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NJC-61754 NS

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT is made this 29 day of July, 2003; between Joseph A. McKenzie and Christine D. McKenzie as owner of the land (hereinafter referred to as "Owner") whose address is 6405 Harlan Drive, Klamath Falls OR 97603, and Premier Finance the present holder of a Deed of Trust and note, whose address is 531 S. 6th Street, Klamath Falls OR 97601, (hereinafter referred to as "Beneficiary").

RECITALS

Joseph A. McKenzie and Christine D. McKenzie, the owners of a certain parcel of real property situate in the County of Klamath, State of Oregon, more fully described as follows:

Lot 19 in Block 19 of NINTH ADDITION TO SUNSET VILLAGE, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

did execute a Deed of Trust dated May 9, 2003, to the Public Trustee in and for the County of Klamath to secure a note in the original principal amount of \$ 18,825.00 dated May 9, 2003 and payable to Premier Finance. Said Deed of Trust was recorded on May 14, 2003 in Book M03, Page 32398, of the records of said County.

The owner has executed, or will execute, a Deed of Trust and note in the original principal amount of \$143,000.00 dated and payable to Union Federal Bank of Indianapolis (hereinafter referred to as "Lender").

It is the desire of the parties and to the mutual benefit of all parties that the lien of the Deed of Trust in favor of the Beneficiary be subordinate to the lien of the Deed of Trust for the use and benefit of the Lender.

NOW, THEREFORE, for and in consideration of the mutual benefits accruing to the parties hereto; and the promises set forth, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. The Deed of Trust securing said note in favor of the Lender, together with extensions or renewals thereof, shall unconditionally be, and at all times remain, a lien or charge upon the property described therein which is prior and superior to the lien or interest created by the Deed of Trust held by the Beneficiary.

2. The consideration to be paid to the Beneficiary is as follows:

3. This agreement shall be controlling with regard to the priority of the Deeds of Trust specified above, and the terms hereof shall supersede any provisions contained in the Deed of Trust for the use and benefit of the Beneficiary regarding subordination.

4. The Beneficiary has reviewed the terms and conditions of the note and Deed of Trust in favor of the Lender, and hereby approves those terms and conditions. Beneficiary understands that the Lender is under no obligation to supervise the application of the proceeds received from the Lender, and Beneficiary agrees that an endorsement will be placed upon the note held by the Beneficiary to the effect that the Deed of Trust securing said note has been subordinated to the lien created by the Deed of Trust for the use and benefit of the Lender.

State of Oregon, County of Klamath
Recorded 08/20/2003 3:34 p m
Vol M03 Pg 61111-12
Linda Smith, County Clerk
Fee \$ 26.00 # of Pgs 2

Return to:
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named above. Beneficiary understands that the Lender may not have made the loan or may not have advanced funds to the Owner without this Subordination Agreement.

Premier Finance Co.
BENEFICIARY

Marcus Timmons
OWNER
Branch Manager

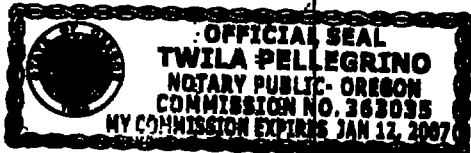
STATE OF Oregon

COUNTY OF Klamath

The foregoing instrument was subscribed and sworn to before me this 29th day of August, 2003, by Marcus Timmons, Branch manager for Premier Finance Co.

Witness my hand and official seal.

My commission expires: 1-12-2007.



Twila Pellegrino
NOTARY PUBLIC

STATE OF

COUNTY OF _____

The foregoing instrument was subscribed and sworn to before me this _____ day of _____, by _____.

Witness my hand and official seal.

My commission expires: _____.

NOTARY PUBLIC