

MTL 57492-KR
Subordination Agreement

TRUST DEED

This Subordination Agreement (the "Agreement"), is made and entered into as of June 18, 2002, by and between Sharon Trunkey and Glennda Gentle (together referred to herein as the "First Lender"), Desert Lake Technologies, LLC (the "Debtor") and Richard L. Wendt (the "Second Lender").

Whereas, the Debtor and/or Desert Lake Technologies, Incorporated, a Delaware Corporation are indebted to the First Lender on an initial loan of approximately \$1,371,292.00, which loan is secured and potentially perfected by a UCC Financing Statement recorded with the state of Oregon March 16, 2000, a copy of which is attached in Appendix A and two Trust Deeds, dated March 2000 and recorded March 8, 2000 a description of which is attached in Appendix B (together, the "First Liens");

Whereas, the Debtor has had difficulty acquiring financing from lending institutions and would like the Second Lender to lend money to the Debtor;

Whereas, the First Lender would like the Second Lender to lend the Debtor money so that the First Lender has a better likelihood of being paid amounts that will be due on its loan to Debtor;

Whereas, the Second Lender is willing to extend a loan in the amount of **\$1,500,000 at prime minus 0.5% interest** to the Debtor, but requires that the First Lender subordinate its secured loan and security interests to the Second Lender's secured loan and security interests (together, the "Second Liens");

Now Therefore, for value received and for the purpose of inducing the Second Lender to make the loan aforesaid, the Debtor, the First Lender and the Second Lender agree as follows:

1. **Subordination**. Any and all claims of the First Lender against the Debtor, now or hereafter existing, including the First Liens, are and will be at all times, subject and subordinate to any and all claims, now or hereafter existing which the Second Lender may have against Debtor pursuant to a business loan agreement between Debtor and the Second Lender providing for a loan in the principal amount of \$1,500,000 (the "Loan Agreement").

2. **Lawsuits**. For so long as any claim by the Second Lender related to the Loan Agreement and against the Debtor exists, the First Lender agrees not to sue upon, collect or resolve payment of the principal or interest of any claim or claims now or hereafter existing which the First Lender may hold against the Debtor and not to sell, assign, transfer, pledge, hypothecate or encumber the claim or claims except as permitted by this Agreement and not to


1. SUBORDINATION AGREEMENT

State of Oregon, County of Klamath
Recorded 08/15/2002 10:58 a.m.
Vol M02, Pg 45900-09
Linda Smith, County Clerk
Fee \$ 66.00 # of Pgs 10

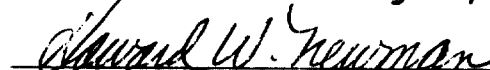
demand any security now or hereafter existing therefrom, nor to file or join in any petition to commence any proceeding under the federal bankruptcy laws against the Debtor nor to take any lien or security on any of the Debtor's property real or personal.

3. **Miscellaneous.** In construing this subordination agreement and where the context so requires, the singular includes the plural; the masculine includes the feminine and the neuter, and all grammatical changes shall be supplied to cause this agreement to apply to corporations as well as to individuals.

IN WITNESS WHEREOF, the parties agree to the terms herein as of the first date written above.

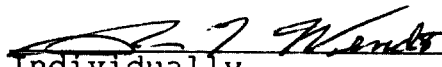

Sharon Trunkey, Personally

Desert Lake Technologies, LLC


By Howard W. Newman,
as its President and CEO


Glenda Gentle, Personally

Richard L. Wendt


Individually

Notarization of the signature of Sharon Trunkey

STATE OF OREGON)

County of Klamath) ss.

This Subordination Agreement between was acknowledged before
me on June 20, 2002, by Sharon Trunkey



Irina Karnaugh
Notary Public of Oregon
My commission expires: Apr 8, 2005

Notarization of the signature of Glennda Gentle

STATE OF OREGON)

) ss.

County of Klamath)

This Subordination Agreement between was acknowledged before
me on June 20, 2002, by Glennda Gentle



Irina Karnaugh
Notary Public of Oregon
My commission expires: Apr 8, 2005

45904

Notarization of the signature of Richard L. Wendt

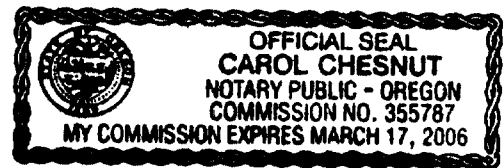
STATE OF OREGON)

) ss.

County of Klamath)

This Subordination Agreement between was acknowledged before
me on June 20, 2002, by Richard L. Wendt

Carol Chesnut
Notary Public of Oregon
My commission expires: 3-17-16



7. SUBORDINATION AGREEMENT

Notarization of the signature of Howard Newman

STATE OF OREGON)
County of Klamath) ss.

STATE OF OREGON)
County of Klamath) ss.

This Subordination Agreement between was acknowledged before me on June 20, 2002, by Howard Newman, President and CEO of Desert Lake Technologies, LLC



Irina Karnaugh

Notary Public for Oregon
My commission expires: *Apr 8, 2005*

Appendix A
UCC-1 Financing Statement

3. SUBORDINATION AGREEMENT

UCC-1

STATE OF OREGON
Corporation Division - UCC
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327
(503) 986-2200 Facsimile (503) 373-1166
<http://www.sos.state.or.us/corporation/corphp.htm>

505286
3/16/00 2:43:00 PM
OR Sec. of State

STATE FINANCING STATEMENT STANDARD FORM

PLEASE TYPE OR PRINT LEGIBLY. READ INSTRUCTIONS BEFORE FILLING OUT FORM.

