

SUBORDINATION AGREEMENT

THIS AGREEMENT made and entered into this 27th day of September, 1979, by and between FIRST NATIONAL BANK OF OREGON, a national banking association ("Bank") and SWAN LAKE MOULDING CO., an Oregon corporation ("Swan Lake"), FREDERICK D. EHLERS and HELEN ANN EHLERS ("Ehlers"),

WITNESSETH:

Swan Lake is the owner of certain real property described in Exhibit A attached hereto and incorporated herein by reference. Swan Lake as Lessor leases the property to the Ehlers as Lessees by lease dated May 1, 1979, a memorandum of which is recorded in Book M-79 at page 9882 ("Lease").

Swan Lake has agreed to allow the improvement of the property and the Ehlers are borrowing \$4,465,191.00 from Bank to begin the construction of those improvements. To secure this loan, Swan Lake and the Ehlers will sign a mortgage on the property naming Bank as mortgagee.

One of the conditions of the loan from Bank to the Ehlers is that the lien of the mortgage given on the property is to have priority over any and all other encumbrances on the property. To induce Bank to make the loan, Swan Lake and the Ehlers have agreed to subordinate their respective interests in the lease to the mortgage about to be taken by Bank.

NOW, THEREFORE, for value received and for the purpose of inducing Bank to make the loan, Swan Lake and the Ehlers, their heirs, successors and assigns hereby covenant, consent and agree with Bank, its successors and assigns, that the Lease is and shall always be subject and subordinate to the mortgage about to be delivered to Bank and that Bank's mortgage in all respects shall be first, prior and superior to the Lease.

It is expressly understood and agreed that nothing contained in the agreement shall be construed to change, alter or impair the lease except as expressly set forth herein.

IN WITNESS WHEREOF, the undersigned have executed this agreement the day and year first above written.

SWAN LAKE MOULDING COMPANY

By Frederick D. Ehlers

Frederick D. Ehlers

Helen Ann Ehlers
Helen Ann Ehlers

FIRST NATIONAL BANK OF OREGON

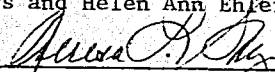
By Gene L. Smiley

Gene L. Smiley

STATE OF OREGON

County of Klamath

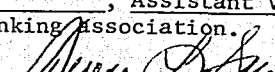
The foregoing instrument was acknowledged before me this 27th day of September, 1979 by Frederick D. Ehlers and Helen Ann Ehlers.


 Notary Public for Oregon
 My commission expires: 4-16-82

STATE OF OREGON

County of Multnomah

The foregoing instrument was acknowledged before me this 27th day of September, 1979 by Gene L. Smiley, Assistant Vice President of First National Bank of Oregon, a national banking association.


 Notary Public for Oregon
 My commission expires: 4-16-82

STATE OF OREGON

County of Klamath

The foregoing instrument was acknowledged before me this 27th day of September, 1979 by Alfred D. Collier, President of Swan Lake Moulding Company, an Oregon corporation on behalf of the corporation.

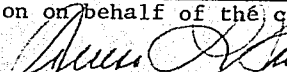

 Notary Public for Oregon
 My commission expires: 4-16-82

EXHIBIT "A"
LEGAL DESCRIPTION

A parcel of land lying in the Northwest quarter of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, in the County of Klamath, State of Oregon, being more particularly described as follows:

Starting at the Northwest corner of said Section 3; thence South 00° 00' 30" East along the Westerly boundary of Section 3 and the centerline of Washburn Way, 917.42 feet to the intersection with the present centerline of Sixth Street, formerly known as the Dalles-California Highway, recorded bearing South 55° 52' 30" East, at Engineers Station 9 + 17.42 feet on Washburn Way and Engineers Station 16 + 14.87 feet on Sixth Street present centerline, and continuing thence along said boundary and centerline 48.32 feet to Engineers Station 9 + 65.74 feet on South boundary of Sixth Street, which is distant 40 feet at right angles Southwesterly from centerline of Sixth Street at Engineers Station 16 + 41.99 feet; thence South 55° 52' 30" East parallel to said centerline 463.02 feet to the true point of beginning of this description; thence from said true beginning point continuing South 55° 52' 30" East parallel to said centerline 795.36 feet; thence at right angles South 34° 07' 30" West, 204.00 feet; thence South 55° 52' 30" East parallel to Sixth Street 145.00 feet; thence at right angles South 34° 07' 30" West, 183.80 feet, more or less, to Northerly right of way line of the Oregon, California and Eastern Railroad; thence North 66° 57' 30" West along said line 982.45 feet, more or less, to a point on the Easterly right of way line of Washburn Way which is 40.00 feet Easterly of said centerline; thence North 00° 00' 30" West along said right of way line 503.39 feet; thence South 55° 52' 30" East, 306.22 feet; thence North 34° 07' 30" East, 160.00 feet to the true point of beginning.



JOE

STATE OF OREGON; COUNTY OF KLAMATH; ss.

Filed for record at request of Transamerica Title Co.

this 27th day of September A. D. 1979 at 4:42 o'clock P. M., and

fully recorded in Vol. M79, of Mortgages on Page 22926

Wm D. MILNE, County Clerk

By Bernetha Heltsch

Fee \$10.50

*1st Nat'l Bank
P.O. Box 3131
Portland, Or.*