

## SUBORDINATION

THIS AGREEMENT, Made and entered into this 4 day of March, 1996, by and between South Valley State Bank, hereinafter called the first party, and HMR, Inc. an Oregon corporation, hereinafter called the second party; WITNESSETH:

John T. Bowers and Darlene M. Bowers hereinafter "Bowers", being the owners of the following described property in Klamath County, Oregon, to-wit:

See attached Exhibit "A"

executed and delivered to the first party Deeds of Trust (herein called the first party's liens) on said described property to secure the sums set forth hereafter.

Dated December 4, 1991, Recorded on January 30, 1992, in the microfilm Records of Klamath County, Oregon, in volume No. M92 at page 2056, securing the amount of \$380,578.35;

Dated April 22, 1992, Recorded on May 1, 1992, in the microfilm Records of Klamath County, Oregon, in volume No. M92 at page 9524, securing the amount of \$150,000;

Dated April 22, 1992, Recorded on May 1, 1992, in the microfilm Records of Klamath County, Oregon, in volume No. M92 at page 9527, securing the amount of \$200,000;

Dated October 2, 1992, Recorded on October 7, 1992, in the microfilm Records of Klamath County, Oregon, in volume No. M92 at page 23507, securing the amount of \$35,000;

Reference to the documents so recorded or filed hereby is made. The first party has never sold or assigned said liens and at all times since the date thereof has been and now is the owner and holder thereof and the debt thereby secured.

Second party has loaned the sum of \$292,500 to Bowers Excavating & Fencing, Inc., an Oregon Corp. Said loan is secured by a trust deed wherein HMR, Inc. an Oregon Corp. is the beneficiary and William M. Ganong is the trustee, and Bowers Excavating & Fencing, Inc., an Oregon Corp. is the grantor, dated November 9, 1994, recorded November 20, 1994 at Vol. M94, page 36376, Klamath County deed records, (hereinafter called the second party's lien) upon said property.

As consideration for the advancement of the lien priority of South Valley State Banks lien on other property owned by Bowers, first party has agreed and consented to subordinate first party's said liens as described above, to the second party's lien described above to the extent of \$50,000.

NOW, THEREFORE, for value received, the first party, its successors and assigns, hereby covenants, consents and agrees to and with the second party, its successors and assigns, that the said first party's liens on said described property as set forth above, are and shall always be subject and subordinate to the lien of the second party, to the limited amount of \$50,000 as aforesaid, and that second party's said lien in all respects shall be first, prior and superior to those of the first party described above.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the first party's said liens, except as hereinabove expressly set forth. Further the parties understand that this agreement is not intended to be construed as an agreement to subordinate the position of trust deed lien in favor of the first party dated May 11, 1993, recorded October 12, 1993, Vol. M93, page 26572 microfilm records of Klamath County, Oregon, wherein first party is the beneficiary and John T. Bowers and Darlene M. Bowers are the grantors, securing the sum of \$750,000.

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.

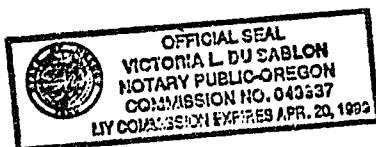
IN WITNESS WHEREOF, the undersigned has caused its corporate name to be signed and its corporate seal to be affixed hereunto by its officers duly authorized thereunto by order of its board of directors, all on this, the day and year first above written.

South Valley State Bank

by: Jim Mieloszyk  
Jim Mieloszyk Branch Manager

STATE OF OREGON        )  
                              ) ss.  
County of Klamath     )

This instrument was acknowledged before me on March 4, 1996, by Jim Mieloszyk, who is the Branch Manager of South Valley State Bank.



Victoria L. Du Sablon  
Notary Public for Oregon  
My commission expires: 4/20/99

## PARCEL 2

The Westerly half of the following described parcel, situate in Klamath County,  
Oregon:

Beginning at the Southwest corner of premises described in Deed from H. M. Mallory and Christine Mallory, husband and wife, to Fremont Glass & Millwork Co., recorded April 14, 1969 in Volume M69, page 2675, Microfilm Records of Klamath County, Oregon; thence South along the East line of washburn Way 40 feet to the true point of beginning; thence continuing South along the East line of washburn Way 200 feet to a point; thence East parallel to the South line of said Fremont Glass & Millwork Co. tract to a point on the East line of Lot 3, Block 4, THIRD ADDITION TO ALTAMONT ACRES, which point is South 94.55 feet from the Northeast corner of said Lot 3; thence North along the East line of Lot 2, Block 4, to a point which is 40 feet South of the Northeast corner of Lot 2, Block 4, of said subdivision; thence West parallel to the South line of said Fremont Glass & Millwork Co. tract to the true point of beginning.

*John Bowers* 5/12/93

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co the 12th day  
of March A.D., 19 96 at 3:59 o'clock P M., and duly recorded in Vol. M96  
of Mortgages on Page 6702

By Bernetha G. Letsch, County Clerk

FEE \$20.00