

NJC-61754 MS

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ALTERNATIVE FINANCIAL SERVICES

Irwin Home Equity
 Attn: Loan Servicing Dept.
 12677 Alcosta Boulevard (Suite 500)
 San Ramon, California 94583
 Acct. No. 1446681

State of Oregon, County of Klamath
 Recorded 08/20/2003 3:34 P m
 Vol M03 Pg 61131-35
 Linda Smith, County Clerk
 Fee \$ 41.00 # of Pgs 5

SEND TAX NOTICES TO:

Joseph A. & Christine D. McKenzie
6405 Harlan Drive
Klamath Falls, OR 97603

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (the "Agreement") is entered into among JOSEPH A. MCKENZIE & CHRISTINE D. MCKENZIE, whose address is 6405 HARLAN DR. KLAMATH FALLS, OR 97603 ("Borrower"), WATERFIELD FINANCIAL SERVICES ("Lender") whose address is 150 W. KIRKSON BLVD. TITUSVILLE, FL 32784 and Mortgage Electronic Registration Systems, Inc., as nominee for beneficial owner, MERN#, 0001353 0001446681 7 ("Creditor"), whose address is P.O. Box 2026, Flint, MI 48501-2026, creditor holds a security interest in Borrower's real property in the form of a deed of trust in the original amount of \$50,000.00 which has been recorded on AUGUST 20, 2002 as Document No. N/A, VOLUME M02, PAGE 46934, of Official Records in the County Recorder's office of KLAMATH County, Oregon. Borrower and Creditor each want Lender to provide financial accommodations to Borrower in the form of a new loan. To induce Lender to make these financial accommodations to Borrower, Creditor is willing to subordinate its security interest in Borrower's real property to Lender's security interest in this same collateral which will be secured by a deed of trust dated 8-20-03 ("New Deed of Trust") in an amount not to exceed \$143,000.00. Based on the representations and acknowledgments contained in this Agreement, Creditor and Borrower agree with Lender as follows:

SUBORDINATION. Creditor subordinates its security interest in the real property described on Exhibit "A" attached hereto (the "Property") and in all equipment, appliances, furnishings, leases and other personal property (whether tangible or intangible) that directly relate to or are used in connection directly with the leasing, operation, or maintenance of the Property, and all accessions, accessories, replacements, proceeds, and products of the foregoing (collectively, the "Collateral"), to the security interest held by Lender in this Collateral by virtue of the New Deed of Trust, whether the Lender's security interest exists now or is acquired later.

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

CREDITOR'S WAIVERS. Creditor 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 proceed directly against or exhaust any Security Interests held by Lender from Borrower, any other guarantor, or any other person; (c) to pursue any other remedy within Lender's power; or (d) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

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LENDER'S RIGHTS. Without limitation, Lender may, without notice of any kind to Creditor and without affecting whatsoever any of Lender's rights under this Agreement, (a) repeatedly alter, compromise, renew, accelerate, or otherwise change the time for payment or other terms of the loans to Borrower or any part thereof, including increases and decreases of the rate of interest; (b) 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; (c) determine how, when and what application of payments and credits, shall be made on the loans to the Borrower; (d) apply such security and direct the order or manner of sale thereof, as Lender in its discretion may determine; and (e) 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. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Agreement shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination in approving any such plan of reorganization or arrangement. Any default by Borrower under the terms of any loan from Creditor to Borrower also shall be a default under the terms of any loan to Borrower from Lender. Any default by Borrower under the terms of any loan from Lender to Borrower also shall be a default under the terms of any loan from Creditor to Borrower. In the event of a default by Borrower under the terms of any loan to Borrower from Lender, Lender may at all times in its sole discretion exercise any and all rights with respect to any and all collateral encumbered by Lender's Security Interest or Interests, including, without limitation, the right to foreclose or otherwise realize upon said collateral, without the consent or approval of Creditor.

DURATION AND TERMINATION. This Agreement will take effect when received by Lender, without the necessity of any acceptance by Lender, in writing or otherwise, and will remain in full force and effect until such time as the obligations secured by the New Deed of Trust are paid in full and the New Deed of Trust is fully reconveyed.

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. 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 Creditor 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 Creditor.

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 Creditor respecting subordination of certain Security Interests 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 loans from Lender to Borrower.

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

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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 Creditor, shall constitute a waiver of any of Lender's rights or of any of Creditor'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.

BORROWER AND CREDITOR ACKNOWLEDGE HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION AGREEMENT, AND BORROWER AND CREDITOR AGREE TO ITS TERMS. THIS AGREEMENT IS DATED AS OF 8/13/03.

Joseph A. N. H. [Signature] Christine D. McFarlane
BORROWER:

CREDITOR: Mortgage Electronic Registration Systems, Inc.

By: Debbie Migliore
Debbie Migliore
Its: Assistant Secretary

NEW LENDER: Union Federal (Waterfield)

By: [Signature]
Its: Authorized Rep.

STATE OF CALIFORNIA)
)SS
COUNTY OF CONTRA COSTA)

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The foregoing instrument was acknowledged before me by Debbie Migliore, who acknowledged herself/himself to be the Assistant Secretary(title) on behalf of Mortgage Electronic Registration Systems, Inc., this 13TH day of August, 2003.

Erika A Asefi
Notary Public
Witness my hand and official seal.

My commission expires: 1/21/07



STATE OF Oregon)
)SS
COUNTY OF Klamath)

The foregoing instrument is acknowledged by Joseph A. McKenzie & Christine D. McKenzie day of August, 2003, this 15th

Marjorie A Stuart
Notary Public

My commission expires: 12-20-06



STATE OF Oregon)
)SS
COUNTY OF Klamath)

The foregoing instrument is acknowledged by Jackie Martin, as authorized signer for Union Federal day of August, 2003, this 15th

Marjorie A Stuart
Notary Public

My commission expires: 12-20-06

PREPARED BY IRWIN HOME EQUITY



61135

Lot 19 in Block 19 of NINTH ADDITION TO SUNSET VILLAGE, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Account No.:

3909-012CD-08200-000

Key No.:

566042