

04 JUN 9 10:51

Vol M04 Page 36942

When Recorded Return To:

United States Small
Business Administration
Attn: Collateral
2719 North Air Fresno
Drive, Suite 107
Fresno, CA 93727-1547

State of Oregon, County of Klamath
Recorded 06/09/2004 10:514 m
Vol M04 Pg 36942-43
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

Loan No.: 5122614002 Reeves

space above line for recorder

Aspen 50033Af

SUBORDINATION AGREEMENT

THIS AGREEMENT is dated for reference March 23, 2004, and is between Aaron R. Reeves and Karen Reeves, owner(s) of the land described in the Deeds of Trust referenced below ("Owner"), Frost Financial Mortgage ("Lender") and the SMALL BUSINESS ADMINISTRATION, an agency duly created under and by virtue of an Act of Congress, having its principal office in Washington, in the District of Columbia, and a Commercial Loan Servicing Center at 2719 North Air Fresno Drive, Suite 107, Fresno, California 93727 (hereinafter called "SBA").

SBA is the present holder and beneficiary of that/those certain deed(s) of trust, dated December 27, 2001, to secure a note or notes in the sum of \$48,000 ("SBA Deed(s) of Trust"). The SBA Deed(s) of Trust was/were recorded on January 4, 2002 as Document Number(s) M-02, 539, Klamath County Official Records.

Owner has also executed, or is about to execute, a deed of trust securing a note in a sum not to exceed \$44,500 dated JUNE 4, 2004 in favor of Lender ("Lender's Deed of Trust"). Lender's Deed of Trust shall be recorded concurrently herewith.

As a condition precedent to Lender's performance, the SBA Deed(s) of Trust must be subordinated to the Lender's Deed of Trust. SBA is willing to subordinate the lien(s) of the SBA Deed(s) of Trust provided it retains its lien priority with regard to all other legal or equitable interests in the property.

In consideration of the mutual benefits to the parties and to induce Lender to make a loan to Owner, it is hereby agreed as follows:

- (1) Lender's Deed of Trust, and any renewals or extensions thereof, shall be a lien on the property prior to the lien of the SBA Deed(s) of Trust.
- (2) Lender would not make its loan without this subordination agreement.
- (3) Lender will not make any additional advances under Lender's Deed of Trust except such disbursements which become necessary to protect its security interest and for which Owner is liable under Lender's Deed of Trust and note. Any lien upon the property securing repayment of additional advances or monies due as a result of a default interest rate shall be subordinate to the lien of the SBA Deed of Trust.
- (4) This agreement shall be the whole and only agreement with regard to the subordination of the SBA Deed(s) of Trust to Lender's Deed of Trust.
- (5) Except as expressly provided herein, this agreement shall not operate or be construed to

26.00

alter the priority of the SBA Deed(s) of Trust with regard to any legal or equitable interest in the property. Owner and Lender shall hold SBA harmless from any impairment of its lien (with regard to any third party) which is occasioned by this subordination.

(6) All proceeds of Lender's loan shall be applied to satisfy debt secured by a lien(s) presently superior to the lien of the SBA Deed(s) of Trust, plus customary closing costs. Any other use of proceeds not described herein shall void this agreement.

(7) A default in the obligation secured by the Lender's Deed of Trust may be cured (including purchase of the property at foreclosure sale) by the SBA via cash, certified funds or a United States Treasury check, at the option of the SBA. Provisions for a so-called "default rate of interest" or any similar penalty payment that may be contained within the Lender's Deed of Trust are inapplicable to SBA.

(8) This subordination agreement is void if not duly executed by Owner, Lender, SBA, the SBA Borrower(s) and all Guarantors of the SBA loan.

Aaron R. Reeves
Aaron R. Reeves

Karen Reeves
Karen Reeves

LENDER

By Wesley A. Frost
[Please type or print name and title]
Wesley A. Frost, President
Frost Financial

ADMINISTRATOR, UNITED STATES
SMALL BUSINESS ADMINISTRATION,
AN AGENCY OF THE UNITED STATES

Gary A. Wamhof 3/24/04
Gary A. Wamhof
Sr. Loan Specialist

(All signatures must be acknowledged)

State of California
County of Fresno

On Mar 24 2004 before me, Sandra Winters, a Notary Public, personally appeared Gary A. Wamhof, 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 Sandra Winters

