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SUBORDINATION AGREEMENT

BORROWER: Robert E. Cheyne
Helen J. Cheyne
9682 Greenbriar Drive
Klamath Falls, Oregon 97603

LENDER: Forest Products Federal Credit Union
P.O. Box 1179
Klamath Falls, Oregon 97601

DEBTOR: Shield Crest, Inc.
9682 Greenbriar Drive
Klamath Falls, Oregon 97603

THIS SUBORDINATION AGREEMENT is entered into among Robert E. Cheyne and Helen J. Cheyne ("Cheynes"), whose address is 9682 Greenbriar Drive, Klamath Falls, Oregon 97603; Forest Products Federal Credit Union ("Lender"), whose address is PO Box 1179, Klamath Falls, Oregon 97601; and Shield Crest, Inc. ("Shield Crest"), whose address is 9682 Greenbriar Drive, Klamath Falls, Oregon 97603.

WHEREAS, Cheynes and Shield Crest each want Lender to provide financial accommodations to Cheynes in the form of an extension of time to pay or other compromises regarding all or part of Cheynes' present indebtedness to Lender.

WHEREAS, Cheynes and Shield Crest each represent and acknowledge to Lender that Shield Crest will benefit as a result of these financial accommodations from Lender to Cheynes, and Shield Crest acknowledges receipt of valuable consideration for entering into this Agreement.

NOW, THEREFORE, based on the representations and acknowledgments contained in this Agreement, Shield Crest and Cheynes agree with Lender as follows:

DEFINITIONS. The following words shall have the following meanings when used in this Agreement. Terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. All references to dollar amounts shall mean amounts in lawful money of the United States of America.

Agreement. The word "Agreement" means this Subordination Agreement, as this Subordination Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Subordination Agreement from time to time.

Cheyne. The word "Cheynes" means Robert E. Cheyne and Helen J. Cheyne, jointly and severally.

Lender. The word "Lender" means Forest Products Federal Credit Union and its successors and assigns.

Security Interest. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt,

RETURN TO: Robert & Helen Cheyne
9682 Greenbriar Drive
Klamath Falls, OR 97603

lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Shield Crest. The word "Shield Crest" means Shield Crest, Inc., an Oregon corporation.

Subordinated Indebtedness. The words "Subordinated Indebtedness" mean and include without limitation all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be now or hereafter owing from Shield Crest to Cheynes. The term "Subordinated Indebtedness" is used in its broadest sense and includes without limitation all principal, all interest, all costs and attorney fees, all sums paid for the purpose of protecting the rights of a holder of security (such as a secured party paying for insurance on collateral if the owner fails to do so), all contingent obligations of Shield Crest (such as a guaranty), and all other obligations, secured or unsecured, of any nature whatsoever.

Superior Indebtedness. The words "Superior Indebtedness" mean and include without limitation all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be now or hereafter owing from Cheynes and/or Shield Crest to Lender. The term "Superior Indebtedness" is used in its broadest sense and includes without limitation all principal, all interest, all costs and attorney fees, all sums paid for the purpose of protecting Lender's rights in security (such as paying for insurance on collateral if the owner fails to do so), all contingent obligations of Cheynes (such as a guaranty), all obligations arising by reason of Cheynes' accounts with Lender (such as an overdraft on a checking account), and all other obligations of Cheynes to Lender, secured or unsecured, of any nature whatsoever.

SUBORDINATION. All Subordinated Indebtedness of Shield Crest to Cheynes is and shall be subordinated in all respects to all Superior Indebtedness of Cheynes and/or Shield Crest to Lender. All Security Interests held by Cheynes, whether now existing or hereafter acquired, in any of Shield Crest's real property or personal property, are also subordinated to all Security Interests held by Lender, whether the Lender's Security Interest or Interests exist now or are acquired later.

PAYMENTS TO CHEYNES. Shield Crest will not make and Cheynes will not accept, at any time while any Superior Indebtedness is owing to Lender:

- a. Any payment upon any Subordinated Indebtedness;
- b. Any advance, transfer, or assignment of assets to Cheynes in any form whatsoever that would reduce at any time or in any way the amount of Subordinated Indebtedness; or
- c. Any transfer of any assets as security for the Subordinated Indebtedness, except upon Lender's prior written consent.

