

RECORDATION REQUESTED BY:

Washington Mutual Bank doing business as Western Bank
421 South 7th Street
P.O. Box 669
Klamath Falls, OR 97601-0322

99 APR 23 P3:45

Vol 1199 Page 15374

WHEN RECORDED MAIL TO:

Washington Mutual Bank doing business as Western Bank
421 South 7th Street
P.O. Box 669
Klamath Falls, OR 97601-0322

SEND TAX NOTICES TO:

Ralph A. Breitenstein and Donelle R. Breitenstein
2622 Campus Drive
Klamath Falls, OR 97601

MTC 47829

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 April 20, 1999 is entered into among Ralph A. Breitenstein and Donelle R. Breitenstein, as tenants by the entirety ("Borrower"), Klamath County Title Company ("Trustee"), A. R. Breitenstein and Ellen Breitenstein ("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 Ralph A. Breitenstein and Donelle R. Breitenstein ("Trustor"):

a Note in the sum of \$45,000.00 dated January 19, 1995.

SUBORDINATED DEED OF TRUST. The Subordinated Indebtedness is secured by a deed of trust dated 01-10-1995 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 January 13, 1995, in Volume M95 page 1008, Mortgage 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:

Parcel 1 of Land Partition 31-93, situated in the NE 1/4 SE 1/4 and SE 1/4 NE 1/4 of Section 2, Township 39 South, Range 8 East of the Willamette Meridian, on file in the office of the County Clerk of Klamath County, Oregon.

The Real Property or its address is commonly known as **6011 Breitenstein Lane, Klamath Falls, OR 97601.** The Real Property tax identification number is Account No. 3508-200-800, Key No. 490696 & 583559.

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 valuable 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 risks 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 presentment, 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 resort for payment or to proceed directly or at once 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, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part thereof, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (c) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (d) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, 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 also 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 and accepted by Lender in the State of Oregon. If there is a lawsuit, Beneficiary and Borrower agree upon Lender's request to submit to the jurisdiction of the courts of Klamath County, State of Oregon. This Agreement shall be

governed by and construed in accordance with the laws of the State of Oregon. No provision contained in this Agreement shall be construed (a) as requiring Lender to grant to Borrower or to Beneficiary any financial assistance or other accommodations, or (b) as limiting or precluding Lender from the exercise of Lender's own judgment and discretion about amounts and times of payment in making loans or extending 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 of or amendment to this Agreement shall be effective unless made in writing and signed by Lender, Borrower, and Beneficiary.

Attorneys' Fees; Expenses. Beneficiary and Borrower agree to pay upon demand all of Lender's costs and expenses, including attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may pay someone else to help enforce this Agreement, and Beneficiary and Borrower shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (and including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Beneficiary and Borrower also shall pay all court costs 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 in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice 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 rights or of any of Beneficiary'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 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:

x Ralph A. Breitenstein
Ralph A. Breitenstein

x Donelle R. Breitenstein
Donelle R. Breitenstein

TRUSTEE:

Klamath County Title Company

x Debbie Durant
Authorized Signer

BENEFICIARY:

x A. R. Breitenstein and Ellen Breitenstein
A. R. Breitenstein and Ellen Breitenstein

LENDER:

Washington Mutual Bank doing business as Western Bank

By: Fred Kessel
Authorized Officer

INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON)
) SS
COUNTY OF KLAMATH)

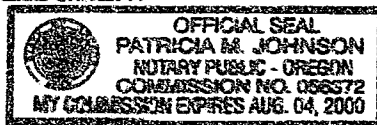


On this day before me, the undersigned Notary Public, personally appeared Ralph A. Breitenstein and Donelle R. Breitenstein, to me known to be the individuals described in and who executed the Subordination Agreement, and acknowledged that they signed the Agreement as their free and voluntary act and deed, for the uses and purposes therein mentioned.

Given under my hand and official seal this 20th day of APRIL, 1999.
By Ann Cook Hampton Residing at Klamath Falls, OR
Notary Public in and for the State of OREGON My commission expires 01-03-03

CORPORATE ACKNOWLEDGMENT

STATE OF Oregon)
) SS
COUNTY OF Klamath)

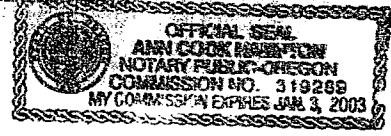


On this 22nd day of April, 1999, before me, the undersigned Notary Public, personally appeared Authorized Signer of Klamath County Title Company, and known to me to be authorized agents of the corporation that executed the Subordination Agreement and acknowledged the Agreement to be the free and voluntary 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 Patricia M. Johnson Residing at _____
Notary Public in and for the State of Oregon My commission expires Aug 4, 2000

INDIVIDUAL ACKNOWLEDGMENT

STATE OF OREGON)
) SS
COUNTY OF KLAMATH)



On this day before me, the undersigned Notary Public, personally appeared A. R. Breitenstein and Ellen Breitenstein, to me known to be the individual described in and who executed the Subordination Agreement, and acknowledged that he or she 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 official seal this 20th day of APRIL, 1999.
By Ann Cook Hampton Residing at Klamath Falls, OR
Notary Public in and for the State of Oregon My commission expires 01-03-03

LENDER ACKNOWLEDGMENT

STATE OF OREGON)
) SS
COUNTY OF KLAMATH)



On this 20th day of APRIL, 1999, before me, the undersigned Notary Public, personally appeared FRED RYDAL and known to me to be the TEAM LEADER, 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 said instrument and that the seal affixed is the corporate seal of said Lender.

By Ann Cook Hampton Residing at Klamath Falls, OR
Notary Public in and for the State of OREGON My commission expires _____

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STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 23rd day
of April A.D., 1999 at 3:45 o'clock P M., and duly recorded in Vol. M99
of Mortgages on Page 15174

FEE \$20.00

by Linda Smith, County Clerk