

65724
AFTER RECORDING RETURN TO:
South Valley Bank & Trust
P.O. Box 5210
Klamath Falls, OR 97601

98 OCT 20 AM 11:36

Vol M98 Page 33367

MTC 45851-LW
SUBORDINATION AGREEMENT

THIS AGREEMENT, made and entered into as of this 17 day of September, 1998, by and between RUNNING Y RESORT, INC. an Oregon Corporation hereinafter called the first party, and South Valley Bank & Trust, hereinafter called the second party; WITNESSETH:

On or about September 4, 1998, C Corp, an Oregon corporation, being the owner of the following described property in Klamath County, Oregon, to-wit Lot 272 within the plat of Running Y Resort (Phase 3) recorded July 25, 1997 in the office of the County Recorder, Klamath County, Oregon, executed and delivered to the first party a certain Trust Deed and Fixture Filing (herein called the first party's lien) on the property, which lien was recorded on September 4, 1998 in the Official Records of Klamath County, Oregon in volume M98 at page 3261. 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 \$170,300 to the present owner of the property, with interest thereon at rate not exceeding 9.125 percent 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 thirty (30) years from its date, unless extended by second party.

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.

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 C. Corp 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 its 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 herein above 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.

IN WITNESS WHEREOF, the undersigned has executed this agreement; if the undersigned is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

First Party:
RUNNING Y RESORT, INC.
An Oregon Corporation

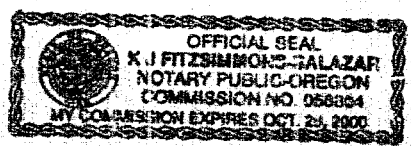
Second Party:
SOUTH VALLEY BANK & TRUST

By Lauri J. Miller, Assistant Secretary
Lauri J. Miller, Assistant Secretary

By Beth T. Crowl

STATE OF OREGON)
County of Klamath) SS.

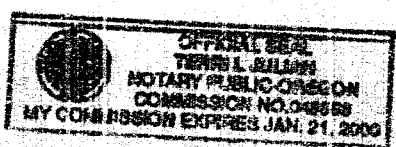
The foregoing instrument was acknowledged before me this 17th day of SEPTEMBER 1998, by Lauri J. Miller, as Assistant Secretary of Running Y Resort, Inc. an Oregon Corporation.



K. J. Fitzsimmons-Salazar
Notary Public, State of Oregon
My commission expires 10/24/2000

STATE OF OREGON, County of Klamath) SS.

The foregoing instrument was acknowledged before me this 20th day of October 1998 by Beth T. Crowl, the Manager of Sus of South Valley Bank & Trust.



Terrell L. Gilliam
Notary Public, State of Oregon
My commission expires 1/21/2000

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle of October A.D., 19 98 at 11:36 o'clock A. M., and duly recorded in Vol. M98 of Mortgages on Page 38387

FEE \$15.00
By Bernetha G. Letsch, County Clerk
Kathleen Ross