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SUBORDINATION OF MORTGAGE

DATE: June 5, 1990

PARTIES: UNITED STATES OF AMERICA,
Small Business Administration

(SBA)

Deb: SOUTH VALLEY STATE BANK, an
Oregon banking corporation,
5215 South Sixth
Klamath Falls, OR 97601

(SVSB)

RECITALS:

A. SVSB obtained a judgment in Klamath County Circuit Court Case No. 87-114 CV in its favor against Donavin Ray Stonehill and Joanne Stonehill, husband and wife, hereinafter Stonehill, which judgment was entered January 5, 1988 in the sum of \$101,705.49, plus interest, and further on April 19, 1988, in the sum of \$15,990.29, plus interest.

B. By document dated February 1, 1989, SVSB assigned to SBA all of SVSB's interest in said judgment against Stonehill.

C. SVSB entered into loan transactions with Stonehill as follows:

Loan No. 203464, dated December 20, 1988, in the sum of \$41,600.00 plus interest, and

Loan No. 203465, dated December 20, 1988, in the sum of \$11,440.00 plus interest.

The above-referenced loans are secured by a Deed of Trust dated December 19, 1988, recorded in Klamath County Deed Records Volume M89-145, wherein Stonehill were grantors, William P. Brandsness is Trustee, and SVSB is the beneficiary.

D. It was the intent of the loan transactions to pay off a portion of the judgment owed to SVSB, and further, that the assignment by SVSB to SBA of the judgment aforementioned was not intended to grant SBA a superior interest in the real property subject to the aforementioned Deed of Trust. The parties to this agreement intend to subordinate the interest of the SBA to the interest of SVSB in that certain real property described as:

Lot 7, Block 1, CYPRESS VILLA, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

SUBORDINATION

For valuable consideration received, the SBA hereby subordinates its interest in the real property through the judgment lien, to the Trust Deed dated December 19, 1988 in favor of South Valley State Bank, upon the following described real property situated in Klamath County, Oregon, to-wit:

Lot 7, Block 1, CYPRESS VILLA, according to the official

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plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

IN WITNESS WHEREOF, the SMALL BUSINESS ADMINISTRATION, an agency of the United States of America, has caused this instrument to be executed in its name and on its behalf by its Chief, Portfolio Management Division, Portland District Office, SMALL BUSINESS ADMINISTRATION, at Portland, Oregon this 5th day of JUNE, 1990, pursuant to the authority contained in 44 FR 59499, as corrected in 44 FR 64401, as amended.

SMALL BUSINESS ADMINISTRATION

By:

Wayne E. Carver
Wayne E. Carver, Chief
Portfolio Management Division
Portland District Office

STATE OF OREGON)
COUNTY OF MULTNOMAH) ss:

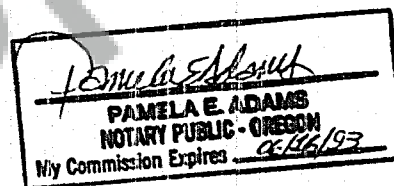
This certifies that before me on this day there personally appeared Wayne E. Carver, to me known to be Chief, Portfolio Management Division, Portland District Office, of the SMALL BUSINESS ADMINISTRATION, an agency of the United States of America, and acknowledged to me that he executed the foregoing instrument as the free and voluntary act and deed of SMALL BUSINESS ADMINISTRATION for the uses and purposes therein mentioned, and on oath stated that he was duly and regularly authorized to execute the same on its behalf.

IN WITNESS WHEREOF, my hand and official seal this fifth day of June, 1990.

STATE OF OREGON, ss.
County of Klamath

Filed for record at request of:

S. Valley State Bank
on this 14th day of June, A.D., 19 90
at 12:01 o'clock P.M. and duly recorded
in Vol. M90 of Mortgages Page 11617
Evelyn Biehn County Clerk
By Pamela E. Adams Deputy.
Fee, \$13.00



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[2P33-05/08/90]