

M05-70244

Klamath County, Oregon

12/01/2005 02:45:49 PM

Pages 5 Fee: \$41.00

RETURN TO:

South Valley Bank & Trust Attn: Cyndy
801 Main St.
Klamath Falls, OR 97601

AMERITITLE has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein

Subordination Agreement
TRUST DEED

This Subordination Agreement (the "Agreement"), is made and entered into as of November 10th, 2005 by and between Richard L. Wendt (referred to as the "First Lender"), Desert Lake Technologies, LLC, an Oregon limited liability company, (the "Debtor") and South Valley Bank & Trust, an Oregon banking corporation (the "Second Lender").

WHEREAS, the Debtor is indebted to the First Lender on an initial loan of approximately \$1,500,000.00, which loan is secured and potentially perfected by a UCC Financing Statement recorded with the state of Oregon on June 24, 2002, as file No. 591395, and a Trust Deed dated June 18, 2002 and recorded June 18, 2002, in deed records of Klamath County, Oregon, Volume M02, page 35479 (together, the "First Liens"). The security interests secure the real property and the fixtures located on the real property described as Parcel 1 of Land Partition 43-95 situated in Government Lot 1 (NW 1/4 NE 1/4) Section 7, Township 40 South, Range 8 East of the Willamette Meridian, Klamath County, Oregon. Tax Account No. 4008-00700-00400-000 Key No. 619414; Tax Account No. 4008-00700-00400-000 Key No. 585072.

WHEREAS, the Debtor has had difficulty acquiring financing and would like the Second Lender to lend money to the Debtor;

WHEREAS, to induce the second party to make/extend the loan, the first party heretofore 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.

WHEREAS, the Second Lender is willing to extend a loan in the amount of \$750,000.00 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 \$750,000.00 (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 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.

Desert Lake Technologies, LLC,

By Howard W. Newman
Howard Newman, President and CEO

Richard L. Wendt
Richard L. Wendt

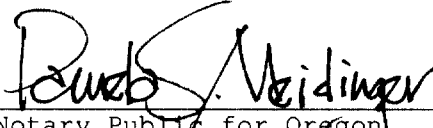
South Valley Bank & Trust

By Stephen Van Buren
Name: Stephen Van Buren
Title: Comd Loan Officer

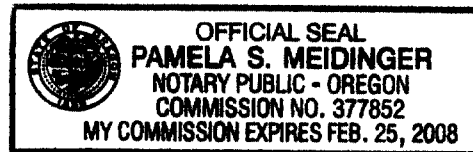
Notarization for the signature of Richard L. Wendt

STATE OF OREGON)
) ss.
County of Klamath)

This Subordination Agreement between Desert Lake Technologies, LLC, Richard L. Wendt, and South Valley Bank & Trust was acknowledged before me on November 9th, 2005 by Richard L. Wendt.



Notary Public for Oregon
My Commission expires: 2-25-08



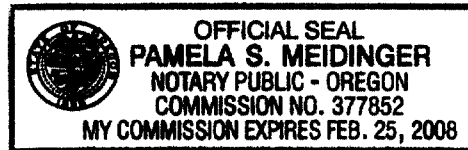
Notarization for the signature of Desert Lake Technologies, LLC

STATE OF OREGON)
) ss.
County of Klamath)

This Subordination Agreement between Desert Lake Technologies, LLC, Richard L. Wendt, and South Valley Bank & Trust was acknowledged before me on November 9th, 2005, by Howard Newman, President and CEO of Desert Lake Technologies, LLC.

Pamela S. Meidinger

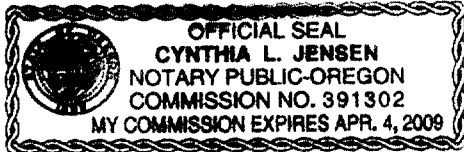
Notary Public for Oregon
My Commission expires: 2-25-08



Notarization for the signature of South Valley Bank & Trust

STATE OF OREGON)
) ss.
County of Klamath)

This Subordination Agreement between Desert Lake Technologies, LLC, Richard L. Wendt, and South Valley Bank & Trust was acknowledged before me on November 15th, 2005, by Stephen Van Buren as Loan Officer of South Valley Bank & Trust.



Cynthia L. Jensen
Notary Public for Oregon
My Commission expires: 4/4/09