- (1) preserve and protect the Collateral and Property;
- (2) defer interest or other charges due; or
- (3) cure any event of default under the Senior Loan Documents.

H. Refinancing of Senior Loan. On any Senior Loan refinancing, the Subordinate Lender will subordinate the lien of the Subordinate Loan Documents to the lien of any new lien securing all or part of the Senior Loan.

I. Transfer of Loans. Senior Lender may assign or transfer all or part of the Senior Loan. An assignment or a transfer of the Subordinate or Senior Loans includes without limitation a sale, an assignment, a pledge, an hypothecation, an encumbrance, a conveyance and a syndication or participation. Senior Lender will retain an unimpaired right, prior to and superior to Senior Lender's transferee or holder, to enforce this Agreement as to the part of the Senior Loan not transferred. Senior Lender's assignee or transferee may enforce this Agreement on the portion of the loan that was assigned or transferred. Senior Lender may assign or transfer all or part of the Senior Loan to an assignee or a transferee when:

- (1) this Agreement remains effective;
- (2) Subordinate Lender provides its prior written consent; and
- (3) the Senior Lender's assignee, transferee or holder executes and delivers an agreement substantially similar to this Agreement or a recordable confirmation of this Agreement.

Subordinate Lender may assign or transfer all or part of the Subordinate Loan to Subordinate Lender's transferee on the same terms and conditions as the Senior Lender may transfer all or part of the Senior Loan.

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J. Cross-Default. An event of default will occur under the Senior Loan Documents when Subordinate Lender exercises any of its remedies concerning the Subordinate Loan Documents.

K. Notices of Default. Subordinate Lender and Senior Lender must give each other every notice of default arising from their respective Loan Documents at the same time provided to their respective Loan Document's obligors. Subordinate Lender and Senior Lender also must furnish each other copies of documents from any threatened or pending lawsuits, arbitration or other proceeding that singly or together with other proceedings may adversely affect the Subordinate Loan's or the Senior Loan's performance.

L. Notice and Right To Cure. Subordinate Lender may cure any default under the Senior Loan Documents within the same period allowed under the Senior Loan Documents, beginning from the date Subordinate Lender receives Senior Lender's notice of this default. Senior Lender has a reciprocal right to cure any default under the Subordinate Loan Documents within the applicable cure period under the Subordinate Loan Documents, beginning from the date Senior Lender receives a Subordinate Lender's notice of this default. Senior Lender's failure to give Subordinate Lender any notice or opportunity to cure will not interfere with Senior Lender's rights against anyone obligated under the Senior Loan Documents.

M. Opportunity to Bid. Senior Lender must provide Subordinate Lender with reasonable notice of the time and place of any foreclosure sale, trustee's sale or similar auction of the Property that Senior Lender initiates and adjourns. Subordinate Lender may bid at this sale or auction if Subordinate Lender's bid provides for paying cash for the full amount due Senior Lender and provides a credit amount for the full amount due to Subordinate Lender.

N. No Obligation to Subordinate Lender. This Agreement will continue regardless of any action that Senior Lender takes concerning the debts, liabilities or obligations that are owed Senior Lender under the Senior Loan Documents. Senior Lender may apply all Senior Loan payments to the debts, liabilities or obligations that are owed Senior Lender, even when not then due.

O. Senior Lender's Actions. Senior Lender need not notify or obtain Subordinate Lender's consent when acting on Senior Loan obligations neither will these actions affect this Agreement, except as this Agreement provides otherwise.

P. Borrower's or Obligor's Bankruptcy. The following terms will apply when the Senior Loan's borrowers or guarantors or their property become subject to a state or federal bankruptcy or insolvency proceeding, including without limitation those for liquidation, reorganization, receivership, readjustment, assignment for the benefit of creditors, sale of all or substantially all assets.

Subordinate Lender irrevocably authorizes and empowers Senior Lender to take any action necessary for Subordinate Lender that Senior Lender decides is advisable to enforce this Agreement. These actions include without limitation filing proofs of claims, voting these claims, making bankruptcy reorganization elections and collecting any dividends, payments or disbursements made on these claims in whatever form paid or issued.

Subordinate Lender will execute and deliver to the Senior Lender any assignments, powers of attorney or other instruments that Senior Lender requires to enforce any claims. Without Senior Lender's prior written consent, Subordinate Lender must not provide debtor-in-possession financing or similar actions in a bankruptcy or insolvency proceeding of any Senior Loan's borrowers or guarantors.

