

**UNITED STATES NATIONAL
BANK OF OREGON**

AFTER RECORDING RETURN TO:
CONSUMER LOAN SERVICE CENTER
UNITED STATES NATIONAL BANK OF OREGON
P.O. BOX 279
BEAVERTON OR 97075

ATTN: TONDA BURGIN
LOAN NO. 8874-230-038-523
ESCROW NO. K-49675

THIS SPACE RESERVED FOR RECORDER

SUBORDINATION AGREEMENT

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

The undersigned Owner, Subordinator, and Lender agree as follows:

1. CLAY A. MITCHELL and JANINE E. MITCHELL, an estate in fee simple as tenants by the entirety, referred to herein as "Owner," is the owner of the following described property ("Property") in KLAMATH County, Oregon:

Lot 3, Block 4, TRACT NO. 1008, BANYON PARK, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.
2. UNITED STATES NATIONAL BANK OF OREGON, referred to herein as the "Subordinator," is the owner and holder of a mortgage to secure the sum of \$7,500.00 on the above Property dated November 28, 1994. Subordinator's mortgage was recorded in Volume M94, at Page 37915, on December 16, 1994, in the records of Klamath County, Oregon. The Subordinator has not sold or assigned its interest in the Property and, at all times since the date of the above mortgage to the present, is the record owner and holder of the debt so secured.
3. JAMES B. NUTTER and COMPANY, referred to herein as the "Lender," is about to loan to the Owner of the Property the maximum sum of \$52,198.00, with interest thereon at a rate not to exceed 8.5% per annum.
8.5% \$52,198.00
4. The Owner has signed, or is about to sign, a mortgage and note both dated _____ to secure the loan identified in paragraph 3 in favor of the Lender, payable upon the terms and conditions described therein, which is to be recorded herewith. (NOTICE: The note is an installment note.)
5. For value received and in consideration of benefits to Subordinator from Owner, receipt and sufficiency of which is hereby acknowledged, and to induce Lender to advance funds to Owner under its mortgage and accompanying agreements identified in paragraph 4, the Subordinator, its successors and assigns, do hereby unconditionally subordinate the lien of Subordinator's mortgage to the lien of Lender's mortgage and all future advances or charges made or accruing under Lender's mortgage including any extension or renewal thereof. By so doing, the Subordinator agrees that its interest in the Property, whenever acquired, shall be subordinate and inferior to the interests and rights of the Lender and its successors and assigns.
6. Subordinator acknowledges that, prior to the execution of this agreement, it has had the opportunity to examine the terms of Lender's mortgage, note, and agreements relating thereto, and consents to and approves of the same. Subordinator recognizes that Lender has no obligation to Subordinator to advance any funds under its mortgage or see to the application of Lender's mortgaged funds, and any application or use of such funds for purposes other than those provided for in such mortgage, note or agreements shall not defeat the subordination herein made either in whole or in part.
7. If Owner shall make a general assignment for the benefit of creditors or if any proceeding or other action under any law relating to bankruptcy, insolvency, reorganization, or relief of debtors or seeking appointment of receiver trustee, custodian, or similar official for Owner, or any part of Owner's assets shall be commenced for or against Owner, this agreement shall remain in full force and effect and shall constitute an assignment from Subordinator to Lender of any dividends or other amounts payable to Subordinator from or on account of the Property, provided, that any excess of such dividends or other amounts after payment in full of Owner's indebtedness to Lender shall be paid in accordance with applicable law.
8. This agreement shall be the whole and only agreement between the parties hereto with regard to subordination of the lien or charge of the Subrogator's mortgage first mentioned above to the lien or charge of the Lender's mortgage and shall supersede and cancel any prior agreements, if any, or any subordination including, but not limited to, those provisions, if any, contained in the Subrogator's mortgage first above mentioned, which provide for the subordination of the lien or charge thereof to a mortgage or mortgages to be thereafter executed.
9. Notice of acceptance is hereby waived. The provisions of this agreement are effective upon execution. The parties expressly understand and agree that this agreement does not change the Subordinator's lien, except as expressly modified herein.

10. The heirs, administrators, assigns and successors in interest of the Subordinator shall be bound by this agreement. Where the word "mortgage" appears herein it will be construed to include a deed of trust, and gender and number of pronouns considered to conform to the undersigned. If the undersigned is a corporation, it has been signed by an officer or other person duly authorized to do so.

11. This agreement shall be construed in accordance with, and governed by the laws of, the State of Oregon without regard to conflict of laws principles.

12. A notation has been placed upon the note secured by the Subordinator's mortgage that the mortgage has by this instrument been subordinated to the lien or charge of the Lender's mortgage.

13. In the event a suit or action is initiated to enforce or interpret any of the terms of this agreement, the prevailing party shall be entitled to recover from the other party such sum as the court may determine reasonable as attorneys' fees, at trial and on appeal or review therefrom, in addition to all other sums provided by law.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN WHICH MAY BE EXPENDED FOR PURPOSES OTHER THAN LAND IMPROVEMENT. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, ALL PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT THERETO.

Executed this 11th day of September, 1996.

SUBORDINATOR
UNITED STATES NATIONAL
BANK OF OREGON

BY: [Signature]
RICH BOECHLER - CORPORATE OFFICER

BY: [Signature]
JOAN D. HACKATHORN
CORPORATE OFFICER

LENDER
JAMES B. NUTTER AND
COMPANY

BY: [Signature]
Christine D. Moore
Asst Vice President

OWNER(S)

[Signature]
CLAY A. MITCHELL

[Signature]
JANINE E. MITCHELL

INDIVIDUAL ACKNOWLEDGMENT

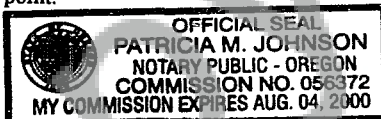
STATE OF OREGON)
)ss

COUNTY OF Klamath)

On October 7, 1996, before me, a Notary Public in and for said state, personally appeared Clay A. Mitchell & Janine E. Mitchell, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose names are subscribed to this subordination and acknowledged to me that they executed the same in the capacities indicated at the signature point.

Witness my hand and official seal

[Signature]
My commission expires Aug. 4, 2000



CORPORATE ACKNOWLEDGMENT

STATE OF OREGON)
)ss

COUNTY OF WASHINGTON)

This instrument was acknowledged before me on SEPT 11, 1996 by RICH BOECHLER - CORPORATE OFFICER, and JOAN D. HACKATHORN, CORPORATE OFFICER of United States National Bank of Oregon.

Witness my hand and official seal

[Signature]
My commission expires: _____



CORPORATE ACKNOWLEDGMENT

STATE OF Missouri)
)ss

COUNTY OF Clay)

This instrument was acknowledged before me on 10th of Oct, 1996 by Christine D. Moore as Asst Vice President of James B. Nutter

Witness my hand and official seal

[Signature]
My commission expires: _____
MACHELLE D. CUMMINGS
Notary Public - State of Missouri
Commissioned in Clay County
My Commission Expires Feb. 28, 1998

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title the 30th day of October A.D., 19 96 at 11:07 o'clock A. M., and duly recorded in Vol. M96, of Mortgages on Page 34212.

FEE \$15.00

Bernetha G. Letsch

By [Signature] County Clerk