This Financing Statement is presented to filing officer pursuant to the Uniform Commercial Code. This financing statement remains effective for a period of five years from the date of filing, unless extended for additional periods as provided for by ORS Chapter 79. A carbon, photographic, or other reproduction of this form, financing statement, or security agreement may be filed as a financing statement under ORS Chapter 79.

A. DEBTOR NAME(S) (If individual, list last name first.)1. Desert Lake Technologies, Inc.

2. _____

3. _____

DEBTOR MAILING ADDRESS:

PO BOX 489

Klamath Falls, OR 97601

B. SECURED PARTY(IES) NAME AND ADDRESS

Sharon Trunkey and Glennda Gentle

PO BOX 927

Keno, OR 97627

Contact Name: same

Phone No.: _____

C. ASSIGNEE(S) NAME AND ADDRESS (If any)

n/a

Contact Name: _____

Phone No.: _____

D. DEBTOR SIGNATURE(S) REQUIRED

By: Sharon W. Newman, Pres. By: _____
Desert Lake Technologies, Inc.
By: _____ By: _____

E. DEBTOR SIGNATURE(S) NOT REQUIRED . If applicable, check the appropriate box below to file without debtor signature(s). This statement is filed without the debtor signature(s) to perfect a security interest in collateral. Secured Party must sign, when debtor signature(s) is not required. See instructions for further information.

- ☐ Collateral already subject to a security interest in another jurisdiction.
☐ Which is proceeds of the described original collateral which was perfected.
☐ Collateral as to which the filing has lapsed.
☐ Collateral acquired after a change of name, identity, or corporate structure of debtor.

By: _____
Secured Party Signature

By: _____
Secured Party Signature

F. DESCRIBE THE COLLATERAL (ORS 79.4020).☒ PRODUCTS of collateral are also covered.

All accounts, Chattel machinery, inventory, general intangibles and equipment; whether any the foregoing is owned or acquired later; all accessions, additions, replacements and substitutions relating any of the foregoing; a records of any kind relating to any of the foregoing; all proceeds relating to any of the foregoing (including insurance, general intangibles and account proceeds), together with the following specific described property:
ALL MACHINERY

RETURN ACKNOWLEDGMENT LETTER TO: (Include name, address, and identifier for the debtor listed above. Limit the identifier to eight characters. REFER TO INSTRUCTION, NUMBER 5.) Please do not type or print outside of bracketed area.

AMERITITLE (Collection #50558)
PO BOX 5017
KLAMATH FALLS OR 97601

FEEES

Make check for \$10.00 payable
to "Corporation Division."

NOTE: Filing fees may be paid with VISA or MasterCard.
The card number and expiration date should be submitted
on a separate sheet of paper for your protection.

DO NOT SUBMIT DUPLICATES OF THIS FILING AND/OR ATTACHMENT

**Appendix B
Trust Deed****Trust Deed 1**

Filed as:

Dated: March 2000

Recorded: March 8, 2000

Volume: M00, page 7509, Microfilm Records of Klamath County,
Oregon

Amount: \$1,371,292.00

Grantor: Desert Lake Technologies, Incorporated, a Delaware
Corporation

Trustee: AmeriTitle

Beneficiary: Sharon Trunkey and Glennda Gentle
(Affects Parcels 1 and 2)**Trust Deed 2**

Dated: March 2000

Recorded: March 8, 2000

Volume: M00, page 7512, Microfilm Records of Klamath County,
Oregon

Amount: \$1,371,292.00

Grantor: Desert Lake Technologies, Incorporated, a Delaware
Corporation

Trustee: AmeriTitle

Beneficiary: Sharon Trunkey and Glennda Gentle
(Affects Parcel 3)

The Real Estate is further described in the attached description

45909

EXHIBIT "A"
LEGAL DESCRIPTION**PARCEL 1**

Lots 22, 23 and 24, MODOC POINT, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

PARCEL 2

Parcel 1 of Land Partition 12-96 situated in Government Lots 22 and 27, Section 15, Township 36 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, filed in the Office of the Klamath County Clerk May 3, 1996.

ALSO a parcel of land situated in Government Lots 22 and 27, Section 15, Township 36 South, Range 7 East of the Willamette Meridian, Klamath County, Oregon, and further being described as a portion of Parcel Two, "Land Partition 12-96", and more particularly described as follows:

Beginning at a 5/8 inch pin marking the Northeast corner of parcel one of said Land Partition 12-96, from which the Southwest corner of "Modoc Point A Townsite" bears South 05 degrees 32' 00" East 400.00 feet, thence from said point of beginning along the East line of said parcel two, North 05 ° 32' 00" West 68.47 feet to a 5/8 inch pin, thence along the North line of said parcel two North 71 degrees 51' 00" West 90.20 feet to a 5/8 inch pin, thence South 18 degrees 09' 00" West 42.15 feet to a 5/8 inch pin, thence South 05 degrees 32' 00" East 56.46 feet to a 5/8 inch pin marking the Northwest corner of said parcel one; thence along the North line of said parcel one North 90 degrees 00' 00" East 100.00 feet to the point of beginning, bearings based on "Land partition 12-96".

PARCEL 3

Parcel 1 of Land Partition 43-95 situated in Government Lot 1 (NW1/4 NE1/4) Section 7, Township 40 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon.