

WHEN RECORDED RETURN TO:
MARK A NORBY
STOEL RIVES LLP
SUITE 2300
900 SW FIFTH AVE
PORTLAND OR 97204

MTC - 60762KR

Vol M03 Page 70284

SUBORDINATION AGREEMENT *of a Trust Deed*

THIS AGREEMENT made and entered into this 27th day of July, 2003 by Bruce N. Oxley, Trustee of the Margaret Norton Oxley Trust, and Bruce N. Oxley (collectively, "Subordinating Lender").

'03 SEP 19 PM3:44

WITNESSETH:

WHEREAS, DAVID B. OXLEY and MARGANNE W. OXLEY, husband and wife (also doing business as Quarter Circle X Ranch), (collectively, "Borrower") is obtaining from Harvest Capital Company ("Lender"), a mortgage loan in the principal amount of SEVEN HUNDRED THOUSAND AND NO/100 DOLLARS (\$700,000.00) (the "Loan") to be evidenced by a promissory note in said principal sum (the "Note"), which Note will be secured by a first mortgage on certain real estate of Borrower, situated in Klamath County, Oregon, and being more particularly described in Exhibit A attached hereto (the "Real Property"), together with a security interest in various personal property of Borrower described on Exhibit B attached hereto (the "Personal Property") and other personal property. The Real Property and Personal Property are collectively referred to as the "Property"; and

WHEREAS, Subordinating Lienholder (or its predecessor) has previously made loans to Borrower which are secured by some or all of the Property; and

WHEREAS, as a condition of making the Loan, Lender has required that the priority of Lender's mortgage and security agreement (collectively, the "Lender's Mortgage") insofar as they encumber the Property, be superior and prior to all liens securing indebtedness to the Subordinating Lienholder including, without limitation, the following lien:

Trust Deed dated October 17, 1997 and recorded October 17, 1997 in Volume M97, page 34352, Microfilm Records of Klamath County, Oregon, and re-recorded November 12, 1997 in Volume M97, page 37355, Microfilm Records of Klamath County, Oregon, from David B. Oxley and Marganne W. Oxley, as grantor, to Klamath County Title, as Trustee, for the benefit of Bruce N. Oxley, Trustee of the Margaret Norton Oxley Trust.

The Trust Deed, security agreements and other liens in favor of the Subordinating Lienholder including, without limitation, the foregoing, and all amendments and modifications thereto, are referred to as "Subordinated Liens;" and

WHEREAS, Subordinating Lienholder desires to subordinate the lien of the Subordinated Liens to the lien of Lender's Mortgage.

State of Oregon, County of Klamath
Recorded 09/19/03 3:44 p. m
Vol M03 Pg 70284-91
Linda Smith, County Clerk
Fee \$ 56.00 # of Pgs 8

56.00
M

NOW, THEREFORE, notwithstanding anything to the contrary contained in the Subordinated Liens, Subordinating Lienholder, for itself, its successors and assigns, and in consideration of the premises and of the sum of One Dollar (\$1.00) and other valuable considerations to it paid, the receipt and sufficiency whereof is hereby acknowledged, does hereby covenant and agree as follows:

1. Notwithstanding the date, manner or order of perfection of security interests, mortgages and liens granted by Borrower to Lender and Subordinated Lienholder or the provisions of the Uniform Commercial Code or any other applicable law or judicial decision, (i) each of the instruments comprising Lender's Mortgage shall be and remain superior and prior in lien to all instruments in favor of Subordinating Lienholder comprising the Subordinated Liens and superior to all interest of Subordinating Lienholder in or to the Property and (ii) Subordinating Lienholder hereby subordinates the Subordinated Liens to the Loan and Lender's Mortgage.
2. The Borrower has complete freedom to amend, modify and extend Lender's Mortgage so long as the principal balance does not exceed the original principal amount (exclusive of advances to protect security). Lender shall have no obligation to give Subordinating Lienholder notice of such amendment, modification or extension or of any default by Borrower.
3. The Subordinated Liens are subject to and subordinate to any and all advances made and expenses reasonably incurred, with interest thereon, as permitted by the Lender's Mortgage to enforce or foreclose Lender's Mortgage or to protect Lender's interest in the Property.
4. Should any litigation be commenced to enforce or interpret this Agreement or the rights of either party under this Agreement, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to its reasonable attorneys fees, as determined by the judge at trial or upon any appeal or petition for review.
5. The Subordination Agreement shall inure to the benefit of Lender, its successors and assigns and subsequent holders of the Loan and Lender's Mortgage.

IN WITNESS WHEREOF, Subordinating Lienholder has executed this Agreement.

Bruce N. Oxley
Bruce N. Oxley, Trustee of the
Margaret Norton Oxley Trust

Bruce N. Oxley
Bruce N. Oxley (individually)

STATE OF Oregon)
)ss.
County of Jackson)

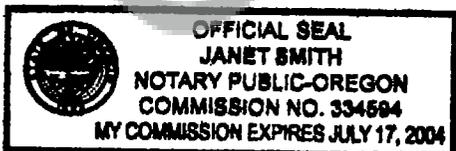
This instrument was acknowledged before me on July 23, 2003, by
Bruce N. Oxley, Trustee of the Margaret Norton Oxley Trust.



Janet Smith
Notary Public for ~~California~~ Oregon
My commission expires: 7-17-04

STATE OF Oregon)
)ss.
County of Jackson)

This instrument was acknowledged before me on July 23, 2003, by
Bruce N. Oxley.



Janet Smith
Notary Public for ~~California~~ Oregon
My commission expires: 7-17-04

EXHIBIT A**Legal Description****PARCEL 1**

The following property situate in Section 2, Township 40 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Government Lots 1, 2, 3, 6, 7 and 10; N1/2 of Government Lot 11; those portions of Government Lots 4, 5 and 12 described as follows: Beginning at a point on the North line of Government Lot 4, said Section 2, Township 40 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon, which bears West along the North line of said Section 2 a distance of 2356.4 feet from the Northeast corner of Government Lot 3 in said Section 2, said point being the Northwest corner of tract described in Deed from Melvin D. Fiegi, et ux, to Ben F. Smith, Inc., dated March 29, 1973, recorded March 30, 1973 in Volume M73, page 3700, Microfilm Records of Klamath County, Oregon; thence South 407 feet; thence West 50.0 feet; thence South 618.0 feet; thence East 537.0 feet; thence Southeasterly in a straight line 1008.0 feet, more or less, to the most Westerly point of tract described as Parcel 3 in Deed from Millet Ranch to Ben F. Smith, Inc., dated June 27, 1972, recorded July 7, 1972 in Volume M72, page 7365, Microfilm Records of Klamath County, Oregon; thence South 01 degree 40' East a distance of 824.2 feet to a point; thence North 88 degrees 45' East to the West line of Government Lot 11, said Section 2; thence North along the West lines of Government Lots 11, 6 and 3 to the North line of Section 2 and the Northeast corner of Government Lot 4; thence West along the North line of said Government Lot 4 to the point of beginning.

SAVING AND EXCEPTING that portion contained in the right of way of South Poe Valley Road.

PARCEL 2

All of Government Lots 2, 3, 4, 5, 6, 7, 10, 11 and 12 of Section 3, Township 40 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon:

EXCEPTING THEREFROM a parcel of land situated in Government Lot 4, being more particularly described as follows:

Beginning at the intersection of the South line of South Poe Valley Road and the East line of Schaupp Road; thence South along the East line of Schaupp Road, a distance of 492 feet, more or less, to an existing fence; thence East along existing fence line a distance of 840 feet; thence in a Northwesterly direction following the centerline of an existing irrigation ditch, 531 feet, more or less, to a point on the South line of South Poe Valley Road; thence West along the South line of said road a distance of 625 feet, more or less, to the point of beginning, in Section 3, Township 40 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

70288

ALSO EXCEPTING THEREFROM that portion thereof conveyed by John Fischer to the United States of America, recorded in Deed Volume 39, at page 20, Deed Records of Klamath County, Oregon.

Unofficial
Copy

EXHIBIT B
to
Subordination Agreement

Personal Property Description

- (i) All pumps, pivots, motors, sprinklers, drip systems and other irrigation equipment used for the production of water on the property described on attached Exhibit A (the "Real Property") or for the irrigation or drainage thereof, whether now owned or hereafter acquired, including, but not limited to, the items described on attached Schedule 1.
- (ii) All water, water rights, ditches and ditch rights, and any permits, licenses, certificates or shares of stock evidencing any such water or ditch rights, and any such rights acquired in the future, which entitle Debtor to use water for any purpose upon the Real Property, including, but not limited to, the water rights described on attached Schedule 2, and all rights of Debtor or the Real Property to receive water from the Klamath Irrigation District or the Klamath Basin Improvement District.
- (iii) All rents, issues, profits and royalties, but not including annual crops or livestock, arising out of or related to the Real Property.
- (iv) All accessions, suits, additions, replacements and substitutions for any of such property, and all proceeds (including insurance proceeds) from the sale or other disposition of any of such property.

