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Vol. M85 Page 934
Recorded at the request of
Mountain Title Company

SUBORDINATION AGREEMENT
MTC-14372

2:09 20.00
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RECITALS:

James E. Holt and Willamae Holt, jointly and severally ("Holt") executed five mortgages to FIRST INTERSTATE BANK OF OREGON, N.A. ("Bank") on certain real property as more fully described in Exhibit A attached hereto and by this reference make a part hereof to secure the indebtedness of Holt to Bank.

Citizen's Financial Services, Inc. ("Citizen's"), a subsidiary of Citizen's Savings and Loan Association, proposes to loan or has loaned to Holt the sum of \$650,000, to be evidenced by a promissory note dated December 18, 1984 ("Note"), secured in part by a Mortgage ("Citizen's Mortgage") of the same date in favor of Citizen's, upon real property of Holt, subject to Bank's mortgage mentioned above.

Holt and Citizen's have agreed upon the minimum release value ("agreed value") on each of five properties on which both Bank and Citizen's have or will acquire a mortgage. The respective agreed values of each of the five properties is set forth on Exhibit A.

Bank has been requested by Holt and Citizen's and deems it of benefit to subordinate its mortgage to Citizen's Mortgage and the debt secured thereby.

AGREEMENT:

Subject to the terms, covenants and conditions of paragraph 2, below, in consideration of the financial accommodation given or to be given by Citizen's to Holt, and the payment to Bank of \$265,535.72, Bank, its successors, heirs, and assigns, agrees with Citizen's, its successors, and assigns, that Bank's mortgages are and shall be subordinate and inferior in all respects ("Subordinated Indebtedness") to Citizen's Mortgage securing payment of the note, together with appropriate accrued interest thereon, and all costs, expenses and reasonable attorneys fees paid or incurred in any proceedings brought to foreclose Citizen's Mortgage or to collect the indebtedness thereby secured ("Superior Indebtedness").

Citizen's, Holt and Bank agree that if the net sale price of any individual property listed on Exhibit A to this agreement exceeds the Agreed Value of such property as set

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forth on Exhibit A, the amount of such excess shall be allocated between Citizen's and Bank as follows: The amount of the excess up to and including an amount equal to two-thirds (2/3) of the agreed value shall be paid to Bank, all amounts in excess of the sum of the agreed value plus two-thirds (2/3) thereof shall be divided by Citizen's and Bank 60% and 40% respectively.

This agreement shall remain in full force and effect until the Note secured by Citizen's Mortgage, including any extensions or renewals of any such obligations or liabilities, have been fully discharged.

In the event of any distribution, division or application, partial or complete, of all or any part of the real property of Holt herein referred to, or the proceeds thereof, in whatever form, for whatever reason, then and in such event, the Superior Indebtedness to the amount of the agreed value of such real property shall first be paid in full before any payment is made upon the Subordinated Indebtedness.

Bank shall continue to hold such note or notes evidencing Holt's indebtedness to it while this agreement continues in effect.

DATED: December 20, 1984.

FIRST INTERSTATE BANK OF OREGON, N.A.

By: L.M. Kuchar

L.M. Kuchar, its Assistant
Vice-President

CITIZEN' FINANCIAL SERVICES, INC.

By: James E. Holt

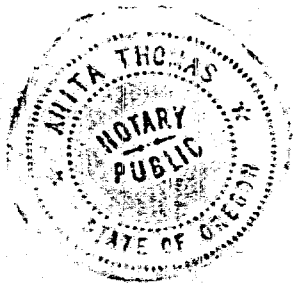
Title: President

James E. Holt
James E. Holt

Williamae Holt
Williamae Holt

STATE OF OREGON)
) ss.
County of Jackson)

Personally appeared James E. Holt and Willamae Holt, who, being duly sworn, did say that they executed the foregoing instrument, and they acknowledged said instrument to be their voluntary act and deed. Before me.



Anita Thomas
NOTARY PUBLIC FOR OREGON
My Commission Expires: 12-07-88

1. PARCEL 1 ("Bents Property")

a. Property description-Legal:

Water Lots 31, 32 and 33, in the Town (now City) of Phoenix, Jackson County, Oregon, according to the Official Plat thereof, now of record.

