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MTZ-66190 KR

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SUBORDINATION AGREEMENT

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GLEN J. MC GUIRE & PATRICIA J. MC GUIRE
P.O. BOX 7936
KLAMATH FALLS, OR 97602
To
KAFOURY, ARMSTRONG & COMPANY

SPACE RESERVED FOR RECORDER'S USE

State of Oregon, County of Klamath
Recorded 09/22/04 3:11 p m
Vol M04 Pg 63818
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

After recording, return to (Name, Address, Zip):
AMERITITLE COLLECTION ESCROW #64867
222 S SIXTH STREET
KLAMATH FALLS, OR 97601

THIS AGREEMENT dated September 16, 2004
by and between GLEN J. MC GUIRE & PATRICIA J. MC GUIRE, husband & wife, or the survivor thereof
hereinafter called the first party, and Robert J. Smeath and David M. Ebner, Trustees of The Kafoury,
hereinafter called the second party, WITNESSETH: Armstrong & Co. Profit Sharing Plan and Trust dated 1/1/
On or about (date) July 14, 2004, Skyridge Estates, III-LLC, a Nevada limited
liability company being the owner of the following described property in Klamath County, Oregon, to-wit:

Parcel 3 of Land Partition 57-96, being a portion of Parcel 2 of Land Partition
30-93, SE1/4 SE1/4 and NE1/4 SE1/4 of Section 26, Township 38 South, Range 9 East
of the Willamette Meridian, Klamath County, Oregon

(IF SPACE INSUFFICIENT, CONTINUE DESCRIPTION ON REVERSE)

executed and delivered to the first party a certain Trust Deed
(State whether mortgage, trust deed, contract, security agreement or otherwise)

(herein called the first party's lien) on the property, to secure the sum of \$400,000.00, which lien was:

(Delete any language not pertinent to this transaction)

- Recorded on July 16, 2004, in the Records of Klamath County, Oregon, in
-book/reel/volume No. M04 at page 46673 and/or as fee/file/instrument/microfilm/reception No.
(indicate which);
- Filed on, in the office of the County, Oregon, where it bears fee/file/instrument/microfilm/reception
No. (indicate which);
- Created by a security agreement, notice of which was given by the filing on
of a financing statement in the office of the Oregon Secretary of State Dept. of Motor Vehicles (indicate which)
where it bears file No. and in the office of the County, Oregon, where it bears fee/file/instrument/microfilm/reception No.
(indicate which).

Reference to the document so recorded or filed is hereby made. The first party has never sold or assigned first party's lien and at all
times since the date thereof has been and now is the owner and holder thereof and the debt thereby secured.

The second party is about to loan the sum of \$ 600,000.00 to the present owner of the property, with interest there-
on at a rate not exceeding 10% per annum. This loan is to be secured by the present owner's
Trust Deed (hereinafter called
(State nature of lien to be given, whether mortgage, trust deed, contract, security agreement or otherwise)

the second party's lien) upon the property and is to be repaid not more than 4 days X years (indicate which)
from its date.

(OVER)

Handwritten initials and numbers at bottom left corner.



To induce the second party to make the loan last mentioned, the first party has agreed and consented to subordinate first party's lien to the lien about to be taken by the second party as above set forth.

NOW, THEREFORE, for value received, and for the purpose of inducing the second party to make the loan aforesaid, the first party, on behalf of the first party and also on behalf of the first party's personal representatives, successors, and assigns, hereby covenants, consents and agrees to and with the second party and second party's personal representatives, successors, and assigns, that the first party's lien on the property is and shall always be subject and subordinate to the lien about to be delivered to the second party as aforesaid, and that the second party's lien in all respects shall be first, prior and superior to that of the first party, provided always, however, that if the second party's lien is not duly filed or recorded, or an appropriate financing statement with respect thereto duly filed within 30 days after the date hereof, this subordination agreement shall be null and void and of no force or effect.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the first party's lien, except as hereinabove expressly set forth.

In construing this subordination agreement, and where the context so requires, the singular includes the plural, and all grammatical changes shall be made so that this agreement shall apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the undersigned has executed this agreement. If the undersigned is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

Glen J. McGuire

Patricia J. McGuire

STATE OF OREGON, County of Klamath) ss.
This instrument was acknowledged before me on September 16, 2004,
by GLEN J. MC GUIRE & PATRICIA J. MC GUIRE
This instrument was acknowledged before me on _____,
by _____,
as _____,
of _____

Kristi L. Redd

Notary Public for Oregon
My commission expires 11/16/2007

