

K-44914

WHEN RECORDED RETURN TO:

STANDARD INSURANCE COMPANY
Post Office box 711
Portland, OR 97207

Attention: J. Horwatt, V-32A

SIC Loan No. 17049

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR INTERESTS IN THE PROPERTY BECOMING SUBJECT TO AND OF A LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

Recitals

A. The undersigned Lessor and Lessee are parties to a lease dated January 1, 19 93

("the Lease"), which lease covers part or all of the real property (the "Property") described as follows:

The North 15 feet of Lot 23 and All of Lots 24, 25, 26,
and the South 40 feet of Lot 27 in Block 18, of Second
Railroad 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.

B. STANDARD INSURANCE COMPANY, an Oregon corporation

has agreed to make or purchase a loan to Lessor in the original principal sum of \$ 200,000.00 ("Lender")
evidenced by a promissory note, dated January 29, 1993, and secured by a deed of trust of even
date (the "Deed of Trust") on the Property and by such other security instruments as Lender may require
(the "Security Instruments").

C. As a condition precedent to Lender's disbursement of loan proceeds, Lender has required that Lessee
subordinate the Lease and Lessee's interest in the Property in all respects to the lien of the Deed of Trust,
which will be recorded in the county in which the Property is located, ~~or which was recorded on~~
19 as Document No. in Book on Page Official
Records of the County in which the Property is located, and to the lien of the Security Instruments, if any,
securing Lender's interest in the Property.

D. It will be of substantial benefit to the Lessee for Lender to disburse the loan proceeds.

E. Lender is disbursing the loan proceeds in reliance upon the agreements contained in this instrument.

Agreement

NOW, THEREFORE, in order to induce Lender to make or purchase the loan to Lessor, and in
consideration of the promises made herein, and for other good and valuable consideration, the receipt and
sufficiency of which are hereby acknowledged by Lessee, it is hereby agreed as follows:

1. **Subordination.** The Lease and Lessee's leasehold estate created thereby and any renewals,
extensions, amendments or modifications thereof, shall be and are completely and unconditionally subject
and subordinate to the lien of the Deed of Trust and to the liens of the Security Instruments, if any, and to
all the terms, conditions and provisions thereof, to all advances made or to be made thereunder, and to any
renewals, extensions, modifications or replacements thereof.

2. **Reliance By Lender.** The undersigned is executing this instrument in order to induce Lender to
disburse the loan proceeds secured by the Deed of Trust, and the undersigned agrees that the disbursement
by Lender of all or any part of the loan proceeds shall constitute conclusive reliance by Lender upon this
instrument and the provisions hereof and the subordination affected hereby.

3. **Foreclosure.** In the event action is taken to foreclose the lien of the Deed of Trust, either pursuant
to a power of sale or by judicial proceedings, or, in the event lender acquires possession of the Property by
deed in lieu of foreclosure, Quitclaim Deed or like action, Lender, or any subsequent purchaser, shall not be
required to recognize the Lease, or the rights of the Lessee under the Lease, and the rights of the Lessee
thereunder, including any option thereunder, shall, at the sole election of Lender, cease and terminate upon
acquisition of title to or upon possession of the Property by Lender, or its successors and assigns, including
any purchaser at a foreclosure sale.

4. Purchase Options. Any options or rights contained in the Lease to acquire title to the Property are hereby made subject and subordinate to the rights of Lender under the Deed of Trust, any acquisition of title to the Property made by Lessee during the term of the Deed of Trust shall be made subordinate and subject to the Deed of Trust.

5. Condemnation. Without limiting the generality of the foregoing, Lessee subordinates its right, title and interest under the Lease to the interest of Lender in any award of condemnation or eminent domain, and Lessee does assign and transfer to Lender the right and privilege to receive any interest of Lessee in and to the full extent of such award of condemnation or eminent domain, or, if said Deed of Trust is not yet fully satisfied, to the extent necessary to pay in full any and all sums secured by the Deed of Trust (Lessee authorizing Lender to apply any funds so received in satisfaction of any sums secured by the Deed of Trust).