Subordinate Lender transfers and assigns to Senior Lender any payments or distributions that Subordinate Lender would be entitled to under such proof of claim, but for this Agreement. These payments or distributions will be paid and distributed to Senior Lender who will apply them to the Senior Loan.

Subordinate Lender only may appear in any Senior Loan's borrower's or guarantor's bankruptcy or insolvency proceeding and collect amounts owed Subordinate Lender, when the Senior Loan is fully paid in cash and all payments made on the Senior Loan are not subsequently invalidated or rescinded.

Q. Further Documentation. To uphold this Agreement's purpose and intent, Subordinate Lender will execute, acknowledge and deliver any and all further estoppel certificates, subordination agreements and other instruments that Senior Lender reasonably requires from time to time, provided that:

- (1) any other amount payable under the Senior Loan Documents is outstanding;
- (2) the Senior Lender has an existing obligation under the Senior Loan Documents, or
- (3) any Senior Security Documents' lien exists against all or part of the Collateral or Property.

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R. Nonrecourse. Senior Lender's shareholders, directors, trustees, officers, employees or agents do not have any personal liability for the Senior Lender's obligations under this Agreement.

S. Property's Protection and Preservation. Senior Lender has no duty or liability to protect, preserve or collect the Property beyond the safe custody of documents and instruments in Senior Lender's actual possession. Senior Lender must account to Subordinate Lender only for what Senior Lender collects or realizes from the Property's sale or disposition.

11. CONSENTS AND WAIVERS. Subordinate Lender provides the following consents and waivers.

A. Borrower's Status. Subordinate Lender waives Senior Lender's duty to advise Subordinate Lender about any Senior Loan borrower's or obligor's financial condition and similar relevant circumstances known about any Senior Loan's borrower or obligor. Subordinate Lender assumes full responsibility for keeping informed about any Loan borrower's or obligor's financial condition and similar relevant circumstances.

B. Senior Lender's Disbursements. Any application or use of the Senior Loan proceeds for purposes other than those expressed in the Senior Loan Documents will not defeat, cancel, diminish, restrict or limit this Agreement's subordination. Senior Lender has no duty to, nor has Senior Lender represented that it will, ensure that the Senior Loan's proceeds are used for the purposes expressed in the Senior Loan Documents.

C. Senior Lender's Violation. Senior Lender's violation of this Agreement will not cancel, annul, end, diminish or render void Subordinate Lender's unconditional subordination of the Subordinate Security Documents made under this Agreement.

D. Marshaling. Subordinate Lender waives any right to require Senior Lender to proceed against assets other than the Collateral before proceeding against the Collateral, when the Senior Lender exercises its remedies under this Agreement, the law or in equity. Subordinate Lender waives any right to require a marshaling of assets of Borrower.

E. No Subrogation by Subordinate Lender. Subordinate Lender must not acquire any lien, right, title or other interest in the Collateral or Property superior to Senior Lender's interest (as evidenced by the Senior Loan Documents), unless the following occurs:

- (1) Subordinate Lender notifies Senior Lender of Subordinate Lender's intentions;
- (2) The Senior Security Documents' holder fails or refuses to make this acquisition within 45 days after receiving this notice; and
- (3) Subordinate Lender pays cash for this acquisition.

Acquisition includes without limitation those arising from subrogation, contract or governmental charges (such as real estate tax liens or assessments).

Subordinate Lender waives and releases any and all subrogation rights that Subordinate Lender has against the Property that would result in Subordinate Lender obtaining a priority equal to or superior to priority of the Senior Loan Documents. These subrogation rights arise when Subordinate Lender advances funds to cure a default under the Senior Loan Documents, to pay liens encumbering the Property or to otherwise protect the Property and the lien of the Subordinate Security Documents.

F. Exhaustion of Remedies. Subordinate Lender waives Senior Lender's need to exhaust any right or take any action against Borrower or any other person or entity or any collateral encumbered by the Senior Security Documents. This Agreement will remain in full force and effect even though the Senior Loan Documents are fully or partially invalidated or declared unenforceable, or circumstances create a defense to or discharge of the Senior Loan borrowers' or obligors' obligations (other than full cash prepayment).

12. WAIVER OF REMEDIES. By choosing any one or more remedies, Senior Lender does not give up Senior Lender's right to use any other remedy. Senior Lender does not waive a default if Senior Lender chooses not to use a remedy. By electing not to use any remedy, Senior Lender do not waive Senior Lender's right to later consider the event a default and to use any remedies if the default continues or occurs again.

