

X202367

AFTER RECORDING, RETURN TO:

Kevin J. Keillor

BK: Hurley Lynch & Re, P.C.
747 SW Industrial Way
Bend, OR 97702

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (the "Agreement") is entered into as of this 27th day of October, 1999, between First Trust Corp., TEE FBO (Charles Gardner), FTC Account X202367-0001 ("FTC") in favor of David W. Beezley and Pamela H. Beezley, husband and wife, ("Beezley").

RECITALS:

- A. "FTC" is the beneficiary of a trust deed dated June 24, 1999, executed by Horseshoe Ranch, LLC ("Borrower") as grantor naming Amerititle as trustee (with any modifications, the "FTC Trust Deed"). The FTC Trust Deed encumbers, among other things, the real property described as follows:

Government Lots 4 and 21 of Section 15, Township 33 South, Range 7½ East of the Willamette Meridian, Klamath County, Oregon (the "Property").

The FTC Trust Deed was recorded January 27, 1999 in Volume M99, Page 2954, of the Klamath County, Oregon, records.

- B. Beezley has extended or has agreed to extend certain credit in the principal amount of \$250,000, together with interest thereon (the "Extension of Credit") to Borrower secured or to be secured by, among other collateral, a lien on and security interest in the Property pursuant to the terms of that certain deed of trust dated July 30, 1999, and recorded July 30, 1999, in Volume M99, Page 30644, of the Klamath County, Oregon records, executed by Borrower as grantor, naming Amerititle as trustee in favor of Beezley as beneficiary (with any amendments, the "Beezley Trust Deed").
- C. One of the conditions, among others, of the Beezley's Extension of Credit to the Borrower is that the FTC Trust Deed be subordinate to the lien on and security interest in the Property granted or to be granted by the Borrower to the Beezley pursuant to the Beezley Trust Deed.

NOW, THEREFORE, in consideration of the foregoing and for other valuable consideration, Beezley and FTC agree as follows:

1. **Subordination.** FTC agrees that its right, title and interest in the Property shall be and are hereby subordinate and inferior to Beezley's lien on and security interest in the Property

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granted pursuant to the Beezley Trust Deed and to any modifications of the Beezley Trust Deed or the renewal, extensions or modification of the Extension of Credit.

2. **Additional FTC Agreements.** FTC further agrees as follows:

- a. Beezley's rights under this Agreement shall not be affected by any of the following:
 - i. Renewal or extension of time of payment of any obligation of Borrower to Beezley;
 - ii. Release or surrender of any security or any obligations of Borrower to Beezley;
 - iii. Release of any obligor other than borrower for any obligations of Borrower to Beezley, whether as principal, surety, guarantor or otherwise; or
 - iv. Delays in the enforcement of payment of any obligations of Borrower to Beezley or in enforcing this Agreement, or in exercising any right or power under any agreement or in connection with any obligation of Borrower to Beezley or this Agreement.
- b. FTC will provide written notice to Beezley of any transfer or assignment of its right, title and interest in the Property, and FTC will also provide written notice of this Agreement to any such assignee or transferee.
- c. FTC agrees that at any time or from time to time, upon Beezley's reasonable written request, it will execute and deliver such further subordination agreements and other documents and do such other acts and things as Beezley may reasonably request in order to effect the purposes of this Agreement.

3. **Beezley Agreements.** Beezley agrees as follows:

- a. The subordinations by FTC as set forth in this Agreement are subordinations only to Beezley's lien on and security interest in the Property and to the Extension of Credit, and they are not subordinations of any other liens or security interests granted by Borrower in favor of Beezley for any indebtedness other than the Extension of Credit.
- b. FTC's subordinations granted in this Agreement apply only to the Extension of Credit, together with any attorney fees, costs and expenses which Beezley may be entitled to receive in the exercise of its remedies under the Beezley Trust Deed and together with any extensions, renewals or modifications (other than any change increasing the principal amounts) thereof.

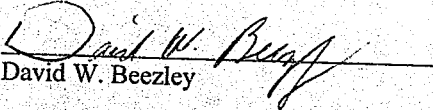
c. Beezley may exercise any and all remedies available to it against Borrower upon any default by Borrower under the Extension of Credit. However, Beezley shall not exercise any remedies with respect to the Property upon any event of default under the Extension of Credit unless:

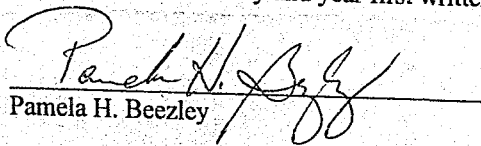
- i. Beezley shall have given FTC written notice of such default;
- ii. FTC shall not have cured such default within thirty (30) days after the date of Beezley's notice of default to FTC

Beezley shall not, however, have to provide any such written notice to FTC of opportunity to cure if FTC itself is in default under this Agreement. FTC shall have no duty or obligation to Beezley to cure any default of Borrower under the Extension of Credit.

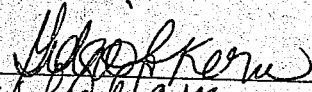
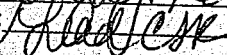
4. **FTC Right, Title and Interest.** It is expressly understood and agreed that nothing contained in this Agreement shall be construed to change, alter or impair FTC's right, title and interest in the Property, except as expressly set forth in this Agreement.
5. **Attorney Fees.** In the event of any suit or action under or in connection with this Agreement, including, but not limited to, any action or participation by the parties in, or in connection with, a case or proceeding under the Bankruptcy Code or any successor statute, the prevailing party shall be entitled to recover all expenses reasonably incurred at, before and after trial and on appeal, whether or not taxable as costs, including, without limitation, attorney fees, witness fees (expert and otherwise), deposition costs, copying charges, and other expenses.
6. **Binding Effect.** This Agreement shall be binding upon Beezley and FTC, and their respective successors and assigns, and shall inure to the benefit of Beezley and its successors and assigns.

IN WITNESS WHEREOF, Beezley and FTC have executed this Agreement or have caused this Agreement to be executed by their duly authorized officers as of the day and year first written above.


David W. Beezley


Pamela H. Beezley

FIRST TRUST CORP., Trustee

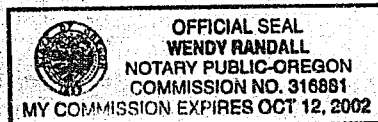
By: 
Title: 

B.13.99 10737 16.003.04

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STATE OF OREGON)
: ss.
COUNTY OF DESCHUTES)

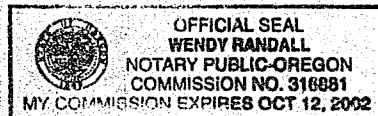
The foregoing instrument was acknowledged before me this 27th day of October, 1999, by David W. Beezley.



Wendy Randall
Notary Public for Oregon
My Commission expires: 10/12/02

STATE OF OREGON)
: ss.
COUNTY OF DESCHUTES)

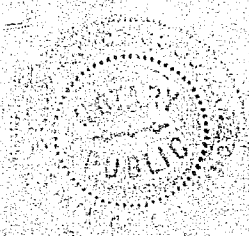
The foregoing instrument was acknowledged before me this 27th day of October, 1999 by Pamela H. Beezley.



Wendy Randall
Notary Public for Oregon
My Commission expires: 10/12/02

STATE OF Colorado)
: ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 30 day of August, 1999, by Widget J. Kern, as Lead CSR of First-Trust Corp.



Stanley C Goodman
Notary Public for Oregon Colorado
My Commission expires: 3-23-2000