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Vol. 94 Page 36446

RECORDATION REQUESTED BY:

South Valley State Bank
5215 South Sixth Street
Klamath Falls, OR 97603

WHEN RECORDED MAIL TO:

South Valley State Bank
5215 South Sixth Street
Klamath Falls, OR 97603

SEND TAX NOTICES TO:

South Valley State Bank
5215 South Sixth Street
Klamath Falls, OR 97603

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

SUBORDINATION AGREEMENT - LIEN

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT dated November 23, 1994 is entered into among Eugene D Rosterolla, Jerry D Rosterolla and Yolanda Rosterolla ("Borrower"), Eugene D Rosterolla, Jerry D Rosterolla, Yolanda Rosterolla, and Gino Rosterolla ("Lienholder") and South Valley State Bank ("Lender").

SUBORDINATED INDEBTEDNESS. Lienholder has extended the following described financial accommodations (the "Subordinated Indebtedness") to Rosterolla Distributing, Inc. ("Grantor"):

a promissory note in the amount of \$13,883.63, dated February 2, 1981, in favor of Eugene D Rosterolla; a promissory note in the amount of \$13,883.63, dated February 2, 1981, in favor of Jerry D Rosterolla; a promissory note in the amount of \$38,720.72, dated February 2, 1981, in favor of Yolanda Rosterolla; and a promissory note in the amount of \$60,434.03, dated February 2, 1981, in favor of Gino Rosterolla.

SUBORDINATED LIEN. The Subordinated Indebtedness is secured by a lien dated 02-02-1981 from Grantor to Lienholder (the "Subordinated Mortgage").

REAL PROPERTY DESCRIPTION. The Subordinated Lien covers the following described real property (the "Real Property") located in Klamath County, State of Oregon:

LOTS 13, 14, AND 15 IN BLOCK 4 OF FIRST ADDITION TO ALTAMONT ACRES, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON, TOGETHER WITH VACATED MARYLAND AVENUE (FORMERLY TAPPAN AVENUE) WHICH ADJOINS LOTS 13, 14, AND 15 ON THE SOUTH LINE.

The Real Property or its address is commonly known as 2859 Avalon St, Klamath Falls, OR 97603.

REQUESTED FINANCIAL ACCOMMODATIONS. Borrower and Lienholder each want Lender to provide financial accommodations to Borrower (the "Superior Indebtedness") in the form of (a) new credit or loan advances, (b) an extension of time to pay or other compromises regarding all or part of Borrower's present Indebtedness to Lender, or (c) other benefits to Borrower. Now, therefore, Borrower and Lienholder each represent and acknowledge to Lender that Lienholder will benefit as a result of these financial accommodations from Lender to Borrower, and Lienholder acknowledges receipt of valuable consideration for entering into this Agreement.

LENDER'S LIEN. As a condition to the granting of the requested financial accommodations, Lender has required that its lien or other charge on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Lien.

NOW THEREFORE THE PARTIES TO THIS AGREEMENT HEREBY AGREE AS FOLLOWS:

SUBORDINATION. The Subordinated Lien and the Subordinated Indebtedness secured thereby is hereby subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is hereby agreed that Lender's Lien shall be and remain, at all times, prior and superior to the lien of the Subordinated Lien. Lienholder also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lienholder, whether now existing or hereafter acquired. The words "Security Interest" mean and include without limitation any type of lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

LIENHOLDER'S REPRESENTATIONS AND WARRANTIES. Lienholder represents and warrants to Lender that: (a) no representations or agreements of any kind have been made to Lienholder which would limit or qualify in any way the terms of this Agreement; (b) this Agreement is executed at Borrower's request and not at the request of Lender; (c) Lender has made no representation to Lienholder as to the creditworthiness of Borrower; and (d) Lienholder has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Lienholder agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Lienholder's risks under this Agreement, and Lienholder further agrees that Lender shall have no obligation to disclose to Lienholder information or material acquired by Lender in the course of its relationship with Borrower.

