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SUBORDINATION AGREEMENT
OF TRUST DEED

STATE OF Oregon)
) SS.
COUNTY OF Klamath)

This agreement is made as of the 11th day of September, 2001 by the South Valley Bank & Trust hereafter referred to as the "Beneficiary").

WITNESSETH:

WHEREAS, on April 13, 2001, Gerald O. and Nelda A. Herman husband and wife, (hereinafter collectively referred to as "Borrower") executed a Deed of Trust (hereinafter referred to as the "Deed of Trust") to Beneficiary, encumbering the real property described on Exhibit A and certain fixtures and personal property described in the Deed of Trust (such real and personal property and fixtures, any and all leases, rents, issues, profits and contracts relating thereto being hereinafter referred to as the "Property"), to secure a promissory note in the original principal sum of \$50,000.00, recorded as Volume Number M01, page 18298, on April 24, 2001, and modified by instrument in the amount of \$300,000.00 dated May 15, 2001, Volume No. M01, page 23030 recorded on May 18, 2001 and modified by instrument in the amount of \$600,000.00 dated July 27, 2001 in Volume No. M01 page 43510 recorded August 27, 2001 in the records of the County Recorder of Klamath County, OR; and

WHEREAS, a refinance instrument is to be filed for record contemporaneously with this Agreement in the records of Klamath County, OR being made to Borrowers by Washington Mutual Bank FA "Lender") refinancing that certain Deed of Trust ("Security Instrument") in the original principal sum of \$ 168,750.00 dated June 16, 1998 recorded June 23, 1998 as Volume M98, page 21932, Official Records of the County Recorder of Klamath County, OR; and

WHEREAS, Lender requires as a condition of the Loan , that Beneficiary subordinate the Deed of Trust, together with all other documents now or hereafter evidencing, securing or otherwise relating to any of the obligations secured or to be secured by the Deed of Trust, to the documents evidencing and securing the Loan from Lender so that such Loan documents shall create a lien upon the Property superior to the Deed of Trust and the indebtedness thereby secured;

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NOW, THEREFORE, Beneficiary, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agrees, notwithstanding any provision of the Deed of Trust or any instrument or document relating thereto, that the lien of the Deed of Trust and all rights of Beneficiary in and to the Property, including but not limited to any and all interest, rights powers and remedies arising under or by virtue of the Deed of Trust, or any and all other instruments now or hereafter evidencing, securing or otherwise relating to any of the obligations expressly subordinate to, and does hereby subordinate and declare to be subordinate the lien of the Deed of Trust and the aforesaid interests, rights, powers and remedies to (i) the lien of the Lender, evidenced by the Security Instrument, (ii) the indebtedness secured by the Security Instrument, including without limitation, all sums or debts now or hereafter secured thereby, and all interest accrued or to accrue on any of such indebtedness, (iii) all other loan documents executed in connection with the Loan, and (iv) any modifications, amendments, renewals, replacements and alterations of the Security Instrument or the note or notes secured thereby. Beneficiary further agrees that in the event of default under the Deed of Trust or default under the Security Instrument and the foreclosure by Beneficiary or Lender under their respective security instruments, all right, lien and claim of Beneficiary in and to the Property under the Deed of Trust shall be subordinate to and payable only following complete satisfaction of all right, lien and claim of Lender in and to the Property under the Security Instrument.

Beneficiary hereby acknowledges that Lender shall rely upon this Agreement in the refinancing of said stated deed of trust which shall be secured by the Security Instrument, and that Lender shall have been induced to refinance the Loan by the representations and agreements made by Beneficiary herein.

This Agreement shall be construed in accordance with the laws of the State of OR.

Beneficiary, South Valley Bank & Trust

Its: _____

Attest: _____

Its: _____

Witness

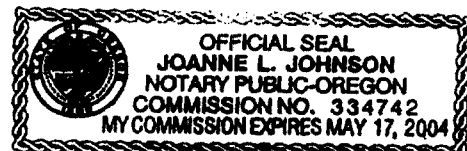
STATE OF Oregon,
COUNTY OF Klamath SS.

On Sept 11, 2001 before me, Joanne L Johnson
a Notary Public in and for said County and State, personally appeared Steve Van Buren
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 acknowledged 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

Signature Joanne L Johnson

(This area for official notarial seal)



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EXHIBIT "A"
LEGAL DESCRIPTION

A parcel of land situate in the N1/2 of Section 2, Township 41 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Beginning at the Northwest corner of Section 2, Township 41 South, Range 10 East of the Willamette Meridian; thence East along the North boundary line of said Section 2, 897.40 feet; thence South 1,938.42 feet; thence West 2,830.74 feet to the East meander line of Lost River; thence Northerly following said meander line 695.64 feet to an intersection of said line with the West boundary line of said section; thence North 1,302.84 feet to the place of beginning.

EXCEPTING THEREFROM the right of way for the Great Northern Railway as described in Correction Deed recorded October 13, 1932 in Volume 99, Page 108, Deed Records of Klamath County, AND EXCEPTING THEREFROM that portion thereof lying Westerly of the right of way of the Dalles-California Highway as conveyed to Thomas P. Barry and Winnifred Barry by Deed dated April 25, 1945 and recorded in Volume 180 at page 211 of Deed Records of Klamath County, Oregon.

AND FURTHER EXCEPTING that property described in Deed recorded January 6, 1964 in Volume 350, page 265, Microfilm Records of Klamath County, Oregon.

State of Oregon, County of Klamath
Recorded 10/01/01 at 11:30 a. m.
In Vol. M01 Page 50029
Linda Smith,
County Clerk Fee \$ 31.00