6. Attornment. The undersigned represents to Lender that the exercise by Lender of its rights and remedies under the Deed of Trust, under the Security Instruments or under the note secured thereby, including without limitation its rights of foreclosure, shall not constitute an event of default under the Lease. If the interests of Lessor shall be transferred to and owned by Lender by reason of foreclosure or other proceedings brought by it in lieu of or pursuant to a foreclosure, or by any other manner, and Lender succeeds to the interests of the Lessor under the Lease, and if Lessor shall have elected not to terminate the interests of Lessee, Lessee shall be bound to Lender under all of the terms, covenants and conditions of the Lease for the balance of the term remaining, and any extensions or renewals thereof which may be affected in accordance with any option therefor in the Lease, with the same force and effect as if Lender were the lessor under the Lease, and Lessee does hereby attorn to Lender as its landlord, said attornment to be effective and self-operative immediately upon Lender succeeding to the interests of the Lessor under the Lease without the execution of any further instruments on the part of any of the parties hereto, **provided** that Lessee shall be under no obligation to pay rent to Lender until Lessee receives written notice from Lender that it has succeeded to the interests of the Lessor under the Lease. The respective rights and obligations of Lessee and Lender upon such attornment, to the extent of the then remaining balance of the term of the Lease, and any such extensions and renewals, shall be and are the same as now set forth therein.

7. Lender Not Bound By Certain Acts of Lessor. If Lender shall succeed to the interests of Lessor under the Lease, Lender shall not be (a) liable for any act or omission of any prior lessor (including Lessor), (b) subject to any offsets or defenses which Lessee might have against any prior lessor (including Lessor), (c) bound by any rent or additional rent which Lessee might have paid for more than the then current installment, or (d) bound by any amendment or modification of the Lease made without its consent.

8. Waiver. Without limiting the generality of the foregoing, Lessee waives presentment, demand, protest, and notice and agrees that Lender, without notice to or consent of Lessee, upon such terms as Lender may deem advisable, without releasing or discharging Lessee from this Subordination Agreement or affecting the lien or priority of the Deed of Trust, may:

- (a) extend, in whole or in part, by renewal or otherwise, the time of payment or performance of any obligation secured by the Deed of Trust;
- (b) release, surrender, exchange, or modify any obligation secured by the Deed of Trust, or any security for such obligation; and/or
- (c) settle or compromise any claim with respect to any obligation secured by the Deed of Trust or any claim against any person who has given security for any such obligation.

The undersigned ratifies any such extension, renewal, release, surrender, exchange, modification, settlement, or compromise and waives all defenses, counterclaims, or offsets which it might have by reason thereof.

9. Successors and Assigns. This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon the parties hereto and their heirs, administrators, representatives, successors and assigns, including without limitation each and every holder of the Lease or any other person having an interest therein and shall inure to the benefit of Lender and its successors and assigns.

10. Choice of Law. The law of the state in which the Property is located shall govern the validity, interpretation, construction, and performance of this Agreement.

11. Captions and Headings. The captions and headings of the various sections of this Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular, and the masculine, feminine and neuter shall be freely interchangeable.

12. Notices. All notices required or permitted under this Agreement shall be in writing and shall be telexed, cabled, delivered by hand, or mailed by first class registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

If to Lender:

North Coast Electric Properties

P. O. Box 97010

Bellevue, WA 98009-9710

If to Lessee:

North Coast Electric Company

911 Markst St.

Klamath Falls, OR 97601

Changes in the respective addresses to which such notices shall be directed may be made from time to time by either party by notice to the other party. Notices given by mail in accordance with this provision shall be deemed to have been given three (3) days after the date of dispatch; notices given by any other means shall be deemed to have been given when received.

13. **Severability.** In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall, at the option of Lender, not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE UNDERSIGNED CONSULT WITH ITS ATTORNEYS WITH RESPECT THERETO.

DATED this 29th day of January, 1993.

