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SUBORDINATION AGREEMENT

WHEREAS, the SMALL BUSINESS ADMINISTRATION ("SBA"), an agency of the United States of America, regarding loan #DLB 603164-30-03, is the beneficiary of a Deed of Trust dated February 7, 1994, and recorded on November 17, 1994 as Document #91271 in Book M-94, Page 35441-35444, in the records of Klamath County, State of Oregon ("SBA Deed of Trust").

WHEREAS, Transamerica Financial Services, Inc., a California Corporation ("Transamerica"), is the beneficiary of a Deed of Trust dated August 22, 1996, and recorded on August 27, 1996, as Document #23915 in Book M-96, Page 26579, in the records of Klamath County, State of Oregon ("Transamerica Deed of Trust").

WHEREAS, the SBA executed a Subordination Agreement, which was recorded on August 27, 1996, under Document #23911 in Book M-96, Page 26575, in the records of Klamath County, State of Oregon ("SBA's Subordination Agreement"), subordinating the SBA's Deed of Trust to the Transamerica Deed of Trust on the real property described to-wit:

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The North 50 feet of lots 612 and 613, Block 128 Mills Addition to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

WHEREAS, the intent of the SBA and Transamerica in recording the Subordination Agreement described above was to put Transamerica in the same position as the previous lien for the debt that Transamerica refinanced (as evidenced by telephonic communications and letters between the SBA and Transamerica);

WHEREAS, the Transamerica Deed of Trust and the SBA's Subordination Agreement together put Transamerica in a better position than was intended by the parties;

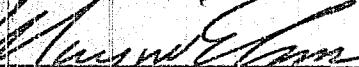
NOW THEREFORE THE PARTIES AGREE:

The SBA's Subordination Agreement (on the real property described above), which was recorded August 27, 1996, under Document #23911 in Book M-96, Page 26575, shall be limited to \$43,844.32, with interest thereon, and shall not extend to any further advances of Transamerica.

TRANSAMERICA FINANCIAL SERVICES, INC.,
a California Corporation

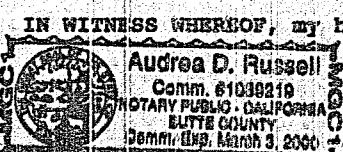
SMALL BUSINESS ADMINISTRATION

By: 
Robert D. Carman, District Manager

By: 
Wayne E. Carver, Chief
Portfolio Management Division
Portland District Office (1086)

STATE OF California)
COUNTY OF Butte) ss

This certifies that before me on this date there personally appeared Robert D. Carman, to me known to be the District Manager for TRANSAMERICA FINANCIAL SERVICES, INC., a California Corporation ("TRANSAMERICA" hereafter), and acknowledged to me that he executed the foregoing instrument as the free and voluntary act and deed of TRANSAMERICA 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.



Notary Public in & for the State of California
My Commission Expires: 3/3/2000

STATE OF OREGON)
COUNTY OF MULTNOMAH) ss

This certifies that before me on this date there personally appeared Wayne E. Carver, to me known to be the 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 & official seal this ninth day of June, 1997.
STATE OF OREGON,
County of Klamath ss.

Filed for record at request of:

Small Business Admin.
on this 27th day of June A.D. 1997
at 3:28 o'clock P.M. and duly recorded
in Vol. M97 of Mortgages Page 20151.

Bernetha G. Letsch, County Clerk

By Kathleen Rose
Fee, \$10.00 Deputy

