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SUBORDINATION AGREEMENT
(TRUST DEED)

Vol. M02 Page 54840

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS AGREEMENT, made this 5th day of September, 2002, by:

HORSESHOE RANCH, L.L.C.

owner of the land hereinafter described and hereinafter referred to as "Owner", and

FIRST TRUST CORP., TEE FBO (CHARLES GARDNER), FTC ACCOUNT X202367-001

present owner and holder of the deed of trust and note first hereinafter described and hereinafter referred to as "Beneficiary";

WITNESSETH

THAT WHEREAS, HORSESHOE RANCH, L.L.C.

did execute a deed of trust, recorded Jan. 27, 1999 to Amerititle as trustee covering:

SEE EXHIBIT 'A' ATTACHED HERETO AND MADE A PART HEREOF BY THIS REFERENCE

to secure a note in the sum of \$250,000.00, dated June 24, 1998, in favor of FIRST TRUST CORP., TEE FBO (CHARLES GARDNER), FTC ACCOUNT X202367-001, which deed of trust recorded on January 27, 1999, in M99 on page 2954, records of Klamath County, Oregon and

WHEREAS, Owner has executed, or is about to execute, a deed of trust and note in the sum of \$463,500.00, dated September 5, 2002, in favor of SOUTH VALLEY BANK & TRUST, AN OREGON BANKING CORPORATION, ITS SUCCESSORS AND ASSIGNS, CUSTODIAN FBO ROBERT WHITMAN ROLLOVER IRA, AS TO AN UNDIVIDED 32.362% INTEREST MICHAEL J. ALLTUCKER AS TO AN UNDIVIDED 21.575% INTEREST, RICHARD FULWILER, TRUSTEE OF THE RICHARD FULWILER LOVING TRUST AS TO AN UNDIVIDED 15.102% INTEREST, PAMELA ROSE CARPENTER AS TO AN UNDIVIDED 10.787% INTEREST, SHARON C. PERRYMAN AS TO AN UNDIVIDED 10.787% INTEREST AND GORDON C. GALLIC AS TO AN UNDIVIDED 9.387% INTEREST.

hereinafter referred to as "Lender", payable with interest and upon the terms and conditions described therein

WHEREAS, it is a condition precedent to obtaining said loan that said deed of trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinabove described, prior and superior to the lien or charge of the deed of trust first above mentioned; and

WHEREAS, lender is willing to make said loan provided the deed of trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the deed of trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the lien or charge of the deed of trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed as follows:

State of Oregon, County of Klamath
Recorded 09/26/2002 2:32 p. m.
Vol M02, Pg 54840-43
Linda Smith, County Clerk
Fee \$ 36.00 # of Pgs 4

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(1) That said deed of trust securing said note in favor of Lender, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the deed of trust first above mentioned.

(2) That Lender would not make its loan above described without this subordination agreement.

(3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreement as to such subordination including, but not limited to, those provisions, if any, contained in the deed of trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that

(a) He consents to and approves (i) all provisions of the note and deed of trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan;

(b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) He intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has by this instrument been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

FIRST TRUST CORP., TEE FBO (CHARLES GARDNER)
FTC ACCOUNT X202367-001

BY: 

WKS: CHARLES GARDNER

HORSESHOE RANCH, L.L.C.

BY: 

ITS: SOLE MEMBER

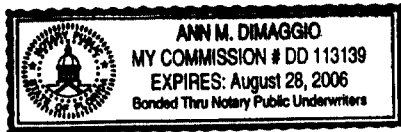
SEE NOTARY ACKNOWLEDGEMENTS ON PAGE 3

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STATE OF
COUNTY OF

Florida
Sarasota

This instrument was acknowledged before me this 6th day of September, 2002,
by Charles S. Gardner ~~XXX~~
of First Trust Corp., Tee FBO (Charles Gardner), FTC Account X202367-001.

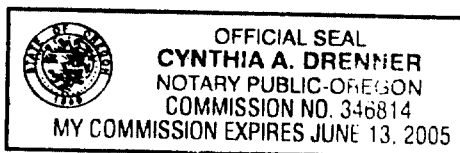


Ann M. Dimaggio
Notary Public for State of: Florida

STATE OF OREGON
COUNTY OF

Deschutes

This instrument was acknowledged before me this 20th day of September, 2002,
by James A. Gardner as PRINCIPAL
of Horseshoe Ranch, L.L.C.



Cynthia A. Drenner
Notary Public for State of: Oregon

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EXHIBIT 'A'

Lots 3 and 4 of Block 2, and the North $\frac{1}{2}$ of vacated B Dreet adjacent to Hoyt's Addition to Fort Klamath, according to the official plat thereof on file in the office of the County Clerk, Klamath County, Oregon; and

Lots 4 and 21 of Section 15, Township 33 South, Range 7 $\frac{1}{2}$ E.W.M., Klamath County, Oregon.