

Recording Requested By Barbara K. Liniger
and When Recorded Mail To:
UNITED STATES NATIONAL BANK OF OREGON
Commercial Real Estate-Loan Administration
501 S.E. Hawthorne Blvd., 5th Floor
Portland, OR 97214-3598

MTC 30319-KR
SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT, made and entered into as of the 7th day of February, 1994, by and between PAY LESS DRUG STORES NORTHWEST, INC., a Maryland corporation ("Tenant"), whose address is 9275 S.W. Peyton Lane, Wilsonville, Oregon 97070, CLYDE A. COLLINS and LINDA J. COLLINS, ("Borrower"), whose address is 9040 Highway 140 East, Klamath Falls, Oregon 97603, and UNITED STATES NATIONAL BANK OF OREGON ("Lender"), whose address is Commercial Real Estate-Loan Administration, 501 S.E. Hawthorne Blvd., 5th Floor, Portland, Oregon 97214-3598.

A. Lender has agreed to make a mortgage loan (the "Loan") to Borrower secured by a mortgage or deed of trust (the "Deed of Trust") on the real property legally described in Exhibit "A" attached hereto (the "Premises"); and

B. Tenant is the present lessee under a Lease dated April 24, 1968, made by Borrower, as Landlord, demising a portion of the Premises and other property (said lease and all amendments thereto being referred to as the "Lease"); and

C. The Loan terms require that Tenant execute this Agreement as a condition to the Loan; and

D. In return, Lender is agreeable to not disturbing Tenant's possession of the portion of the Premises covered by the Lease (the "Demised Premises"), so long as Tenant is not in default under the Lease; and

NOW, THEREFORE, the parties hereby agrees as follows:

1. Subordination. Subject to the terms and conditions hereinafter set forth, the Lease, and the rights of Tenant in, to and under the Lease and the Demised Premises, are hereby subjected and subordinated to the lien of the Deed of Trust.

2. Tenant Not To Be Disturbed. So long as Tenant is not in default (beyond any period given Tenant by the terms of the Lease to cure such default) in the payment of rent or additional rent or of any of the terms, covenants or conditions of the Lease on Tenant's part to be performed, (a) Tenant's possession of the Demised Premises, and its rights and privileges under the Lease, including but not limited to any extension or renewal rights, and application of insurance proceeds and condemnation awards shall not be diminished or interfered with by Lender, and (b) Lender will not join Tenant as a party defendant in any action or proceeding foreclosing the Deed of Trust unless such joinder is necessary to foreclose the Deed of Trust and then only for such purpose and not for the purpose of terminating the Lease.

3. Tenant to Attorn To Lender. If Lender shall become the owner of the Premises or the Premises shall be sold by reason of foreclosure or other proceedings brought to enforce the Deed of Trust or the Premises shall be transferred by deed in lieu of foreclosure, the Lease shall continue in full force and effect as a direct Lease between the then owner of the Premises, who shall succeed to the rights and duties of the Landlord, and Tenant. Tenant shall attorn to Lender or any other such owner as its Landlord, said attornment to be effective and self-operative without the execution of any further instruments; provided, however, that Lender or any such other owner (a) shall not be personally liable for any act or omission of any prior lessor (including Borrower), (b) shall not be bound by any agreement or modification of the Lease made without Lender's or such other owner's consent, which shall not be unreasonably withheld, or (c) shall not be liable for the return of any security deposit under the Lease unless such security deposit shall have been actually deposited with Lender. Tenant acknowledges that Borrower will assign the Lease to Lender pursuant to the terms of a separate absolute Assignment of Leases and Rents executed in connection with the Deed of Trust as security for the indebtedness secured by the Deed of Trust. Tenant hereby agrees that upon the occurrence of any default under the loan or the documents evidencing or securing the same, and in the event of a demand on Tenant by Lender, or its successors and assigns, for the payment to the Lender or its successors and assigns, of the rent due under the Lease, Lessee will pay said rent to Lender and Borrower hereby consents to said payment and releases Tenant from any and all liability, damages, or claims in connection with any such payment or payments. Borrower agrees that the receipt by Tenant of any such demand shall be conclusive evidence of the right of Lender to the receipt of said rental payments. Tenant shall be under no obligation to pay rent to Lender or any such other owner until Tenant receives written notice from Lender or any such other owner.

4. Lender's Option To Cure Borrower's Default. Tenant agrees that Borrower shall not be in default under the Lease unless written notice specifying such default is given to Lender. Tenant agrees that Lender shall have the right to cure such default on behalf of Borrower within thirty (30) days after the receipt of such notice; provided, however, that said 30-day period shall be extended so long as within said 30-day period Lender has commenced to cure and is proceeding diligently to cure said default or defaults. Tenant further agrees not to invoke any of its remedies under the Lease (except the Lease emergency repair clause) until said 30 days have elapsed.

5. Limitation. This Agreement shall not apply to any equipment, inventory, merchandise, furniture, fixtures or other personal property owned or leased by Tenant which is now or hereafter placed or installed on the Demised Premises, and Tenant shall have the full right to remove said property at any time during or at the expiration of the Lease term.

6. Notices. Any and all notices required or permitted to be given shall be in writing and shall be sent, either by registered United States mail, or personal delivery, to the parties at their addresses set forth above; and shall be deemed given upon the receipt thereof by the party to whom sent. The addresses to which notices shall be sent may be changed by any party by notice given pursuant to this paragraph.

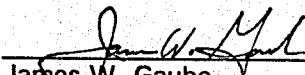
7. Successors And Assigns. This Agreement and each and every covenant, agreement and other provision hereof shall be binding upon and shall inure to the benefit of the parties hereto and their representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed as of the date first above written.

