

Aspen Title #01835010

SUBORDINATION AGREEMENT

This Agreement made December 27, 1990, by and between Damian Construction Company and Clayco Petroleum Corporation, an Oregon corporation and Clayco Development Corporation, an Oregon corporation (that is successor in interest to Clayco Petroleum Corporation), to the following terms and provisions:

RECITALS

- 1.1 Damian Construction Company is claimant under that certain construction lien dated 08-01-89 and recorded on 3rd August 1990, Deed Records of Klamath County, Oregon, covering the premises described in Exhibit "A" attached hereto and incorporated herein by this reference. Clayco Petroleum Corporation is reputed owner of said land described in above-mentioned construction lien.
- 1.2 Oregon housing is about to loan the sum of \$1,087,000.00 to Clayco Petroleum Corporation secured by a first Trust Deed and Note.
- 1.3 South Valley State Bank and Bogatay Construction, Inc. is about to loan the sum of ~~\$32,610.00~~ secured by a second Trust Deed and Note.
- 1.4 Larry D. Melton is about to loan the sum of \$75,913.92 to Clayco Petroleum secured by a third Trust Deed and Note.

COVENANTS AND AGREEMENTS

2. Subordination: Damian Construction Company and Clayco Petroleum Corporation covenant and agree that the Trust Deeds between Clayco Petroleum Corporation and Oregon Housing, and the Trust Deed and Note between Clayco Petroleum Corporation and South Valley State bank and Bogatay Construction, Inc., and the Trust Deed and Note between Clayco Petroleum Corporation and Larry D. Melton shall be superior and prior to the construction lien mentioned in 1.1.

CONSIDERATION

- 3.1 In consideration of the Subordination as set out hereon, Oregon Housing, South Valley State Bank, Bogatay Construction, Inc. and Larry D. Melton shall make their respective loans.

BINDING EFFECT

4. This subordination agreement shall be binding upon and inure to the benefit of the respective heirs, legal representative, successors and assigns of the parties hereto.

WITNESS OUR HANDS AND SEALS THIS 31ST DAY OF DECEMBER, 1990.

DAMIAN CONSTRUCTION

By: [Signature]
 Title: PRES

CLAYCO PETROLEUM CORPORATION

By: [Signature]
 Title: PRES

CLAYCO DEVELOPMENT CORPORATION

By: [Signature]
 Title: PRES.

STATE OF OREGON, County of Klamath)ss.

On this 31st day of December, 1990, personally appeared Bruce J. Clayman as President of Clayco Petroleum Corporation and as President of Clayco Development Corporation and as President of Damian Construction Company, who executed this instrument as his voluntary act and deed.

Before me: [Signature]
 Notary Public for Oregon
 My Commission Expires: March 22, 1993.

90 DEC 31 PM 3 30

PARCEL 1:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, and the SE 1/4 SE 1/4 Section 29, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Beginning at the intersection of the Southerly line of Pine Street and the Easterly line of Eleventh Street in the City of Klamath Falls, Oregon; thence Northeasterly along said Southerly line of Pine Street 170 feet to a point thereon distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; thence Southeasterly and parallel with said Easterly line of Eleventh Street 112 feet; thence Southwesterly parallel to said Pine Street, 50 feet; thence Southeasterly parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street in the City of Klamath Falls, Oregon, 125 feet; thence Southeasterly and parallel with said Easterly line of Eleventh Street 120 feet to said Northerly line of Main Street at a point thereon distant 50 feet Southwesterly from the Southwest corner of Lot 6, Block 3, Hot Springs Addition to the City of Klamath Falls, Oregon; thence Southwesterly along said Northerly line of Main Street 245 feet to the Northeast corner of Main Street and Eleventh Street; thence Northwesterly along the Easterly line of Eleventh Street to the point of beginning.

LESS AND EXCEPT any portion of the alley in Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON.

PARCEL 2:

A tract of land situated in the NE 1/4 NE 1/4 of Section 32, Township 38 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, described as follows:

Commencing at the point on the Southerly line of Pine Street which is distant 50 feet Southwesterly along said Pine Street from the most Westerly corner of Lot 5, Block 3, HOT SPRINGS ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, and thence running Southeasterly and parallel with the Easterly line of Eleventh Street a distance of 112 feet to the true point of beginning of this description; thence Southwesterly and parallel to said Pine Street 50 feet; thence Southeasterly and parallel with Eleventh Street 8 feet; thence Northeasterly and parallel with the Northerly line of Main Street a distance of 50 feet; thence Northwesterly and parallel with Eleventh Street a distance of 8 feet, more or less, to said true point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title Co. the 31st day
of Dec. A.D. 19 90 at 3:30 o'clock PM., and duly recorded in Vol. M90
of Mortgages on Page 25721.

FEE \$13.00

Evelyn Biehn, County Clerk

By Pauline M. Mulvender