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92-29-93A10:46 RCY

SUBORDINATION AGREEMENT

Vol. M93 Page 35037

THIS AGREEMENT, made and entered into this 20th day of December, 1993, by and between FIRST INTERSTATE BANK OF OREGON, N.A. a national banking association ("Bank") and Klamath First Federal Savings and Loan Association ("Second Lender");

WITNESSETH: On or about August 27, 1992, Brian E. Graunke and Kenna M. Graunke being the owners of the following described property in Klamath County, Oregon, to wit:

SEE EXHIBIT "A" ATTACHED HERETO AND BY THIS REFERENCE INCORPORATED HEREIN

executed and delivered to Bank a certain Deed of Trust (herein called the Bank's lien) on said described property to secure a revolving line of credit indebtedness in the sum of \$7,000.00, which lien was recorded on September 10, 1992 in the Microfilm Records of Klamath County, Oregon, in Volume M92, on Page 20698. Reference to the document(s) so recorded or filed hereby is made. The Bank has never sold or assigned 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.

Second Lender is about to loan a sum not to exceed \$53,600.00 to the present owner of the property above described to be secured by the present owners' Trust Deed/Mortgage (hereinafter called the Second Lender's lien) upon said property. To induce Second Lender to make the loan last mentioned, Bank heretofore has agreed and consented to subordinate Bank's lien to the lien about to be taken by Second Lender as above set forth.

NOW THEREFORE, for value received and for the purpose of inducing Second Lender to make the loan aforesaid, Bank, for itself, its successors and assigns, hereby covenants, consents and agrees to and with Second Lender, its successors and assigns, that the Bank's lien on said described property is and shall always be subject and subordinate to Second Lender's lien, and that Second Lender's lien in all respects shall be first, prior and superior to that of Bank, provided always, however, that if second lender's lien is not duly filed or recorded within 60 days after the date first shown above, this subordination agreement shall be null and void and of no force or effect.

It is expressly understood and agreed that nothing herein shall be construed to change, alter or impair Bank's 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 set his hand and seal the day and year first above written.

FIRST INTERSTATE BANK OF OREGON, N.A.

By

Manager

Consumer Loan Servicing Center

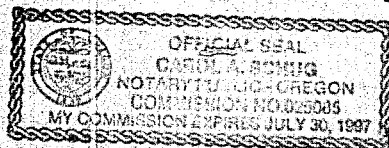
STATE OF OREGON)
)ss.
County of Multnomah)

The foregoing instrument was acknowledged before me this 20th day of December, 1993, by Gary H. Weinstein of First Interstate Bank of Oregon, N.A., a national banking association, on behalf of the Association.

AFTER RECORDING RETURN TO:

First Interstate Bank of Oregon, N.A.
P.O. Box 3385
Portland, OR 97208-3385

Loan #0879292 8001



A tract of land 55' x 107' in size consisting of portion of Lots 3, 4 and 5, Block 42, FIRST ADDITION TO THE CITY OF KLAMATH FALLS, in the County of Klamath, State of Oregon, described as follows:

Beginning at a point on the Easterly line of 4th Street, 55 feet Southeasterly from the Northwestern corner of said Block 42; thence Southeasterly and along the said Easterly line of 4th Street a distance of 55 feet; thence Northeasterly and parallel with Lincoln Street a distance of 107 feet; thence Northwesterly and parallel with said 4th Street a distance of 55 feet; thence Southwesterly and parallel with said Lincoln Street a distance of 107 feet to the place of beginning.

CODE 1 MAP 3809-32BA TL 4600

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title co the 29th day
of Dec. A.D. 19 93 at 10:46 o'clock AM., and duly recorded in Vol. M93
of Mortgages on Page 35037.

FEE \$15.00

Evelyn Biehn County Clerk

By Dorlene Mullens