13. PRIORITIES. This Agreement's subordination and priorities are applicable regardless of the time or order that the statutory, common law or contractual liens, security interests or other interests were created, attached, perfected, filed, recorded or vested. This Agreement's subordination and priorities are also applicable regardless of the failure to give a written notice of the acquisition of a purchase money security interest or lien.

14. THIRD PARTIES NOT BENEFITED. This Agreement is solely for the benefit of Senior Lender and Subordinate Lender and no other person or persons, other than a title insurance company, will have any right

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benefit, priority or interest arising from or under this Agreement. Senior Lender and Subordinate Lender specifically reserve any and all of our respective rights, security interests or liens, against any other parties.

15. AGREEMENT'S DURATION. This Agreement shall continue in full force and effect and all of the terms, conditions and provisions relating thereto shall continue to be fully operative until:

A. Senior Loan Fully Paid. Senior Lender provides Subordinate Lender written acknowledgment that all of the amounts due to Senior Lender under the Senior Loan Documents have been paid or otherwise discharged; and

B. Senior Lender's Obligation. Senior Lender no longer has any obligation to advance funds under the Senior Loan Documents; and

C. Release and Satisfaction. Senior Lender has recorded a release and satisfaction or reconveyance of Senior Lender's entire interest in and to the Senior Security Documents.

But, the Senior Loan will be revived and continue in full force and effect when all or part of any Senior Loan's payments are rescinded, invalidated or set aside and repaid to any Senior Loan's borrower, guarantor or other obligor. This revival and repayment may arise under any state or federal law, including without limitation, the U.S. Bankruptcy Code. The Senior Loan's revival and continuation will be limited to Senior Lender's repayment amount.

16. APPLICABLE LAW. This Agreement is governed by the laws of Illinois, the United States of America and to the extent required, by the laws of the jurisdiction where the Property is located.

17. SENIOR LOAN GOVERNS SUBORDINATE LOAN. The Senior Loan Documents govern when the Senior Loan Documents conflict with the Subordinate Loan Documents and the Borrower and Owner need not comply with the Subordinate Loan Document's conflicting obligations.

18. SUCCESSORS. If the Subordinate Lender consists of more than one person, the obligations and liabilities of each of these persons is joint and several. This Agreement shall run with the land. This Agreement's duties and benefits will bind and benefit Subordinate Lender's and Senior Lender's successors, assigns, designees and nominees.

19. AMENDMENT, INTEGRATION AND SEVERABILITY. This Agreement may not be amended or modified by oral agreement. No amendment or modification of this Agreement is effective unless made in writing and executed by Subordinate Lender and Senior Lender. This Agreement is the complete and final expression of Subordinate Lender and Senior Lender regarding the subordination of the Subordinate Loan Documents to the Senior Loan Documents. This Agreement supersedes any prior agreements as to this subordination. If any provision of this Agreement is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable.

20. INTERPRETATION. Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Agreement.

21. NOTICE AND ADDITIONAL DOCUMENTS. Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one party will be deemed to be notice to all parties. Subordinate Lender will inform Senior Lender in writing of any change in Subordinate Lender's name, address or other application information. Subordinate Lender and Senior Lender agree to execute and deliver any further documents and do anything else necessary to fully effect this Agreement's purposes, including further documents that any title insurance company requires to evidence or confirm the subordination of the Junior Security Documents to the Senior Security Documents. Time is of the essence.

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SIGNATURES. By signing under seal, Subordinate Lender agrees to the terms and covenants contained in this Agreement. Subordinate Lender also acknowledges receipt of a copy of this Agreement.

SUBORDINATE LENDER:

Michael Proksa (Seal)
Michael Proksa
Individually

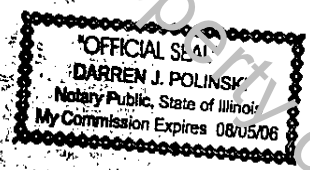
ACKNOWLEDGMENT.

(Individual)

_____ OF _____ OF _____ ss.
This instrument was acknowledged before me this 7th day of JUNE, 2004
by Michael Proksa

My commission expires:

Darren J. Polinski
(Notary Public)



The undersigned borrowers, guarantors or other obligors consent to the above Agreement and agrees to comply with its terms that limit or restrict the undersigned. The undersigned acknowledge that the above Agreement confers no benefits on the undersigned and will not diminish undersigned's obligations to Senior Lender or impose any obligations by the undersigned on Subordinate Lender and Senior Lender.

Borrower:

Paoli Woodwork Incorporated
By *Thomas J. Paoli*
Thomas J. Paoli, President

GUARANTOR:

Thomas J. Paoli
Thomas J. Paoli
Individually