In the event of any distribution, division, or application, whether partial or complete, voluntary or involuntary, by operation of law or otherwise, of all or any part of Shield Crest's assets, or the proceeds thereof, in whatever form, to creditors of Shield Crest or upon any indebtedness of Shield Crest, whether by reason of the liquidation, dissolution or other winding-up of Shield Crest, or by reason of any execution sale, receivership, insolvency, or bankruptcy proceeding, assignment for the benefit of creditors, proceedings for reorganization, or readjustment of Shield Crest's and/or Cheynes' properties, then and in such event, (i) the Superior Indebtedness shall be paid in full before any payment is made upon the Subordinated Indebtedness; and (ii) all payments and distributions, of any kind or character and whether in cash, property, or securities, which shall be payable or deliverable upon or in respect of the Subordinated Indebtedness shall be paid or delivered directly to Lender for application in payment of the amounts then due on the Superior Indebtedness until the Superior Indebtedness shall have been paid in full.

In order that Lender may establish its right to prove claims and recover for its own account dividends based on the Subordinated Indebtedness, Cheynes hereby assign all right, title, and interest in such claims to Lender. Cheynes further agree to supply such information and evidence, provide access to and copies of such of Cheynes' records as may pertain to the Subordinated Indebtedness, and execute such instruments as may be required by Lender to enable Lender to enforce all such claims and collect all dividends, payments, or other disbursements which may be made on account of the Subordinated Indebtedness. For such purposes, Cheynes hereby irrevocably authorize Lender in its discretion to make and present for or on behalf of Cheynes such proofs of claims on account of the Subordinated Indebtedness as Lender may deem expedient and proper and to vote such claims in any such proceeding and to receive and collect any and all dividends, payments, or other disbursements made thereon in whatever form the same may be paid or issued and to apply the same on account of the Superior Indebtedness.

Should any payment, distribution, security, or proceeds thereof be received by Cheynes at any time on the Subordinated Indebtedness contrary to the terms of this Agreement, Cheynes immediately will deliver the same to Lender in precisely the form received (except for the endorsement or assignment of Cheynes where necessary), for application on or to secure the Superior Indebtedness, whether it is due or not due, and until so delivered the same shall be held in trust by Shield Crest as property of Lender. In the event Cheynes fail to make any such endorsement or assignment, Lender, or any of its officers on behalf of Lender, is hereby irrevocably authorized by Cheynes to make the same.

CHEYNES' NOTES. Cheynes agree to deliver to Lender, at Lender's request, all notes of Shield Crest to Cheynes, or other evidence of the Subordinated Indebtedness, now held or hereafter acquired by Cheynes, while this Agreement remains in effect. At Lender's request, Shield Crest also will execute and deliver to Cheynes a promissory note evidencing any book account or claim now or hereafter owed by Shield Crest to Cheynes, which note also shall be delivered by Cheynes to Lender. Cheynes agree not to sell, assign, pledge or otherwise transfer any of such notes except subject to all the terms and conditions of this Agreement.

SHIELD CREST'S REPRESENTATIONS AND WARRANTIES. Shield Crest represents and warrants to Lender that:

No representations or agreements of any kind have been made to Shield Crest which would limit or qualify in any way the terms of this Agreement;

This Agreement is executed at Cheynes' request and not at the request of Lender;

Lender has made no representation to Shield Crest as to the creditworthiness of Cheynes; and

Shield Crest has established adequate means of obtaining from Cheynes on a continuing basis information regarding Cheynes' financial condition. Shield Crest agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Shield Crest's risks under this Agreement, and Shield Crest further agrees that Lender shall have no obligation to disclose to Shield Crest information or material acquired by Lender in the course of its relationship with Cheynes.