SCHEDULE 1
TO
SUBORDINATION

70290

IRRIGATION FINANCING STATEMENT SUMMARY

Name David & Marganne Oxley / Quarter Circle X Ranch
County, State Klamath, OR
Acres 633.11

PUMP SITE	POWER UNIT				PUMP UNIT			
	MANUFACTURER	HORSE POWER	SERIAL NUMBER	MODEL #	MANUFACTURER	TYPE	MODEL #	SERIAL #
Tract I - Schaupp Road								
#1	Century	25	30,084	SC-286-UCZ-FCA-9-018377-00	Barkley	Cent.	B3ZPL 25	00018
	GE	50	8233011	5K324YK158	Cornell	Cent.	5WB-50-2	15,084
	GE	50	LCJ1108523	5K324XAM101	Cornell	Cent.	5WB-50-2	11,952
#2	GE	100	CKJ327108	5K367X3A	National	Cent.	E12	84,936
	Baldor	50	42E42X07	JPM2543T	Cornell	Cent.	4RB50-4	60,965
	GE	50		5K326J2261	Cornell	Cent.	4RB50-4	34,008
Cutler-Hammer Electric Panels (2) and Inertia System Electrical Service Panel (1) + (3 electrical service panels without manufacturer identification)								
Tract II - Home Place								
#3	US Motors	75	F08-41070778-009R-08	S323A	National Pump	Cent.	J11	84,936
							NB-290	
	Baldor Energy Effici	50	A20907C-55	Z0212090237	Cornell		4HH-50-3-4	128,612
#4	GE	30	KH8444010	5K284YK182	Cornell	Cent.	3QB30-2	13,524
	US Electric	50	C0701042478-001R	AA39A	Cornell	Cent.	4HH-50-4	113,325
Cutler-Hammer Electric Panels (2) and Delta Electric Service Panel (1)								

DDEOPEN=

Additional Irrigation Equipment

TRACT I - Schaupp Road

Quantity	Equipment Description
7	1/4 Mile Wade Rain self-leveling wheelines
4	1/2 Mile Wade Rain self-leveling wheelines
2	3/4 Mile Wade Rain self-leveling wheelines
3	1/8 Mile Wade Rain self-leveling wheelines

TRACT II - Home Place

Quantity	Equipment Description
5	1/4 Mile Wade Rain self-leveling wheelines
5	1/2 Mile Wade Rain self-leveling wheelines
1	1/8 Mile Wade Rain self-leveling wheelines
3	Nelson Big Gun Wheel Irrigators
	1/2 mile gated flood pipe

Additional Irrigation Equipment

300	30' lengths of 3" hand line
	6,080' of 6" aluminum mainline with risers
	2,640' of 8" aluminum mainline with risers
	7,780' of 6", 7", 8", 10", 12" mainline

Additional Equipment

TRACT I - Schaupp Road

6	750 bushel grain bins
---	-----------------------

TRACT II - Home Place

2	10,000 bushel grain bins
---	--------------------------

**SCHEDULE 2
TO
SUBORDINATION**

70291

WATER RIGHT SUMMARY

**David & Marganne Oxley
Quarter Circle X Ranch
Klamath County, OR**

<u>Section</u>	<u>Source</u>	<u>Amount (ACS)</u>	<u>Primary Water Right Acres</u>	<u>Supplemental Water Right Acres</u>	<u>Priority Date</u>	<u>Application Number</u>	<u>Permit Number</u>	<u>Certificate Number</u>	<u>Permittee Name</u>
Tract I - "Schaupp Road Tract"									
T. 40S., R 11E., Sec. 3									
Tax Lot 500			72.50						Klamath Basin Improvement District
500			74.40						Klamath Irrigation District
600			0.40						Klamath Basin Improvement District
600			72.60						Klamath Irrigation District
300			7.90						Klamath Basin Improvement District
300			54.90						Klamath Irrigation District
200			43.00						Klamath Irrigation District
	Wells 1, 2, 3, 4 - Lost River			344.80	03/28/03	G-15954			David Oxley
	Wells 1, 2, 3, 4 - Lost River			344.80	07/20/01	G-15585	G-15380		David Oxley
TOTAL IRRIGATED ACRES - TRA			325.70	689.60					
Tract II - "Home Place"									
T. 40S., R 11E., Sec. 2									
Tax Lot 100			8.80						Klamath Basin Improvement District
100			115.80						Klamath Irrigation District
100			36.00						Warren Act
200			33.40						Klamath Irrigation District
200			26.20						Warren Act
400			9.10						Klamath Irrigation District
600			14.70						Klamath Irrigation District
	Wells 1, 2, 3, 4 - Lost River			291.30	07/20/01	G-15585			David Oxley
	Wells 1, 2, 3, 4 - Lost River			291.30	03/28/03	G-15954	G-15380		David Oxley
TOTAL IRRIGATED ACRES - TRA			243.80	582.60					
Total Acres - BOTH TRACTS			569.50	1,272.20					