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WHEN RECORDED RETURN TO:

2008-015419

Klamath County, Oregon



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11/14/2008 11:37:30 AM

Fee: \$81.00

Mark A. Norby
Stoel Rives LLP
900 SW Fifth Avenue, Suite 2600
Portland, OR 97204

(space above reserved for recorder's use)

SUBORDINATION AGREEMENT

THIS AGREEMENT made and entered into this 5 day of November, 2008 by Bruce N. Oxley ("Subordinating Lender").

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 FOUR HUNDRED FIFTY THOUSAND AND NO/100 DOLLARS (\$450,000.00) (the "New 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, Lender has previously made a loan to Borrower in the principal amount of \$700,000 (the "2003 Loan"), which is secured by a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing dated September 10, 2003 and recorded September 19, 2003 in Volume M03, page 70292, Records of Klamath County, Oregon (the "2003 Mortgage"). The 2003 Mortgage also encumbers the Property.

WHEREAS, in connection with the New Loan, the 2003 Mortgage will be amended to provide that a default under the New Loan will be a default under the 2003 Loan and the 2003 Mortgage.

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 mortgages and security agreements securing the New Loan and the 2003 Mortgage, as amended, (collectively, the "Lender's Mortgage") insofar as they

WARRANT

encumber the Property, be superior and prior to all liens securing indebtedness to the Subordinating Lienholder including, without limitation, the following liens:

- (i) 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, as subsequently assigned to Bruce N. Oxley by Assignment of Trust Deed, dated December 18, 1998, and recorded December 21, 1998, at Volume M98, page 46649, Records of Klamath County Oregon.
- (ii) UCC-1 Financing Statement from Borrower, as debtor, to Subordinating Lienholder, as secured party, filed with the Oregon Secretary of State on November 6, 2003 as No. 6390710.

The Trust Deed, and UCC-1 Financing Statement, and all other 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.

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.

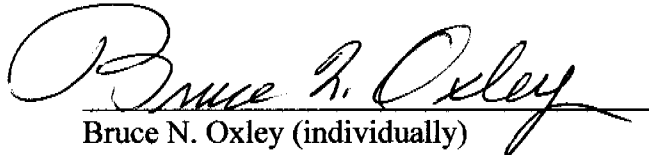
2. The Borrower has complete freedom to amend, modify and extend Lender's Mortgage. Lender shall have no obligation to give Subordinating Lienholder notice of such amendment, modification or extension or of any default by Borrower.

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, a determined by the judge at trial or upon any appeal or petition for review.

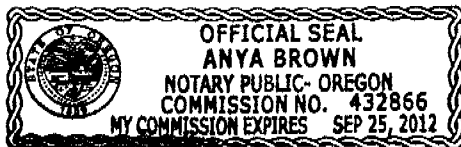
5. The Subordination Agreement shall inure to the benefit of Lender, its successors and assigns and subsequent holders of the Loan and Lender's Mortgage.

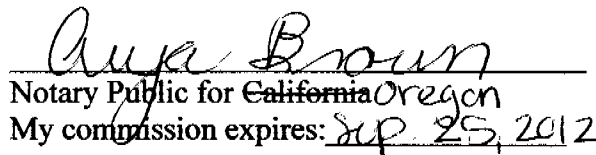
IN WITNESS WHEREOF, Subordinating Lienholder has executed this Agreement.


Bruce N. Oxley (individually)

STATE OF Oregon)
)ss.
County of Deschutes

This instrument was acknowledged before me on Nov. 5th, 2008, by
Bruce N. Oxley.




Notary Public for ~~California~~ Oregon
My commission expires: SEP. 25, 2012

**EXHIBIT A
TO
SUBORDINATION AGREEMENT**

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

Parcels 1, 2 and 3 of Land Partition 75-06 being situated in the N1/2 of Section 3, Township 40 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

**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 AGREEMENT**

Name David & Marganne Oxley - Quarter Circle X Ranch
County, State Klamath County
Acres 633.10

POWER UNIT

PUMP SITE	MANUFACTURER	HP	SERIAL NUMBER	MNFR	TYPE	MODEL #	SERIAL #
Tract I - "Schaupp Road"							
#1	Century	25	30064	Berkley	Cent.	B3ZPL 25	0016
	GE	50	6233011		Cent.	5WB-50-2	15084
	GE	50	LCJ1108523		Cent.	5WB-50-2	11952
#2	GE	100	CKJ327168	National	Cent.	E12	84935
	Baldor	50	42E42X07		Cent.	4RB50-4	60955
	GE	50	5K326J2261		Cent.	4RB50-4	34008
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	F08-41070776-009R-08	S323A	National Pump	Cent.	J11 N8-260	84936
	Baldor Energy Efficient	50	A20907C-55	Z0212060237	Cornell		4HH-50-3-4	128612
#4	GE	30	KH6444010	5K284YK182	Cornell	Cent.	3QB30-2	13524
	US Electric	50	C0701042478-001R	AA39A	Cornell	Cent.	4HH-50-4	113325
Cutler-Hammer Electric Panels (2) and Delta Electric Service Panel (1)								

Additional Irrigation Equipment**TRACT I - Schaupp Road**

Quantity	Equipment Description
7.00	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

30' lengths of 3" hand
300 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

10,000 bushel grain

2 bins

**SCHEDULE 2
TO
SUBORDINATION AGREEMENT**

Water Rights

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

Section	Source	Amount (CFS)	Primary Water Right Acres	Supplemental Water Right Acres	Priority Date	Application Number	Permit Number	Permittee Name
Tract I - "Schaupp Road Tract"								
<u>T. 40S., R 11E., Sec. 3</u>								
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-15565	G-15380	David Oxley
TOTAL IRRIGATED ACRES - TRACT I			325.70	689.60				