LIENHOLDER'S WAIVERS. Lienholder waives any right to require Lender: (a) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (b) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any Superior Indebtedness secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (c) to resort for payment or to proceed directly or at once against any person, including Borrower; (d) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor or any other person; (e) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (f) to pursue any other remedy within Lender's power; or (g) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of Lender's rights under this Agreement. In particular, without limitation, Lender may, without notice of any kind to Lienholder, (a) make one or more additional secured or unsecured loans to Borrower; (b) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part thereof, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (c) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (d) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (e) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (f) apply such security and direct the order or manner of sale thereof, as Lender in its discretion may determine; and (g) assign this Agreement in whole or in part.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Agreement shall remain in full force and effect. Any default by Borrower under the terms of the Subordinated Indebtedness shall be a default under the terms of the Superior Indebtedness to Lender.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Applicable Law. This Subordination has been delivered to Lender and accepted by Lender in the State of Oregon. If there is a lawsuit, Lienholder and Borrower agree upon Lender's request to submit to the jurisdiction of the courts of Klamath County, State of Oregon. This Subordination shall be governed by and construed in accordance with the laws of the State of Oregon. No provision contained in this Agreement shall be construed (a) as requiring Lender to grant to Borrower or to Lienholder any financial assistance or other accommodations, or (b) as limiting or precluding Lender from the exercise of Lender's own judgment and discretion about amounts and times of payment in making loans or extending accommodations to Borrower.

Amendments. This Agreement constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration or amendment to this Agreement shall be effective unless made in writing and signed by Lender, Borrower, and Lienholder.

Attorneys' Fees; Expenses. Lienholder and Borrower agree to pay upon demand all of Lender's costs and expenses, including attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Subordination. Lender may pay someone else to help enforce this Subordination, and Lienholder and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Lienholder and Borrower also shall pay all court costs and such additional fees as may be directed by the court.

Successors. This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement, and the covenants of Borrower and Lienholder herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

Waiver. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No oral waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

EACH PARTY TO THIS SUBORDINATION AGREEMENT - LIEN ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND EACH PARTY AGREES TO ITS TERMS.

BORROWER:

Eugene D Rosterolla *Jerry D Rosterolla* *Yolanda Rosterolla*
Eugene D Rosterolla Jerry D Rosterolla Yolanda Rosterolla

LIEN HOLDER:

Eugene D Rosterolla *Jerry D Rosterolla* *Yolanda Rosterolla* *Jerry D Rosterolla*
Eugene D Rosterolla, Jerry D Rosterolla, Yolanda Rosterolla, and Jerry D Rosterolla

LENDER:

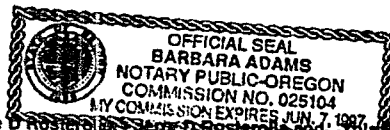
South Valley State Bank

By: *Hal Sturgeson*
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON

COUNTY OF KLAMATH



On this day before me, the undersigned Notary Public, personally appeared Eugene D Rosterolla, Jerry D Rosterolla, and Yolanda Rosterolla, to me known to be the individuals described in and who executed the Subordination Agreement, and acknowledged that they signed the Subordination as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 23RD day of NOVEMBER, 19 94.

By *Barbara Adams* Residing at KLAMATH FALLS
Notary Public in and for the State of OREGON My commission expires _____

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of S. Valley State Bank the 30th day of Nov A.D., 19 94 at 10:33 o'clock A.M., and duly recorded in Vol. M94 of Mortgages on Page 36446.

FEE \$15.00

Evelyn Biehn County Clerk
By *Quilene Millendore*

Notary Public in and for the State of _____

My commission expires _____

LENDER ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me, the undersigned Notary Public, personally appeared _____ and known to me to be the _____, authorized agent for the Lender that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of the said Lender, duly authorized by the Lender through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and that the seal affixed is the corporate seal of said Lender.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____