

SUBORDINATION AGREEMENT

Whereas, **JAMES D. KNOX AND STACY G. KNOX** (hereinafter called the "Debtor(s)") is desirous of borrowing money and otherwise acquiring the extension of credit from **FIRST STATE BANK OF PORTER**, located in Porter, Indiana (hereinafter called the "Lender"). And whereas, the Lender, as a condition to its loaning money to the Debtor(s), has demanded that the undersigned, as a creditor of the debtor(s), subordinate his or their debt or claim to the debt or claim of the Lender.

NOW THEREFORE, as an inducement to said Lender to loan money and/or extend credit to said debtor(s), and in consideration of a mortgage loan to be made to said Debtor(s) by said Lender, the undersigned agrees that a certain mortgage of the Debtor(s) to the undersigned creditor, which shall be evidenced by a Real Estate Mortgage dated May 27, 1998, in the amount of \$15,000.00 and as identified as Document #98043411 as recorded in Porter County, Indiana; shall be and is hereby subordinate to the mortgage debt of said Lender. Mortgage of said Lender shall be evidenced by a mortgage document dated December 4, 2002, in the amount of \$117,600.00, on the property located at 23 East 12th Street, Hobart Indiana 46342 and legally described as:

Lot 2, Ittel's Subdivision, a Resubdivision of Lot 2, Ittel's 12th Street Addition, in the City of Hobart, as per plat thereof, recorded in Plat Book 46 page 67, in the Office of the Recorder of Lake County, Indiana.

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Moreover, the undersigned agrees that this agreement and subordination provided for herein shall be equally effective in case of the death, incompetence, dissolution, liquidation or insolvency of, or the institution of bankruptcy or receivership proceeding against the Debtor(s), or the administration of the property or affairs of said Debtor(s) arising from or in the connection with bankruptcy, receivership, liquidation, assignment or other like proceedings, and in any case, said Lender shall be subrogated to, and entitled to file claims for, this and other liabilities of said Debtor(s) to the undersigned, and shall be entitled to all dividends or other payments made therein, to be taken and applied by said Lender as payment in gross upon its said debts and liabilities until the same shall have been paid in full, provided, however, that upon the full payment of the debts and liabilities of said Lender, the undersigned shall be subrogated (to the extent such dividends and other payments are applied on the debts and liabilities of said Lender) to the debts and liabilities of said Lender and entitled to all dividends and other payments thereafter made thereon.

Dated and executed at HOBART, INDIANA this 2nd day of December 2002.

HFS BANK, FSB

BY Laura Niedbala
LAURA NIEDBALA, V.P.



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State of Indiana)
)SS:
County of Lake)

Before me, a Notary Public in and for said County and State, personally appeared LAURA NIEDBALA, Vice-President of **HFS BANK, FSB**, who acknowledged the execution of said subordination agreement.

Witness my hand and notarial seal this 2nd day of December 2002.

My Commission expires: 8-24-06
Resident of Lake County

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Gail A. Hagen
GAIL A. HAGEN

Signature

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M.A.
H.A.