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When Recorded Return To:

U.S. Small Business Administration
Attn: Control Unit
2719 N. Air Fresno Drive, Suite 107
Fresno, CA 93727-1547

Loan No. 6156463001
Loan Name Down Enterprises

space above line for recorder

SUBORDINATION AGREEMENT OF TRUST DEED

This agreement, dated for reference April 3, 2001, is between Down Enterprises and Barbara J. Down trustee the Barbara J. Down living trust agreement dated November 2, 1989, owner(s) of the land described in the security instruments referenced below ("Owner"), Klamath First Federal Savings and Loan Association ("Lender") and the U.S. Small Business Administration ("SBA").

SBA is the holder and beneficiary of the Deed(s) of Trust or Mortgage(s), dated February 5, 1994, given to secure an obligation(s) in the sum(s) of \$23,700.00 ("SBA Security Instrument(s)"). The SBA Security Instrument(s) were recorded on February 10, 1994 as Document Number(s) volume M. 94, page 4650, Klamath County Official Records. Owner has, or is about to, execute a Deed of Trust or Mortgage and note in a sum not to exceed \$129,000.00 a dated _____, in favor of Lender ("Lender's Security Instrument"), which is being recorded concurrently with this agreement (or has already been recorded).

To induce Lender to make a loan to Owner, SBA is willing to subordinate the lien(s) of its Security Instrument(s) provided it retains its lien priority in respect to all other legal or equitable interests in the property. Accordingly, it is agreed as follows:

1. Lender's Security Instrument, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA Security Instrument(s).
2. Lender will not make any additional advances under its Security Instrument except disbursements necessary to protect its security interest for which Owner is liable under Lender's loan documents. Any other additional advances shall be subordinate to the lien of the SBA Security Instrument(s).
3. This agreement, together with the related SBA approval letter dated on or about 3-12-01, shall be the whole agreement with regard to the subordination of the SBA Security Instrument(s) to Lender's Security Instrument, subject to SBA regulations and all terms of the SBA loan authorization.
4. Except as expressly provided herein, this agreement shall not operate or be construed to alter the priority of the SBA Security Instrument(s) in respect to any other legal or equitable interest in the property. Owner and Lender shall hold SBA harmless from any impairment of its lien (vis-à-vis a third party) which is occasioned by this subordination.

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5. Proceeds of Lender's loan may be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Security Instrument(s), reasonable closing costs, for improvements to the property and as set forth in the SBA approval letter referenced above and incorporated herein. This agreement is only enforceable to the extent loan proceeds are applied as set forth herein. Lender's Security Instrument must be recorded prior to the commencement of any work of improvement on the encumbered property which is financed by Lender's loan.
6. Lender shall provide notice to SBA of any monetary default under the terms of the Lender's Security Instrument which remains uncured for 60 days. SBA may cure a default in the obligation secured by Lender's Security Instrument (including purchase of the property at or prior to foreclosure) via cash, certified funds or a *United States Treasury check*, at SBA's option. Except for acceleration of the maturity upon default and lawful foreclosure/receivership, SBA's rights shall not be subject to default provisions in Lender's Security or Debt Instrument(s) including, but not limited to, a default rate of interest, late charges, additional loan fees, or similar penalty provisions.
7. This subordination agreement is void if not duly executed by Owner, Lender, SBA, the SBA Borrower(s) and all Guarantors of the SBA loan.

Down Enterprises

By William A. Down

Barbara J. Down
Barbara J. Down trustee of the Barbara J. Down
living trust agreement dated November 2, 1989

By Suzanne L. Down

Klamath 1st Federal
~~Western Security Bank~~

U.S. SMALL BUSINESS ADMINISTRATION

By: Steve C. Allen



Steven K. Davidson 4/3/01

STEVEN K. DAVIDSON

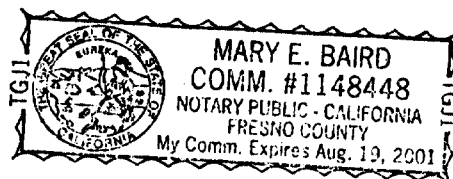
(PLEASE TYPE OR PRINT NAME AND TITLE)

State of California
County of Fresno

On 4/3/01 before me, Mary E. Baird, a Notary Public,
personally appeared Steven K. Davidson, personally
known to me (or proved on the basis of satisfactory evidence) to be the person whose name is subscribed to the
within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by
his/her signature on the instrument the person or the entity upon behalf of which the person acted, executed the
instrument.

Signature

Mary E. Baird



State of Oregon, County of Klamath
Recorded 04/06/01, at 2:13 p. m.
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Linda Smith,
County Clerk Fee \$ 26.00