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RECORDING REQUESTED BY

WHEN RECORDED MAIL TO

WELLS FARGO BANK, N.A.
The William Barnhart Center at Hillsboro
Attn: Collateral Control
P.O. Box 5140
Portland, OR 97208-5140

MTC 47001-MG

Loan No. 113-001-1476491-001 MB

SUBORDINATION AGREEMENT

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, made this January 27, 1999 by WELLS FARGO BANK, N. A. (hereinafter referred to as Mortgagee), present owner and holder of the Mortgage and note first hereafter described, in favor of FOREST PRODUCTS FEDERAL CREDIT UNION (hereinafter referred to as "Lender");

WITNESSETH

THAT WHEREAS, Michael N. Herron and Charlene K. Herron (hereinafter referred to as "Owner") did execute a Mortgage, dated August 26, 1996 to First Interstate Bank Of Oregon, N. A., as Mortgagee, covering that certain real property described as follows:

THE LEGAL DESCRIPTION IS ATTACHED HERETO AND MADE A PART HEREOF
APN: 3809-02200-00500

to secure a note in the sum of \$25,359.50, dated August 26, 1996, in favor of First Interstate Bank Of Oregon, N. A., which Deed of Trust was recorded August 27, 1996, as VOL. M96, PAGE 26518, Official Records of said county, and

WHEREAS, Owner has executed, or is about to execute, a Deed of Trust and note not to exceed the sum of \$180,000.00, dated February 3, 1999, in favor of lender, payable with interest and upon the terms and conditions described therein, which Deed of Trust is to be recorded concurrently herewith; and

WHEREAS, it is a condition precedent to obtaining said loan that said Deed of Trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Deed of Trust first mentioned, Owner has requested Beneficiary to subordinate Beneficiary's lien to the lien about to be taken by the Lender; and

WHEREAS, Lender is willing to make said loan provided the Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Deed of Trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of the Lender; and

WHEREAS, it is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the Deed of Trust securing the same shall, when recorded, constitute a lien or

change upon said land which is unconditionally prior and superior to the lien or charge of the Deed of Trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed to as follows:

- (1) That said Deed of Trust securing said note in favor of Lender, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the Deed of Trust first above mentioned.
- (2) That Lender would not make its loan above described without this subordination agreement.
- (3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any, contained in the Deed of Trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that:

- (a) It consents to and approves (i) all provisions of the note and Deed of Trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan.
- (b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part.
- (c) It intentionally waives, relinquishes and subordinates the lien or charge of the Deed of Trust first above mentioned in favor of the lien or charge upon said land of the Deed of Trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and
- (d) An endorsement has been placed upon the note secured by the Deed of Trust first above mentioned that said Deed of Trust has by this instrument been subordinated to the lien or charge of the Deed of Trust in favor of Lender above referred to.

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 IMPROVEMENT OF LAND.

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MORTGAGEE:

WELLS FARGO BANK, N. A.

BY:

G. E. KLEIN, BANKING OFFICER

STATE OF:

OREGON

COUNTY OF:

WASHINGTON

) SS
)

On January 27 1999 before me the undersigned, a Notary Public in and for said state personally appeared, G. E. KLEIN, BANKING OFFICER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledge to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Rosario A. Sandoval
Notary Public in and for said County and State

NOTARY STAMP OR SEAL

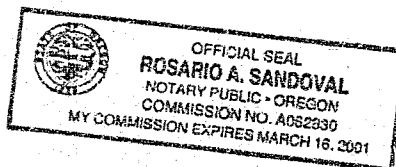


EXHIBIT "A" LEGAL DESCRIPTION

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A tract of land located in the E1/2 of the SE1/4 of the NW1/4 of Section 22, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Commencing at the Southeast corner of the NW1/4 of Section 22; thence North 00 degrees 46' 35" East, along the East boundary of the NW1/4, 523.49 feet; thence North 53 degrees 32' 36" West, 60.00 feet to the true point of beginning of this description; thence South 55 degrees 06' 23" West, 753.42 feet to the West boundary of the E1/2 of the SE1/4 of the NW1/4; thence North 30 degrees 38' 07" East along the West boundary of the E1/2 of the SE1/4 of the NW1/4, 1039.87 feet; thence Southeasterly 85.60 feet along the arc of a 100.00 foot radius curve to the right (long chord = South 76 degrees 09' 26" East, 63.01 feet); thence South 51 degrees 38' 02" East 170.98 feet; thence Southeasterly 188.56 feet along the arc of a 560.00 foot radius curve to the right (long chord = South 41 degrees 59' 17" East, 187.67 feet); thence South 32 degrees 20' 31" East 212.06 feet; thence Southeasterly 125.56 feet along the arc of a 609.56 foot radius curve to the left (long chord = South 42 degrees 55' 34" East, 224.28 feet) to the true point of beginning.

TOGETHER WITH an easement 60 feet in width, measured at right angles, situated in Section 22, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, to which the centerline is more particularly described as follows:

Beginning at a point on the Northwesterly right of way line of that certain county road known as "Old Fort Road", from which the center one-quarter corner of said Section 22 bears North 84 degrees 26' 00" West, 1041.44 feet; thence from said point of beginning, North 50 degrees 03' 34" West 9.54 feet; thence along the arc of a 630.00 foot radius curve to the left (Delta = 17 degrees 46' 53", Long Chord = North 58 degrees 57' 00" West, 256.55 feet) 187.39 feet; thence North 67 degrees 50' 27" West, 64.34 feet; thence along the arc of a 800.00 foot radius curve to the right (Delta = 06 degrees 59' 19", Long Chord = North 64 degrees 20' 48" West, 97.52 feet) 97.58 feet; thence North 60 degrees 51' 03" West, 317.03 feet; thence along the arc of a 1400.00 foot radius curve to the right (Delta = 07 degrees 18' 32", Long Chord = North 57 degrees 11' 52" West, 178.47 feet) 178.59 feet; thence North 53 degrees 12' 36" West 283.39 feet to a point on the East line of the E1/2 of the SE1/4 of the NW1/4 of said Section 22 and the end of this easement, said point being further described as being North 00 degrees 46' 35" East, 523.49 feet from said center one-quarter corner of Section 22.

STATE OF OREGON : COUNTY OF KLAMATH:

ss.

Filed for record at request of Averitt the 8th day
of February A.D. 1999 at 11:20 o'clock A. M., and duly recorded in Vol. M99
of Mortgages on Page 4517

FEE \$25.00

Linda Smith, County Clerk

by Kathleen Rose