

AMER TITLE, has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein.

MTC 42464

REAL PROPERTY SUBORDINATION AGREEMENT

AFTER RECORDING, RETURN TO LENDER AT ITS ADDRESS SHOWN ABOVE.

BORROWER	GRANTOR
James J. Mieloszyk Karyn M. Mieloszyk	James J. Mieloszyk Karyn M. Mieloszyk
ADDRESS 135 Ridgecrest Dr. Klamath Falls, Oregon 97601 TELEPHONE NO. (541) 883-3366	ADDRESS 135 Ridgecrest Dr. Klamath Falls, Oregon 97601 TELEPHONE NO. (541) 883-3366

CREDITOR:

South Valley State Bank

For valuable consideration, the receipt and sufficiency of which is acknowledged, Creditor and Lender indicated above resolve the priority of their debts and security interests and agree as follows:

1. CREDITOR'S SECURITY INTEREST. Creditor owns and holds a Note(s) in the amount of \$ 51,700.00 and related Mortgage or Deed of Trust which was recorded in Book/Deed/Volume No. 194 at Page 11686 or as Records for Klamath County, Oregon encumbering the following described real property, all present and future improvements and fixtures located herein (the "Property"):

Lot 18, Block 2, TRACT NO. 1145, NOB HILL REPLAT, a subdivision of portions of NOB HILL, IRVINGTON HEIGHTS, MOUNTAIN VIEW ADDITION and ELDORADO HEIGHTS according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

2. LENDER'S SECURITY INTEREST AND CONDITION PRECEDENT. Borrower has requested a \$ 78,000.00 loan from Lender to be secured by a Mortgage or Deed of Trust on the Property from Grantor in favor of Lender. Lender is only willing to make the loan on condition that Creditor's security interest described in paragraph 1 be subordinated to the Mortgage or Deed of Trust to be executed in favor of Lender.

Lender's security interest will also secure, without limitation, all other sums due under the loan as amended from time to time, and such additional sums as Lender may advance under the provisions as to future advances, additional sums for the purpose of curing any of Borrower's defaults, interest on principal, and attorneys' fees and costs incurred by Lender in any proceedings arising out of or in connection with Lender's security interest, including proceedings to enforce or foreclose it, all as permitted by the terms and conditions of Lender's Mortgage or Deed of Trust.

3. SUBORDINATION OF CREDITOR'S SECURITY INTEREST. Creditor agrees that its security interest and all of Creditor's rights hereunder shall at all times be inferior and subordinate to the Lender's security interest and Lender's rights in the Property, including any extensions, renewals, or modifications, up to a maximum of \$ 78,000.00 (plus interest).

4. PRIORITY OF SECURITY INTERESTS. The priority of the security interests belonging to Creditor and Lender in the Property will be governed by this Agreement and not by the time or order in which the security interests were created or perfected, by recording in the appropriate Auditor's office, or otherwise.

5. WAIVER OF LIMITATIONS. Creditor waives any obligation of Lender to provide Creditor with notice of any or all amendments, extensions or renewals of the loan, additional advances or loans, notice of default, notice of acceleration of debt, notice of demand for payment or notice of repossession and the right of Creditor to require Lender to marshal any collateral. In addition, Lender may take or refrain from taking any action (including, but not limited to, making additional advances or loans) with respect to Borrower, any guarantor, or any collateral without notice to or the consent of Creditor and without affecting any of Lender's rights under this Agreement.

6. DOCUMENTATION AND NON-INTERFERENCE. Creditor will not prevent, hinder or delay Lender from enforcing its security interest. Creditor will execute and deliver to Lender such additional documents or other instruments as the Lender may deem necessary to carry out this Agreement.

7. TERMINATION. This Agreement will remain in full force and effect now and forever, despite the commencement of any federal or state bankruptcy, insolvency, receivership, liquidation or reorganization proceeding.

8. EFFECT ON BORROWER AND THIRD PARTIES. This Agreement will not affect the enforceability and priority of Creditor's and Lender's security interests in the Property and rights against the Borrower, Grantor, or any third party except as set forth herein.

9. REPRESENTATIONS AND WARRANTIES. Creditor represents and warrants to Lender that:

- Creditor has not assigned any of its rights of interest in the Property prior to the execution of this Agreement. Creditor shall not assign or transfer to others any claim that Creditor has or may have in the Property while any indebtedness of Borrower to Lender remains unpaid without the express written consent of the Lender;
- Creditor has obtained all consents and approvals needed to execute and perform its obligations under this Agreement;
- Creditor's execution and performance of its obligations under this Agreement will not violate any court order, administrative order or ruling, or agreement binding upon Creditor in any manner; and
- Creditor has conducted an independent investigation of Borrower's business affairs and was not induced to lend money or extend other financial accommodations to Borrower or execute this Agreement by any oral or written representation by Lender.

10. ASSIGNMENT. Lender shall be entitled to assign its security interest and its rights and remedies described in this Agreement without notice to Creditor.

11. SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon and inure to the benefit of Creditor and Lender and their respective successors, assigns, trustees, receivers, administrators, personal representatives, legatees, and devisees.

12. SEVERABILITY. If any provision of this Agreement violates the law or is unenforceable, the rest of the Agreement shall remain valid.

13. NOTICE. Any notice or other communication to be provided under this Agreement shall be in writing and sent to the parties at the addresses described in this Agreement or such other address as the parties may designate in writing from time to time.

14. APPLICABLE LAW. This Agreement shall be governed by the laws of the state in which the property is located. Creditor consents to the jurisdiction of any court located in the state in which the property is located in the event of any legal proceeding under this Agreement.

15. ATTORNEYS' FEES. Lender will be entitled to collect its reasonable attorneys' fees, legal expenses, and other costs in the event of any litigation pertaining to this Agreement.

16. JOINT AND SEVERAL. If there is more than one Creditor, their obligations shall be joint and several under this Agreement. Wherever the context requires, the singular form of any word shall include the plural.

17. INTEGRATION. This Agreement and any related documents represent the complete and integrated understanding between Creditor and Lender pertaining to the terms and conditions of this Agreement.

18. WAIVER OF JURY TRIAL. LENDER AND CREDITOR KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE THE RIGHT EITHER MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER OR IN CONJUNCTION WITH THIS AGREEMENT AND ANY OTHER AGREEMENT CONTEMPLATED TO BE EXECUTED IN CONJUNCTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY.

19. ADDITIONAL TERMS.

Creditor acknowledges that Creditor has read, understands, and agrees to the terms and conditions of this Agreement.

DATED:

CREDITOR: South Valley State Bank

CREDITOR:

By: William E. Castle

ESD

Title

LENDER:

CREDITOR:

Scott Lee Bowen

State of Oregon Idaho

County of Ada

This instrument was acknowledged before me on September 25, 1997 by Scott Lee Bowen

Notarial Officer

State of Oregon

County of KLAMATH

This instrument was acknowledged before me on

10-29-97

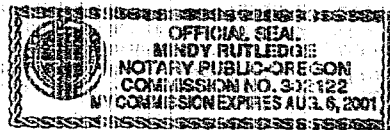
by

WILLIAM E. CASTLE

as EXECUTIVE VICE-PRESIDENT

of SOUTH VALLEY FINANCIAL TRUST

Notarial Officer



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 14th day of October A.D., 19 97 at 3:25 o'clock P. M., and duly recorded in Vol. M97 of Mortgages on Page 33825.

FEE \$15.00

Bernetha G. Leach, County Clerk

By Kathleen Ross

Notarial Officer

After recording return to Lender.