

WTC-64281 WS

Vol M04 Page 20246

WHEN RECORDED RETURN TO:

STERLING SAVINGS BANK
PO BOX 2224
ATTN: LOAN SUPPORT
SPOKANE, WA 99210

LOAN

State of Oregon, County of Klamath
Recorded 04/08/2004 3:05 P m
Vol M04 Pg 20246-20247
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

SUBORDINATION AGREEMENT

1. **STERLING SAVINGS BANK** referred to herein as "subordinator", is the owner and holder of a deed of trust dated March 14, 2003 which is recorded on March 17, 2003 in volume M03, page 15844-50 under auditor's file No. , records of Klamath County.

2. **Sterling Savings Bank** referred to herein as "lender" is the owner and holder of the deed of trust dated March 25, 2004, executed by James P. Smith and Polly Francis under auditor's file No. M04-20230, records of Klamath County (which is to be recorded concurrently herewith).

3. **James P Smith & Polly Francis**, referred to herein as "owner", is the owner of all the real property described in the deed of trust identified above in Paragraph 2.

4. In consideration of benefits to "subordinator" from "owner", receipt and sufficiency of which is hereby acknowledged, and to induce "lender" to advance funds under its deed of trust and all agreements in connection therewith, the "subordinator" does hereby unconditionally subordinate the lien of the deed of trust identified in Paragraph 1 above to the lien of "lender's" deed of trust identified in Paragraph 2 above, and all advances or charges made or accruing thereunder, including any extension or renewal thereof.

5. "Subordinator" acknowledges that, prior to the execution hereof, he has had the opportunity to examine the terms of "lender's" deed of trust, note and agreements relating thereto, consents to and approves same, and recognizes that "lender" has no obligation to "subordinator" to advance any funds under its deed of trust or see to the application of "lender's" deed of trust funds, and any application or use of such funds for purposes other than those provided for in such deed of trust, note or agreements shall not defeat the subordination herein made in whole or in part.

6. It is understood by the parties hereto that "lender" would not make the loan secured by the deed of trust in Paragraph 2 without this agreement.

7. This agreement shall be the whole and only agreement between the parties hereto 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 mortgage in favor of "lender" above referred and shall supersede and cancel any prior agreements as to such, or any, 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 a deed of trust or deeds of trust to be thereafter executed.

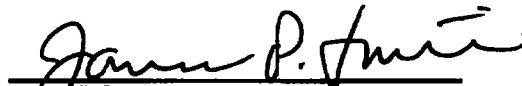
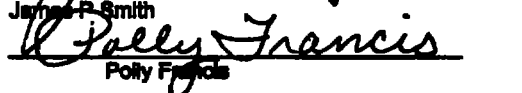
8. The heirs, administrators, assigns and successors in interest of the "subordinator" shall be bound by this agreement.

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. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THAT PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

Executed April 7, 2004

STERLING SAVINGS BANK


Trace Chandler, VP/District Manager


James P. Smith

Polly Francis

260 PM

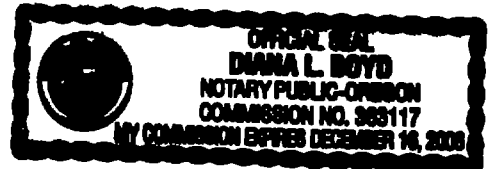
ACKNOWLEDGMENT - Corporate

STATE OF WASHINGTON OREGON
 COUNTY OF SPOKANE KLAMATH

On April 7, 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Tracie Chandler known to me to be the VP/District Manager of Sterling Savings Bank, the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she is authorized to execute the said instrument

Witness my hand and official seal hereto affixed the day and year first above written

Diana L. Boyd
 Notary Public in and for the State of OREGON
 Washington, residing at Spokane CL KLAMATH Co.
 My appointment expires 12-16-06

**ACKNOWLEDGMENT - Individual**

STATE OF WASHINGTON OREGON
 COUNTY OF KLAMATH

On this day personally appeared before me JAMES P. SMITH AND
POLLY FRANCIS
 to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that he/she signed the same as his/her free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this TH day of APRIL, 2004

Diana L. Boyd
 Notary Public in and for the State of OREGON
 Washington, residing at KLAMATH Co.
 My appointment expires 12-16-06

