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THIS AGREEMENT, Made and entered into this 23rd day of April, 1981, by and between Klamath Production Credit Association, hereinafter called the first party, and State of Oregon, Department of Water Resources, hereinafter called the second party; WITNESSETH:

On or about 1981, Williams Land Company and W-3 Livestock Company, both Oregon Corporations, being the owner of the following described property in Klamath County, Oregon, to-wit:

Parcel 1: The NE $\frac{1}{4}$ of Section 16, Township 39 South, Range 12 East of the Willamette Meridian, in the County of Klamath, State of Oregon

Parcel 2: The NW $\frac{1}{4}$ of Section 16, Township 39 South, Range 12 East of the Willamette Meridian, in the County of Klamath, State of Oregon

executed and delivered to the first party his certain Mortgage

(herein called the first party's lien) on said described property to secure the sum of \$50,000.00 which lien was (State whether mortgage, trust deed, contract, security agreement or otherwise)
—Recorded on January 16, 1974, in the Records of Klamath County, Oregon, in book/record/trust deed No. M-74 at page 536 thereof or as document/fee/file/instrument/microfilm No. (indicate which);

—Filed on 1981, in the office of the _____ of _____ County, Oregon, where it bears the document/fee/file/instrument/microfilm No. (indicate which);

—Created by a security agreement, notice of which was given by the filing on 1981, of a financing statement in the office of the Oregon Secretary of State and in the office of the _____ Department of Motor Vehicles where it bears file No. _____ of _____ County, Oregon, where it bears the document/fee/file/instrument/microfilm No. (indicate which).

Reference to the document so recorded or filed hereby is made. The first party has never sold or assigned his said lien and at all times since the date thereof has been and now is the owner and holder thereof and the debt thereby secured.

The second party is about to loan the sum of \$205,000.00 to the present owner of the property above described, with interest thereon at a rate not exceeding 8.25% per annum, said loan to be secured by the said present owner's Mortgage (hereinafter called the (State nature of lien to be given, whether mortgage, trust deed, contract, security agreement or otherwise)

second party's lien) upon said property and to be repaid within not more than 14 days from its date. years

To induce the second party to make the loan last mentioned, the first party heretofore has agreed and consented to subordinate first party's said lien to the lien about to be taken by the second party as above set forth.

NOW, THEREFORE, for value received and for the purpose of inducing the second party to make the loan aforesaid, the first party, for himself, his personal representatives (or successors) and assigns, hereby covenants, consents and agrees to and with the second party, his personal representatives (or successors) and assigns, that the said first party's lien on said described property is and shall always be subject and subordinate to the lien about to be delivered to the second party, as aforesaid, and that second party's said lien in all respects shall be first, prior and superior to that of the first party; provided always, however, that if second party's said lien is not duly filed or recorded or an appropriate financing statement thereon duly filed within 60 days after the date hereof, this subordination agreement shall be null and void and of no force or effect.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the first party's said lien, except as hereinabove expressly set forth.

In construing this subordination agreement and where the context so requires, the singular includes the plural; the masculine includes the feminine and the neuter, and all grammatical changes shall be supplied to cause this agreement to apply to corporations as well as to individuals.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal; if the undersigned is a corporation, it has caused its corporate name to be signed and its corporate seal to be affixed hereunto by its officers duly authorized thereunto by order of its board of directors, all on this, the day and year first above written.

Klamath Production Credit Association

By _____

President



7839

STATE OF OREGON,

} ss.

County of

Personally appeared the above named

and acknowledged the foregoing instrument to be voluntary act and deed. Before me:

Notary Public for Oregon.

My commission expires

(SEAL)

STATE OF OREGON,

} ss.

County of Klamath

Personally appeared Don W. Krider

President

April 23, 19 81

who being duly sworn, did say that he is the

Klamath Production Credit Association

of a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors; and he acknowledged said instrument to be its voluntary act and deed. Before me:

Carol Chuders

Notary Public for Oregon.

My commission expires 10-18-82

(SEAL)



SUBORDINATION AGREEMENT

Klamath Production Credit

TO
State of Oregon /
Dept of Water Resources

AFTER RECORDING RETURN TO
Klamath Production Credit
900 Klamath Ave.
Klamath Falls, Ore., 97601

(DON'T USE THIS SPACE: RESERVED FOR RECORDING LABEL IN COUNTIES WHERE USED.)

STATE OF OREGON,

} ss.

County of Klamath

I certify that the within instrument was received for record on the 1st day of May 19 81 at 3:37 o'clock PM., and recorded in book/reel/volume No. M81 on page 7838 or as document/fee/file/instrument/microfilm No. 99110. Record of Mtg. of said County.

Witness my hand and seal of County affixed.

Evelyn Biehn County Clerk

By *Debra A. Jensen* Deputy

Fee \$7.00