

RECOMMENDATION REQUESTED BY:

Washington Mutual Bank doing business as Western Bank
401 South 7th Street
P.O. Box 600
Klamath Falls, OR 97601-0922

Vol. 1712 Page 1647

WHEN RECORDED MAIL TO:

Washington Mutual Bank doing business as Western Bank
401 South 7th Street
P.O. Box 600
Klamath Falls, OR 97601-0922

SEND TAX NOTICES TO:

William Ellis Adams
247 Gage Road
Klamath Falls, OR 97601

15-5332

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE ONLY

SUBORDINATION AGREEMENT - DEED OF TRUST

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 January 13, 1998 is entered into among William E. Adams, an estate in fee simple ("Borrower"), Klamath County Title Company ("Trustee"), Western Bank, a division of Washington Mutual Bank ("Beneficiary") and Washington Mutual Bank doing business as Western Bank ("Lender").

SUBORDINATED INDEBTEDNESS. Beneficiary has extended the following described financial accommodations (the "Subordinated Indebtedness") to William E. Adams ("Trustor"):

a Note in the sum of \$25,000.00, dated May 6, 1996, in favor of Western Bank, a division of Washington Mutual Bank.

SUBORDINATED DEED OF TRUST. This Subordinated Indebtedness is secured by a deed of trust dated 01-06-1996 from Trustor to Klamath County Title Company as Trustee in favor of Beneficiary (the "Subordinated Deed of Trust") recorded in Klamath County, State of Oregon as follows:

Recorded May 7, 1996 in Volume 800, page 13033, Klamath County records of Klamath County, Oregon

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

Lot 1, Block 19, LINKVILLE, (new City of Klamath Falls), according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, and a portion of vacant 3rd Street, 120 feet in length and 2 feet wide, adjacent to said Lot 1, EXCEPTING a strip of land 8 feet wide of the Northern end thereof for use for an alley through said block.

The Real Property or its address is commonly known as 235 Main Street, Klamath Falls, OR 97601. The Real Property tax identification number is R476087.

REQUESTED FINANCIAL ACCOMMODATIONS. Borrower, who may or may not be the same person as Trustor, and Beneficiary 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 Beneficiary each represent and acknowledge to Lender that Beneficiary will benefit as a result of these financial accommodations from Lender to Borrower, and Beneficiary acknowledges receipt of value or 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 deed of trust or other lien on the Real Property ("Lender's Lien") be and remain superior to the Subordinated Deed of Trust.

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

SUBORDINATION. The Subordinated Deed of Trust 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 Deed of Trust. Beneficiary also subordinates to Lender's Lien all other Security Interests in the Real Property held by Beneficiary, whether now existing or hereafter acquired. The words "Security Interest" mean and include without limitation any type of collateral security, whether in the form of a lien, charge, mortgage, deed of trust, assignment, pledge, chattel mortgage, chattel trust, factor's 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.

BENEFICIARY'S REPRESENTATIONS AND WARRANTIES. Beneficiary represents and warrants to Lender that: (a) no representations or agreements of any kind have been made to Beneficiary 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 Beneficiary as to the creditworthiness of Borrower; and (d) Beneficiary has established adequate means of obtaining from Borrower on a continuing basis information regarding Borrower's financial condition. Beneficiary agrees to keep adequately informed from such means of any facts, events, or circumstances which might in any way affect Beneficiary's risk under this Agreement, and Beneficiary further agrees that Lender shall have no obligation to disclose to Beneficiary information or material acquired by Lender in the course of its relationship with Borrower.

BENEFICIARY'S WAIVERS. Beneficiary 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 prepayment, 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 report for payment or to proceed directly or indirectly 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 Beneficiary, (a) make one or more additional secured or unsecured loans to Borrower; (b) repeatedly alter, compromise, renege, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part thereof, including increased and decreased of the rate of interest on the Superior Indebtedness; extensions may be reported and may be for longer than the original loan term; (c) take and hold collateral for the payment of the Superior Indebtedness, and exchange, on once, waive, and release any such collateral with or without the substitution of new collateral; (d) release, subordinate, agree not to sue, and deal with any one or more of Borrower's sureties, endorser, 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 Agreement:

Applicable Law. This Agreement has been delivered to Lender on, accepted by Lender in the State of Oregon. If there is a lawsuit, Beneficiary

and Borrower agree upon Lender's request to be governed by and construed in accordance with as requiring Lender to grant to Borrower or Beneficiary the exercise of Lender's own 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 Beneficiary.

