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THIS AGREEMENT, Made and entered into this 23rd day of October, 1997, by and between Klamath County/Pure Project, hereinafter called the first party, and Klamath First Federal Savings and Loan Association, hereinafter called the second party; WITNESSETH:

On or about May 6, 1993, Paul N. Ward and Paula F. Ward

, being the owner of the following described property in Klamath County, Oregon, to-wit:

Lot 11 in Block 76 Buena Vista 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.

97 OCT 31 AM 1:27

(IF SPACE INSUFFICIENT, CONTINUE DESCRIPTION ON REVERSE SIDE)

executed and delivered to the first party a certain Trust Deed and Note (State whether mortgage, trust deed, contract, security agreement or otherwise) (herein called the first party's lien) on the property to secure the sum of \$ 2,894.19, which lien was: —Recorded on May 7, 1993, in the Mortgage Records of Klamath County, Oregon, in book/reel/volume No. M93 at page 10134 and/or as fee/file/instrument/microfilm/reception No. (indicate which); —Filed on 19, in the office of the of (indicate which); —Created by a security agreement, notice of which was given by the filing on 19, of a financing statement in the office of the Oregon Secretary of State and in the office of the Dept. of Motor Vehicles where it bears file No. where it bears fee/file/instrument/microfilm/reception No. (indicate which).

Reference to the document so recorded or filed hereby is made. The first party has never sold or assigned first party's lien and at all times since the date thereof has been and now is the owner and holder thereof and the debt thereby secured.

The second party is about to loan the sum of \$ 40,000.00 to the present owner of the property, with interest thereon at a rate not exceeding 7.5% per annum. This loan is to be secured by the present owner's (State nature of lien to be given, whether mortgage, trust deed, contract, security agreement or otherwise) (hereinafter called the second party's lien) upon the property and is to be repaid not more than 30 days from its date.

— OVER —

SUBORDINATION AGREEMENT

To

After recording return to (Name, Address, Zip):

Klamath County Title Company

STATE OF OREGON,
County of ss.

I certify that the within instrument was received for record on the day of 19, at o'clock M., and recorded in book/reel/volume No. on page and/or as fee/file/instrument/microfilm/reception No., Record of of said county.

Witness my hand and seal of County affixed.

NAME

TITLE

By Deputy



To induce the second party to make the loan last mentioned, the first party heretofore has agreed and consented to subordinate first party's lien to the lien about to be taken by the second party as above set forth.

NOW, THEREFORE, for value received, and for the purpose of inducing the second party to make the loan aforesaid, the first party, first party's personal representatives (or successors) and assigns, hereby covenants, consents and agrees to and with the second party, second party's personal representatives (or successors) and assigns, that the first party's lien on the property is and shall always be subject and subordinate to the lien about to be delivered to the second party, as aforesaid, and that second party's lien in all respects shall be first, prior and superior to that of the first party, provided always, however, that if second party's lien is not duly filed or recorded or an appropriate financing statement thereon duly filed within days after the date hereof, this subordination agreement shall be null and void and of no force or effect.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the first party's lien, except as hereinabove expressly set forth.

In construing this subordination agreement, and where the context so requires, the singular includes the plural, and all grammatical changes shall be made so that this agreement shall apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the undersigned has executed this agreement; if the undersigned is a corporation, it has caused its name to be signed and its seal, if any, affixed by an officer or other person duly authorized to do so by order of its board of directors.

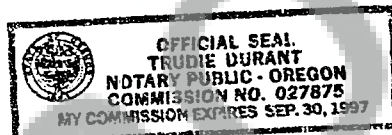
KLAMATH COUNTY TITLE COMPANY, A SUBSIDIARY OF
First American Title Insurance Company, of Oregon

Trudie Durant
President

STATE OF OREGON, County of Klamath) ss.
This instrument was acknowledged before me on, 19,
by
This instrument was acknowledged before me on October 23, 19 97,
by Trudie Durant
as President
of Klamath County Title Company, a subsidiary of First American
Title Insurance Company of Oregon

Notary Public for Oregon

My commission expires



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title the 31st day
of October A.D., 19 97 at 11:27 o'clock A. M., and duly recorded in Vol. M97,
of Mortgages on Page 36124

FEE \$15.00

By Bernetha G. Leisch, County Clerk
Kathleen Ross