MTC 42810-LW Vol. 797 Page 39844

THIS AGREEMENT, made and entered into as of this 1st day of December 1997, by and to come of between RUNNING Y RESORT, INC an Oregon Corporation, hereinafter called the first party, and Bank of Southern Oregon, hereinafter called the second party, WITNESSETHandwender and the

On or about May 4, 1997, Stanley Sesar, Jr., as sole and separate property, of the following described property in Klamath County, Oregon, to-wit Lot 169 within the plat of RUNNING Y RESORT, PHASE 2 recorded October 3,1997, in the office of the County Recorder, Klamath County, Oregon, executed and delivered to the first party a certain Trust Deed on the property, which lien was recorded on May 16, 1997, in the Microfilm Records of Klamath County, Oregon, in volume M97 at page 15097. Reference to the document so recorded or filed hereby is made. The first party has never sold or assigned first party's lien and at all times since the date thereof has been and now is the owner and holder thereof and the debt thereby secured.

The second party is about to loan the sum of \$168,700.00 to the present owner of the property, with interest thereon at a rate not exceeding 10.5% per annum. This loan is to be secured by the present owner's interest thereon at a rate not exceeding 10.5% per annum, This loan is to be secured by the present owner's Trust Deed (hereinafter called the second party's lien) upon the property and is to be repaid not more than six (6) months from its date.

To induce the second party to make the loan last mentioned, the first party heretofore has agreed and consented to subordinate first party's lien to the lien about to be taken by the second party as above set forth.

Notar Poble to Origa NOW, THEREFORE, for value received, and for the purpose of inducing the second party to make the loan aforesaid, the first party, first party's personal representatives (or successors) and assigns hereby covenants, consents and agrees to and with the second party, second party's personal representatives (or successors) and assigns, that the first party's lien on the property is and shall always be subject and subordinate to the lien about to be delivered to the second party, as aforesaid, and that second party's lien in all respects shall be first, prior and superior to that of the first party, provided always, however, that if second party's lien is not duly filed or recorded or an appropriate financing statement thereon duly filed within thirty (30) days after the date hereof, this subordination agreement shall be null and void and of no force or effect. In the event of default by Stanley Sesar, Jr. and Ramon M. Hedges on the second party loan described herein, the second party agrees to provide the first party with written notice of such default. It is further agreed by the second party that it will provide the first party a thirty (30) day period from the date of such notice during which the first party may, at it sole option, cure said default. Providing this notice and the period during which first party may cure such default shall not be construed as an obligation of first party to cure defaults on the second party loan.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the first party's lien, except as hereinabove expressly set forth. In construing this subordination agreement, and where the context so requires, the singular includes the plural, and all grammatical changes shall be made so that this agreement shall apply equally to corporations and to individuals. of caution the chood

IN WITNESS WHEREOF, the undersigned has hereunto set his hand and seal; if the undersigned is a corporation, it 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. Leadly - hand's

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