Attorneys' Fees; Expenses. Beneficiary and Lender's legal expenses, incurred in connection with the enforcement of this Agreement, and Beneficiary and Borrower shall pay the costs and expenses (whether or not there is a lawsuit, including attorneys' fees and legal expenses) for bankruptcy proceedings (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 Beneficiary 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 Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender of a provision of this Agreement shall constitute a waiver of any of Lender's rights or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Beneficiary, shall constitute a waiver of any of Lender's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, 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 AN IMPROVEMENT OF THE LAND.

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

BORROWER:

William E. Adams
William E. Adams

TRUSTEE:

Clatsop County Title Company *and Trust Agreement*
David E. Adams
Authorized Signer

BENEFICIARY:

Washington Mutual Bank a division of Washington Mutual Bank

[Signature]
Authorized Officer

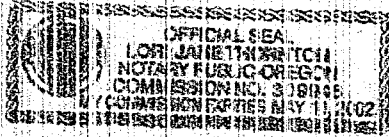
LENDER:

Washington Mutual Bank doing business as Washington Bank

[Signature]
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath



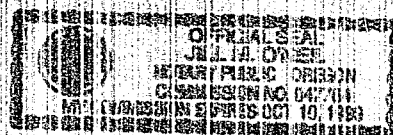
On this day before me, the undersigned Notary Public, personally appeared William E. Adams, to me known to be the individual described in and who executed the Subordination Agreement, and acknowledged that he is the person who signed the Agreement as his or her free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and the seal of said State this 14 day of January, 19 99.
Notary at Klamath Falls, Oregon
My commission expires 5/11/2002

Notary Public in and for the State of Oregon

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath



On this 19 day of Jan, 1999, before me, the undersigned Notary Public, personally appeared Authorized Signer of Klamath County Title Company, and known to me to be authorized agents of the corporation that executed the Subordination Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Agreement and in fact executed the Agreement on behalf of the corporation.

By James D. Hall

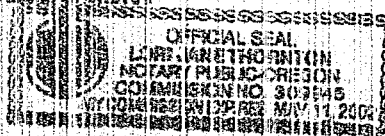
Residing at Klamath Falls, OR

Notary Public in and for the State of

My commission expires 10/10/99

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath



On this 14th day of January, 1999, before me, the undersigned Notary Public, personally appeared Authorized Signer of Western Bank, a division of Washington Mutual Bank, and known to me to be authorized agents of the corporation that executed the Subordination Agreement and acknowledged the Agreement to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that they are authorized to execute this Agreement and in fact executed the Agreement on behalf of the corporation.

By Charles R. Skyles

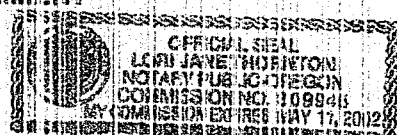
Residing at Klamath Falls, Oregon

Notary Public in and for the State of Oregon

My commission expires 5/11/2002

LENDER ACKNOWLEDGMENT

STATE OF Oregon
COUNTY OF Klamath



On this 14th day of January, 1999, before me, the undersigned Notary Public, personally appeared Charles R. Skyles and known to me to be the AVP/Assistant Manager, 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 instrument and that the seal affixed is the corporate seal of said Lender.

By Charles R. Skyles

Residing at Klamath Falls, Oregon

Notary Public in and for the State of Oregon

My commission expires 5/11/2002

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STATE OF OREGON, COUNTY OF KLAMATH:

Filed for record at request of 21st American Title the 19th day of January, A.D. 1999, at 11:13 o'clock A.M. and duly recorded in Vol. 1492 of Mortgages on Page 1647

RECEIVED \$20.00 Linda Smith, County Clerk

By Linda Smith