EXCEPTING THEREFROM that portion of said Water Lot 33, conveyed to the State of Oregon, by and through its State Highway Commission, by deed recorded in Volume 377, Page 354, Jackson County, Oregon, Deed Records.

b. Recording information: Jackson County 81-04276 March 6, 1981

c. Agreed value: \$153,000.00

2. PARCEL 2 ("Bonanza Ranch")

a. Property description-Legal:

The ~~SW~~ of the NW $\frac{1}{4}$ and the SW $\frac{1}{4}$ of Section 33, Township 37 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon;

EXCEPTING THEREFROM:

A parcel of land situated in the SW $\frac{1}{4}$ of Section 33, Township 37 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the Southeast corner of Lot 5 in Block 10 of YONNA WOODS-UNIT 2, a duly recorded subdivision in said Klamath County; thence North 89° 44' 02" West along the South line of said Lot 5, 60.89 feet to the Northwest corner of said SW $\frac{1}{4}$ NW $\frac{1}{4}$; thence South 00° 12' 42" East along the West line of said SW $\frac{1}{4}$ NW $\frac{1}{4}$, 30.00 feet; thence South 89° 44' 02" East, 78.20 feet; thence North 30° 04' 19" West, 34.76 feet to the point of beginning.

b. Recording information: Jackson County 82-03306 March 5, 1982
Klamath County Vol. M82 pages 3085-6 March 11, 1982

c. Agreed value: \$92,400.00

3. PARCEL 3 ("Christman Property")

a. Property description-Legal:

A strip of land 15.0 feet in width off the entire Northwesterly line of lot 14, and all of Lots 15 and 16 in WATER LOTS to the Town (now City) of Phoenix, Jackson County, Oregon, according to the Official Plat thereof, now of record. EXCEPTING THEREFROM THAT portion of said Lots 15 and 16 conveyed to the State of Oregon (by and through its State Highway Commission) by deed recorded in Volume 369 page 190 of the Deed Records of Jackson County, Oregon.

b. Recording information: Jackson County 82-03305 March 5, 1982

c. Agreed value: \$150,000.00

4. PARCEL 4 ("Frontier Lodge")

a. Property description-Legal:

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Commencing at a 1" x 30" iron pin at the Northeast corner of the South Half of Donation Land Claim No. 62 in Township 38 South, Range 1 West of the Willamette Meridian in Jackson County, Oregon, thence South 52° 19' 00" West 2029.70 feet to a 1" x 36" iron pipe monument at the Southeasterly corner of tract described in Volume 364 page 416 of the Deed Records of Jackson County, Oregon, thence South 51° 53' 35" West, along the Southeasterly line of said tract, a distance of 186.37 feet to a 1" iron pipe for the TRUE POINT OF BEGINNING; thence continue South 51° 53' 35" West 213.94 feet to a point on the Easterly right-of-way line of the re-located Pacific Highway (said point being North 64° 12' 15" East 35.00 feet from Highway Engineer's center line Station 333+92.86); thence North 19° 47' 50 1/2" West 192.27 feet on long chord of a 919.93 foot radius curve to right (arc length 192.62 feet) to a point on said Easterly right-of-way line which bears North 76° 12' 04" East 35.00 feet from the Highway Engineer's center line Station 335+92.81; thence North 54° 15' 00" East 113.81 feet to a 1" iron pipe; thence South 50° 43' 20" East 182.25 feet to the True Point of beginning.

b. Recording information: Jackson County 83-02089 February 8, 1983

c. Agreed value: \$84,300.00

5. PARCEL 5 ("Paradise Apartments")

a. Property description-Legal:

Commencing at the Southeast corner of Donation Land Claim No. 59, Township 38 South, Range 1 West of the Willamette Meridian, Jackson County, Oregon; thence West 344.20 feet along the South line of said Claim; thence South 150.0 feet to the true point of beginning; thence continuing South 359.25 feet to intersect the Easterly line of the existing relocated Pacific Highway right of way; thence along said right of way, lying on a curve, the long chord of which is described as being North 51° 16' West 478.30 feet to a 3/4 inch iron pipe on said right of way line; thence North 50° 10' East 162.25 feet on a 3/4 inch iron pipe; thence South 71° 08' East 135.69 feet; thence East 120.0 feet to the true point of beginning.

b. Recording information: Jackson County 83-02088 February 8, 1983

c. Agreed value: \$225,600.00

Jackson County, Oregon
Recorded
OFFICIAL RECORDS

2:09 JAN 10 1985 A.M.

KATHLEEN S. BECKETT
CLERK and RECORDER

By [Signature] Deputy

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STATE OF OREGON: COUNTY OF KLAMATH:ss

I hereby certify that the within instrument was received and filed for record on the 16th day of January A.D., 19 85 at 10:59 o'clock A M, and duly recorded in Vol M85, of Mortgages on page 934.

EVELYN BIEHN, COUNTY CLERK

by: [Signature], DeputyFee: \$ 21.00