

This Agreement is made by and between Shield Crest, Inc., an Oregon Corporation, "Borrower", South Valley State Bank, an Oregon Banking Corporation, "SVSB", and Robert E. Cheyne and Helen J. Cheyne, "Guarantors."

RECITALS:

1. On or about November 2, 1990, South Valley State Bank loaned to Shield Crest, Inc. the sum of \$525,800 for the purpose of allowing Shield Crest, Inc. to complete the construction of Building No. 4 of Shield Crest Condominiums, Lot 11, Block 4, of Tract 1257, Klamath County, Oregon and to make improvements to the land. The repayment of said loan is guaranteed by Guarantors.

2. Said loan is evidenced by a Construction Loan Agreement dated October 25, 1990, a promissory note and other documents and is secured by a Trust Deed recorded on November 2, 1990, in Volume M90 at page 22009 of the mortgage records of Klamath County, Oregon and by a Financing Statement given by Shield Crest, Inc., as debtor, to South Valley State Bank, as secured party, recorded November 2, 1990 in Volume M90 at page 22042 in the mortgage records of Klamath County, Oregon. Said documents are referred to herein as the "Loan Documents."

3. Shield Crest, Inc., having completed the construction of said Building No. 4 and the domestic water system and septic system appurtenant thereto, desires to record its Declaration for the Shield Crest Condominiums, to obtain the approval of said Declaration by the Real Estate Commissioner of the State of Oregon and to sell the condominium units located in said Building No. 4. Shield Crest, Inc. has requested that South Valley State Bank modify the terms and conditions of said Construction Loan Agreement, Trust Deed, financing statement and security agreement so that Shield Crest, Inc. will be able to deliver title to the units located within Building No. 4 and each unit's undivided interest in the Common Property to the purchasers thereof free and clear of the above said encumbrances.

4. South Valley State Bank, in consideration of the payments and conditions set forth hereinbelow, is willing to modify the terms of said Trust Deed, Financing Statement and Security Agreement as requested by Shield Crest, Inc.

AGREEMENT

WHEREFORE, the undersigned parties do hereby covenant and agree as follows:

1. In consideration of the payments set forth below and the prompt and faithful performance of the terms set forth in this Agreement and in Loan Documents referenced above, South Valley State Bank does hereby promise and agree as follows:

A. That upon the sale of each Unit of Building No. 4, Shield Crest Condominiums, Tract 1271, Klamath County, Oregon, South Valley State Bank will cause to be executed and delivered a partial reconveyance of the above Trust Deed releasing the Unit and its appurtenant undivided one-third interest in the Common property from the lien of the Trust Deed. SVSB shall also cause to be executed and delivered its release of the fixtures and personal property located in such unit and its undivided one-third interest in the fixtures and personal property located on the Common Property from the lien of the Financing Statement.

B. That upon the recording of the Declaration of Shield Crest Condominiums, the filing of the Plat of said Tract 1271 and the sale of the first Unit of said Building No. 4, its blanket encumbrances and Loan Documents described above shall be subject to and subordinate to the Declaration of Shield Crest Condominiums.

2. In consideration of the promises and agreements of SVSB set forth in this Agreement, Shield Crest, Inc. covenants and agrees that it will pay the following sums and perform the following acts:

A. That it shall cause the Declaration and the Plat of Shield Crest Condominiums, Building No. 4, Tract 1271 to be approved and filed in the manner provided by law.

B. That upon the filing of said Plat and Declarations, it shall proceed with the marketing and sale of units A, B and C of said Building No. 4.

C. That it shall execute and deliver to South Valley State Bank such instruments, including security instruments, as SVSB may require in order to perfect its security interest in said Units A, B and C.

D. That Shield Crest, Inc. shall also execute and deliver to SVSB, a conditional assignment of its rights as Declarant under the terms of the Declaration of Shield Crest Condominiums, Building No. 4, Tract 1271, including, without limiting the generality of the foregoing, its right to construct additional condominium buildings containing not more than three single family residential units and to reclassify said building as units.

E. That Shield Crest, Inc. shall pay all recording fees, title fees and other fees and expenses incurred by either party in modifying this agreement and carrying out the covenants and promises contained herein.

F. That upon the sale of Unit A, to pay to SVSB the greater of \$155,100 or the net proceeds payable to Borrower from the sale of Unit A.

G. That upon the sale of Unit B, to pay to SVSB the greater of \$178,000 or the net proceeds payable to Borrower from the sale of Unit B.

H. That upon the sale of Unit C, to pay to SVSB the greater of \$184,000 or the net proceeds payable to Borrower from the sale of Unit C.

3. The parties mutually agree that they shall promptly prepare and execute the documents and instruments required to carry out the terms of this agreement. Said documents and instruments shall be delivered by the parties to Klamath County Title Company with instructions to said Title Company, acceptable to said Title Company, authorizing said Title Company to record said documents at such time as it is prepared to pay to South Valley State Bank the sums set forth above. Said instructions shall authorize the Title Company to record a partial reconveyance and release of South Valley State Bank's security interest in each Unit at such time as the Title Company has collected and is prepared to pay to South Valley State Bank the release payment provided hereinabove for each Unit.

4. The parties stipulate and agree that the purpose of entering into this Amendment to the above said Construction Loan Agreement, Trust Deed and Security Agreements is to allow Shield Crest, Inc. to convey title to the purchasers of said condominium units free and clear of all liens and encumbrances of South Valley State Bank, saving and excepting SVSB's rights under the above described conditional assignment of rights from Shield Crest, Inc. to construct additional condominium buildings on the Variable and the Nonwithdrawable property.

5. Nothing in this Agreement shall be construed or interpreted as extending the time for payment of the debt secured by the above said Trust Deed and security agreements, nor as amending or altering the terms and conditions set forth in the Construction Loan Agreement, Trust Deed and Financing Statement referred to above, except to the extent that the lien of said agreements shall be released to allow title to said condominium units to be delivered to the Unit Purchasers free and clear of such liens and encumbrances upon the payment of the sums set forth above. Further, by executing this Agreement the Guarantors do hereby consent to the provisions hereof and covenant and agree that the execution and performance of this Agreement shall not operated as a release of Guarantors from the provisions of their guarantees of the obligations of Borrower under the terms of the Documents described above and under the terms of this agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed this 22 nd day of January, 1991.

SOUTH VALLEY STATE BANK

SHIELD CREST, INC.

By Jim Milroy

By Robert E. Cheyne
Its President

GUARANTORS:

By Helen J. Cheyne
Its Secretary

Robert E. Cheyne
Robert E. Cheyne

Helen J. Cheyne
Helen J. Cheyne

STATE OF OREGON,
County of Klamath ss.

Filed for record at request of:

Klamath County Title Co.
on this 25th day of Jan. A.D., 19 91
at 2:08 o'clock PM. and duly recorded
in Vol. M91 of Mortgages Page 1675
Evelyn Biehn County Clerk
By Dorlene Mullens Deputy.
Fee, \$23.00

Return: \$23.00

KCTC