

Loan No. 502-43187885076998

Title Company and No. _____

SUBORDINATION AGREEMENT

ATC # 39266

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN SUBORDINATOR'S SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

The undersigned Subordinator and Owner agree as follows:

1. BANK OF AMERICA OREGON, ("Subordinator"), is the owner and holder of a Deed of Trust dated August 15, 1994 executed by Ronald L. Hathaway and Deanna C. Hathaway, as tenants by the entirety, which is recorded under Auditor's File No. Book M-94, Page 25230, records of Klamath County, Oregon, ("Second Deed of Trust").
2. KLAMATH FIRST FEDERAL SAVINGS & LOAN ("Lender"), is the owner and holder of a Deed of Trust dated March 30, 1973 executed by RONALD L. HATHAWAY and DEANNA C. HATHAWAY which is recorded under Auditor's File No. Book M73, Page 4050 records of Klamath County, Oregon, ("First Deed of Trust").
3. Ronald L. Hathaway and Deanna C. Hathaway, as tenants by the entirety ("Owner"), is the owner of all the real property described in the First Deed of Trust.
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 First Deed of Trust and all agreements in connection therewith, Subordinator does hereby unconditionally subordinate the lien of its Second Deed of Trust to the lien of Lender's First Deed of Trust.
5. Subordinator acknowledges that, prior to the execution hereof, it has had the opportunity to examine the terms of the First 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 First Deed of Trust or see to the application of Lender's mortgage funds, and any application or use of such funds for purposes other than those provided for in such First 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 First Deed of Trust 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 Second Deed of Trust to the lien or charge of the First Deed of Trust in favor of Lender 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 Second Deed of Trust, 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. It is understood and agreed that if the Owner shall fail to make payments due on the First Deed of Trust and other instruments in connection therewith, or shall fail to carry out any other terms and agreements of the First Deed of Trust, such default by Owner shall constitute a default upon the Second Deed of Trust and other instruments in connection therewith, and Subordinator, upon such default by the Owner, may, at its option, without demand or notice, declare the whole sum secured by the Second Deed of Trust with interest thereon to be immediately due and payable, or Subordinator may, at its option, make the defaulted payments to the holder of the First Deed of Trust and add the same to the amount due under the Second Deed of Trust without waiving any of its rights under the Second Deed of Trust and the Note which it secures.
9. This Subordination Agreement is entered into by Subordinator only and solely for the benefit of the present and future owners and holders of the indebtedness secured by the lien of the First Deed of Trust and not for the benefit of nor in favor of any other person or party, the lien of the Second Deed of Trust being fully retained and asserted by Subordinator except as expressly hereby subordinated.
10. This Subordination Agreement shall not impair the validity or priority of the Second Deed of Trust as to property therein described other than the property described in the First Deed of Trust.
11. It is contemplated that this Agreement will be filed for record after the First Deed of Trust is so filed, and the parties hereto specifically authorize Lender or its agent to insert the actual filing dates and Auditor's filing numbers of the First Deed of Trust in this Agreement, such additions to be binding upon all of the parties hereto, their successors and assigns.
12. The heirs, administrators, assigns and successors in interest of Subordinator shall be bound by this Agreement. Where the words "Deed of Trust" appear herein they shall also be considered as "Mortgage", and gender and number of pronouns considered to conform to the undersigned.
13. The First Mortgage is not to exceed the principal sum of \$5,000 plus all accrued interest and reasonable costs, fees and charges advanced by Lender under its First Deed of Trust.

Dated this 3rd day of MAY, 1996

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE OWNER TO OBTAIN A LOAN ALL OR A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE REAL PROPERTY. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH

RESPECT THERETO.

13710

OWNER:

SUBORDINATOR:

Ronald L. Hathaway
RONALD L. HATHAWAY

Charlotte Dietrich
BANK OF AMERICA OREGON

800 FIFTH AVENUE, FLOOR 19

P.O. BOX 3328

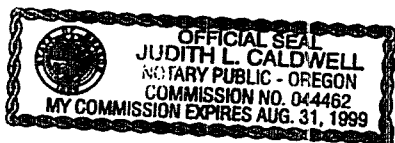
SEATTLE, WA 98124

Deanna C. Hathaway
DEANNA C. HATHAWAY

STATE OF OREGON)
COUNTY OF KLAMATH) ss.

On this 7th day of may, 1996, before me, the undersigned, a Notary Public in and for the State of OREGON, duly commissioned and sworn, personally appeared RONALD L. & DEANNA C. HATHAWAY, to me personally known (or proven on the basis of satisfactory evidence) to be the individual(s) who executed the within and foregoing instrument, and acknowledged the said instrument to be their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN UNDER my hand and official seal hereto affixed the day and year in this certificate above written.



Judith L. Caldwell
NOTARY PUBLIC in and for the State of

OREGON, residing at
KLAMATH FALLS, OR

My appointment expires 8-31-99

STATE OF WASHINGTON)
COUNTY OF KING) ss.

On this 3rd day of May, 1996, before me, the undersigned, a Notary Public in and for the State of WASHINGTON, duly commissioned and sworn, personally appeared CHARLOTTE DIETRICH, to me personally known (or proven on the basis of satisfactory evidence) to be a CREDIT OFFICER of BANK OF AMERICA OREGON, the corporation that executed the within and foregoing instrument, and acknowledged 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 they were duly elected, qualified and acting as said officers, respectively, of the corporation, that they were authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

GIVEN UNDER my hand and official seal hereto affixed the day and year in this certificate above written.

AFTER RECORDING
PLEASE RETURN TO:

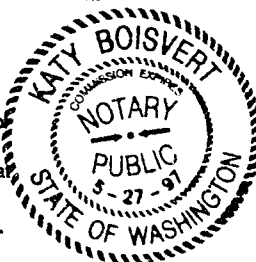
KLAMATH FIRST FED
2943 So. G. St.
KFO 97603

Kathy Boesvert
NOTARY PUBLIC in and for the State of

WASHINGTON, residing at

SEATTLE, Bellevue

My commission expires 5/27/97



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title & Escrow the 13th day of May A.D., 1996 at 3:45 o'clock PM., and duly recorded in Vol. M96 of Mortgages on Page 13709

FEE \$15.00

By Bernetha G. Letsch County Clerk