SHIELD CREST'S WAIVERS. Shield Crest waives any right to require Lender:

To make, extend, renew, or modify any loan to Cheynes or to grant any other financial accommodations to Cheynes whatsoever;

To make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of the Superior Indebtedness or of any nonpayment related to any Security Interests, or notice of any action or nonaction on the part of Cheynes, Lender, any surety, endorser, or other

guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional Superior Indebtedness;

To resort for payment or to proceed directly or at once against any person, including Cheynes;

To proceed directly against or exhaust any Security Interests held by Lender from Cheynes, any other guarantor, or any other person;

To give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Cheynes or to comply with any other applicable provisions of the Uniform Commercial Code;

To pursue any other remedy within Lender's power; or

To commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to the Superior Indebtedness or any Security Interests for the Superior Indebtedness without affecting whatsoever any of Lender's rights under this Agreement. In particular, without limitation, Lender may, without notice of any kind to Shield Crest,

Make one or more additional secured or unsecured loans to Cheynes;

Repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part thereof, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term;

Take and hold Security Interests for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such Security Interests, with or without the substitution of new collateral;

Release, substitute, agree not to sue, or deal with any one or more of Cheynes' sureties, endorsers, or guarantors on any terms or manner Lender chooses;

Determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness;

Apply such security and direct the order or manner of sale thereof, as Lender in its discretion may determine; and

Assign this Agreement in whole or in part.

DEFAULT BY CHEYNES OR SHIELD CREST. If Cheynes or Shield Crest become insolvent or bankrupt, this Agreement shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Shield Crest under the provisions of the Bankruptcy Code, as amended, this Agreement shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination in approving any such plan of reorganization or arrangement. Any default by Shield Crest under the terms of the Subordinated Indebtedness also shall be a default under the terms of the Superior Indebtedness to Lender.

DURATION AND TERMINATION. This Agreement will take effect when received by Lender, without the necessity of any acceptance by Lender, in writing or otherwise, and will remain in full force and effect until the entire Superior Indebtedness is paid in full. Any notes lodged with Lender pursuant to the

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section titled "Shield Crest's Notes" above need not be returned until this Agreement has no further force or effect.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Applicable Law. This Agreement has been delivered to Lender and accepted by Lender in the State of Oregon. If there is a lawsuit, Shield Crest and Cheynes agree upon Lender's request to submit to the jurisdiction of the courts of Klamath County, State of Oregon. This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. No provision contained in this Agreement shall be construed (i) as requiring Lender to grant to Cheynes or to Shield Crest any financial assistance or other accommodations, or (ii) as limiting or precluding Lender from the exercise of Lender's own judgment and discretion about amounts and times of payment in making loans or extending accommodations to Cheynes.

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless made in writing and signed by Lender, Cheynes, and Shield Crest.

Attorney Fees; Expenses. Shield Crest and Cheynes agree to pay upon demand all of Lender's costs and expenses, including attorney fees and legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement, and Shield Crest and Cheynes shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorney fees and legal expenses whether or not there is a lawsuit, including attorney fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Shield Crest and Cheynes also shall pay all court costs and such additional fees as may be directed by the court.

Successors. This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement, and the covenants of Cheynes and Shield Crest respecting subordination of the Subordinated Indebtedness in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

Waiver. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Shield Crest, shall constitute a waiver of any of Lender's rights or of any of Shield Crest's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

CHEYNES AND SHIELD CREST ACKNOWLEDGE HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION AGREEMENT, AND CHEYNES AND SHIELD CREST AGREE TO ITS TERMS. THIS AGREEMENT IS DATED AS OF MARCH 31, 1993.

BORROWER:

Robert E. Cheyne
Robert E. Cheyne
Helen J. Cheyne
Helen J. Cheyne

DEBTOR:

Shield Crest, Inc.

By: Robert E. Cheyne
Robert E. Cheyne, President

Before me this 31st day of March 19 93

personally appeared Robert E Cheyne and Helen J Cheyne

I have also witnessed the hand of the same being known to me.

State of Oregon
Klamath County

[Signature]
Notary Public

My commission expires 3/5/94

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co the 12th day
of April A.D., 19 93 at 11:42 o'clock AM., and duly recorded in Vol. M93,
of Mortgages on Page 7521

FEE \$35.00

Evelyn Biehn, County Clerk
By [Signature]