"Tenant"

PAY LESS DRUG STORES NORTHWEST, INC.
a Maryland Corporation

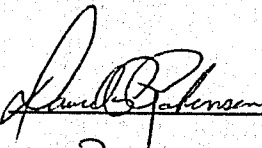
By:


James W. Gaube
Senior Vice President

"Lender"

UNITED STATES NATIONAL BANK OF OREGON

By:



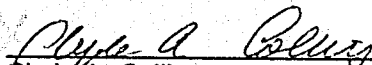
Its:

Vice President

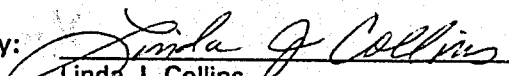
"Borrower"

CLYDE A. COLLINS and LINDA J. COLLINS

By:


Clyde A. Collins

By:

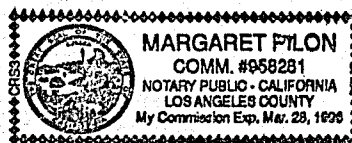

Linda J. Collins

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On 3/15/94, before me, Margaret Pilon, personally appeared Clyde A. Collins and Linda J. Collins, 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 acknowledged 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.

Margaret Pilon



STATE OF OREGON)
) ss.
 COUNTY OF CLACKAMAS)

On 2-7-94, before me, Tammy L. Ando personally appeared James W. Gaube, personally known to me or proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Tammy L. Ando

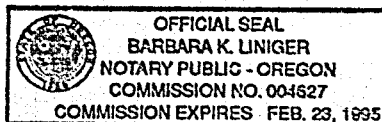


STATE OF Oregon)
) ss.
 COUNTY OF Multnomah)

On 3/2/94, before me, Barbara K. Liniger personally appeared David P. Robinson, 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 acknowledged 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.

Barbara K. Liniger



PARCEL 1

A portion of the NE1/4 SE1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at an iron pin on the South right of way line of South Sixth Street as presently located and constructed, which bears South 0 degrees 22' 15" East a distance of 48.5 feet from the Northwest corner of said NE1/4 SE1/4; thence Easterly, along said right of way line a distance of 142.5 feet to a point; thence South at right angles to said right of way line a distance of 460.0 feet to a point; thence West, parallel to said right of way line a distance of 142.5 feet, more or less, to the West line of said NE1/4 SE1/4; thence North along said West line a distance of 460.0 feet to the point of beginning.

PARCEL 2

A tract of land situated in the NE1/4 SE1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a 1/2 inch iron pin which bears South 89 degrees 52' West a distance of 745.73 feet and South 0 degrees 20' 55" East a distance of 220.16 feet from the brass cap monument marking the East quarter corner of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, said beginning point also being on the South line of tract described as Parcel #1 in Deed from Klamath County School District to Klamath County, recorded in Volume 295 at page 135, Deed Records of Klamath County, Oregon; thence continuing from said beginning point South 0 degrees 20' 55" East along a line parallel to and 4.0 feet distant Easterly, when measured at right angles to, from the existing Easterly wall of the Payless Drug Store Building as the same is presently located and constructed, a distance of 402.04 feet to a 1/2 inch iron pipe; thence South 53 degrees 42' 15" West a distance of 304.44 feet, more or less, to a 1/2 inch iron pipe on the Northeasterly boundary of the O. C. & E. Railroad right of way as the same is presently located and constructed, and from which point the aforesaid monument marking the East quarter corner of said Section 3 bears North 50 degrees 50' 20" East a distance of 1273.34 feet; thence Northwesterly along said Northeasterly boundary of the O. C. & East Railroad right of way a distance of 299.5 feet, more or less, to the West line of said NE1/4 SE1/4; thence North along said West line a distance of 186.5 feet, more or less, to a point on said West line which bears South 0 degrees 22' 15" East a distance of 460.0 feet from the Southerly boundary line of the relocated right of way of the Klamath Falls-Lakeview Highway; thence easterly, parallel with said highway right of way line a distance of 142.5 feet to a point; thence North, parallel with the West line of said NE1/4 SE1/4, a distance of 460.0 feet, more or less, to the Southerly boundary of said relocated highway right of way; thence Easterly along said relocated right of way line a distance of 387.7 feet, more or less, to a point which bears North 0 degrees 20' 55" West from the point of beginning; thence South 0 degrees 20' 55" East a distance of 174.66 feet, more or less, to the point of beginning.

PARCEL 3

A parcel of land lying in the NE1/4 SE1/4 of Section 3, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows:

Beginning at a point which bears South 01 degrees 14' East a distance of 55.03 feet and South 89 degrees 14' West a distance of 580.0 feet from the quarter section corner common to Sections 2 and 3, said Township and Range, said point being on the South right of way line of South Sixth Street as presently located and constructed; thence continuing South 89 degrees 14' West along said South right of way line a distance of 129.4 feet to the Northwest corner of this description; thence South 0 degrees 18' East a distance of 137.0 feet to an iron pin; thence North 89 degrees 14' East a distance of 131.9 feet to an iron pin; thence North 01 degrees 14' West a distance of 137.0 feet, more or less, to the point of beginning, EXCEPTING a strip of land 8 feet wide running North and South on the West side of said parcel reserved for sidewalk purposes.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Mountain Title Co the 17th day
of March A.D., 19 94 at 1:19 o'clock P M., and duly recorded in Vol. M94,
of Mortgages on Page 8134.

FEE \$40.00

Evelyn Biehn - County Clerk
By Caroline Mullendore