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Vol. M95 Page 11474

RECORDING REQUESTED BY

WELLS FARGO BANK, N.A.

WHEN RECORDED MAIL TO

WELLS FARGO BANK, N.A.
The William Barnhart Center at Hillsboro
Attn: Collateral Control
P. O. Box 5140
Portland, OR 97208-5140

MT43910-MS

Loan No. 513-001-1242962-3001

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.

This Subordination Agreement, made this 21 day of March, 1998, by and between WELLS FARGO BANK, N.A. successor to First Interstate Bank of Oregon, N.A. (hereinafter referred to as "Beneficiary"), in favor of KLAMATH FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION (hereinafter referred to as "Lender");

RECITALS

MYRA M. SCHMITT (hereinafter referred to as "Owner") did execute a Deed of Trust, dated, August 1, 1995 to Mountain Title Company as trustee, covering:

Lot 2, Block 2 of CYPRESS VILLA, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon. Tax Acct. No. 3909-011DD-01500

to secure a note in the sum of \$10,000.00, dated August 1, 1995, in favor of First Interstate Bank of Oregon, N.A., which Deed of Trust was recorded August 8, 1995, as VOLUME M95, PAGE 21063, Official Records of said county; and

Owner has executed, or is about to execute, a Deed of Trust and note not to exceed the sum of \$74,800.00, dated April 3, 1998, in favor of Lender, payable with interest and upon the terms and conditions described therein, which Deed of Trust is to be recorded concurrently herewith; and

As it is a condition precedent to obtaining said loan that said Deed of Trust last above mentioned shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the Deed of Trust first above mentioned, Owner has requested Beneficiary to subordinate Beneficiary's lien to the lien about to be taken by the Lender; and

Lender is willing to make said loan provided the Deed of Trust securing the same is a lien or charge upon the above described property prior and superior to the lien or charge of the Deed of Trust first above mentioned and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of the Lender; and

It is to the mutual benefit of the parties hereto that Lender make such loan to Owner; and Beneficiary is willing that the Deed of Trust securing the same shall, when recorded, constitute a lien or

charge upon said land which is unconditionally prior and superior to the lien or charge of the Deed of Trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the loan above referred to, it is hereby declared, understood and agreed to as follows:

(1) That said Deed of Trust securing said note in favor of Lender, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the trust first above mentioned.

(2) That Lender would not make its loan above described without this subordination agreement.

(3) That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Deed of Trust first above mentioned to the lien or charge of the Deed of Trust in favor of Lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreements as to such subordination including, but not limited to, those provisions, if any, contained in the Deed of Trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that:

(a) It consents to and approves (i) all provisions of the note and Deed of Trust in favor of Lender above referred to, and (ii) all agreements, including but not limited to any loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of Lender's loan.

(b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part.

(c) It intentionally waives, relinquished and subordinates the lien or charge of the Deed of Trust first above mentioned in favor of the lien or charge upon said land of the Deed of Trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the Deed of Trust first above mentioned that said Deed of Trust has by this instrument been subordinated to the lien or charge of the Deed of Trust in favor of Lender above referred to.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH
ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN
A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN
IMPROVEMENT OF LAND.**

11476

BENEFICIARY:

WELLS FARGO BANK, N.A.

BY:

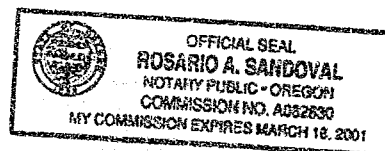
Gary H. WeinsteinSTATE OF: OREGON) SS
COUNTY OF WASHINGTON)TITLE: Assistant Vice-President

On March 21, 1998 before me the undersigned, a Notary Public in and for said state personally appeared Gary H. Weinstein, Assistant Vice-President, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledge to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Rosario A. Sandoval
Notary Public in and for said County and State

NOTARY STAMP OR SEAL



STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle
of April A.D., 19 98 at 3:26 o'clock P. M., and duly recorded in Vol. M98 day
of Mortgages on Page 11474

FEE \$20.00

By Bernetha G. Litsch, County Clerk