LESSOR

North Coast Electric Properties,
an Oregon general partnership

By: Robert L. Lenman
Robert L. Lenman
Its General Partner

By: Peter R. Lenman
Peter R. Lenman
Its General Partner

By: Dean Lenman
Dean Lenman
Its General Partner

By: Barbara L. Carver
Barbara L. Carver
Its General Partner

By: Paul E. Perko
Paul E. Perko
Its General Partner

LESSEE

North Coast Electric Company,
a Washington corporation

By: Robert L. Lenman

Its: V.P. - Finance

By: Peter R. Lenman

Its: President

State of Washington)
)ss:
County of King)

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On this 19 day of February, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared, ROBERT L. LEMMAN to me known to be the individual(s) described in and executed the foregoing instrument as the General Partner, of NORTH COAST ELECTRIC PROPERTIES, and acknowledged to me that he signed and sealed this instrument as his free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated he is authorized to execute said instrument.

GIVEN under my hand and official seal the day and year last above written.



Jeffrey A. Hazelton
Notary Public in and for the State
of Washington
Residing in Redmond
My Appointment Expires: 5/1/95

State of Washington)
)ss:
County of King)

On this 19 day of February, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared, DEAN LEMMAN to me known to be the individual(s) described in and executed the foregoing instrument as the General Partner, of NORTH COAST ELECTRIC PROPERTIES, and acknowledged to me that he signed and sealed this instrument as his free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated he is authorized to execute said instrument.

GIVEN under my hand and official seal the day and year last above written.



Jeffrey A. Hazelton
Notary Public in and for the State
of Washington
Residing in Redmond
My Appointment Expires: 5/1/95

State of Washington)
)ss:
County of King)

On this 19 day of February, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared, PETER R. LEMMAN to me known to be the individual(s) described in and executed the foregoing instrument as the General Partner, of NORTH COAST ELECTRIC PROPERTIES, and acknowledged to me that he signed and sealed this instrument as his free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated he is authorized to execute said instrument.

GIVEN under my hand and official seal the day and year last above written.



Jeffrey A. Hazelton
Notary Public in and for the State
of Washington
Residing in Redmond
My Appointment Expires: 5/1/95

State of Washington)
)ss:
 County of King)

On this 19 day of February, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared, PAUL E. PERKO to me known to be the individual(s) described in and executed the foregoing instrument as the General Partner, of NORTH COAST ELECTRIC PROPERTIES, and acknowledged to me that he signed and sealed this instrument as his free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated he is authorized to execute said instrument.

GIVEN under my hand and official seal the day and year last above written.

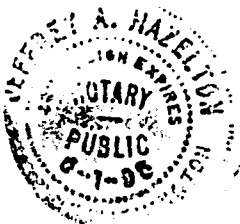


Jeffrey A. Hazelton
 Notary Public in and for the State
 of Washington
 Residing in Redmond
 My Appointment Expires: 5/1/95

State of Washington)
)ss:
 County of King)

On this 19 day of February, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared, BARBARA L. CARVER to me known to be the individual(s) described in and executed the foregoing instrument as the General Partner, of NORTH COAST ELECTRIC PROPERTIES, and acknowledged to me that she signed and sealed this instrument as her free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated she is authorized to execute said instrument.

GIVEN under my hand and official seal the day and year last above written.



Jeffrey A. Hazelton
 Notary Public in and for the State
 of Washington
 Residing in Redmond
 My Appointment Expires: 5/1/95



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First American Title Insurance Company

12505 BELLEVUE-REDMOND ROAD, SUITE 101, BELLEVUE, WA 98005-2510
(AREA 206) 462-7818 • (AREA 206) 462-1170

State of Washington)
)ss:
County of King)

On this day 10 of FEBRUARY, 1993, I certify that I know or have satisfactory evidence that R. P. Lammie, President of NCEC signed this instrument, on oath stated that he/she is authorized to execute the instrument and acknowledged it as the (President of NCEC) of (NORTH COAST ELECTRIC COMPANY) to be that free and voluntary act of such party for the uses and purposes mentioned in the instrument.

GIVEN under my hand and official seal the day and year last above written.



Jeffrey S. Stachler
Notary Public in and for the State
of Washington
Residing in *Redmond*
My Appointment Expires: *5-1/95*

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title co the 23rd day
of Feb. A.D., 19 93 at 11:47 o'clock A M., and duly recorded in Vol. M93
of Mortgages on Page 3760
of Frederick Biehn County Clerk

FEE **\$35.00**

On Page _____
 Evelyn Biehn County Clerk
 By Daniel G. Mue