

SUBORDINATION AGREEMENT

I. RECITAL

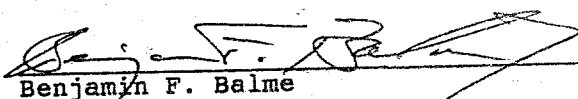
- 1.1 Klamath Orthopedic Clinic Employees Profit Sharing Trust #1000194-9 ("Trust") is the mortgagee of a mortgage given by Benjamin F. Balme and Lenor Balme, ("Balmes"), husband and wife to "Trust" dated September 19, 1980, recorded September 23, 1980 in Volume M80, page 18210, Mortgage Records of Klamath County, Oregon, which mortgage is a lien against the real property described in Exhibit "A" which is attached hereto and incorporated herein by reference.
- 1.2 Balmes are the beneficiaries of a Deed of Trust, executed by Klamath Falls Intercommunity Hospital Authority ("Authority") as grantor to Klamath County Title Company as Trustee, dated January 9, 1985, recorded January 10, 1985 in Volume M85, page 550, Mortgage Records of Klamath County, Oregon, which Deed of Trust is also a lien against the property described in Exhibit "A".
- 1.3 Authority is currently in the process of preparing to issue its Gross Revenue Bonds, Series 1994 in the amount of \$13,000,000.00, and as part of that transaction, will, as of October 6, 1994 enter into (a) a Second Amended and Restated Trust Indenture, between the Authority and First Interstate Bank of Oregon, N.A. (formerly First National Bank of Oregon) as Trustee, dated as of October 6, 1994, recorded on October 4, 1994, in Volume M94, page 30948, Mortgage of Klamath County, Oregon; and (b) a Seconded Amended and Restated Lease between the Authority as lessor and Merle West Medical Center, (formerly Presbyterian Intercommunity Hospital, Inc.) as lessee, which lease will be assigned to the trustee as security bonds, dated as of October 6, 1994, recorded October 4, 1994, in Volume M94, page 31072, Mortgage Records of Klamath County, Oregon.
- 1.4 It is the desire of the parties hereto, in order to induce the Trustee to complete the transactions referred above, to subordinate the Mortgage referred to in paragraph 1.1 and the Deed of Trust referred to in paragraph 1.3 to the Trust Indenture and Lease referred in paragraph 1.3 of this agreement.
- 1.5 It is the intention and understanding of all parties to this agreement that the lien of the Second Amended and Restated Trust Indenture and the lien of the Second Amended and Restated Lease and any renewals, replacements or extensions of the Trust Indenture and lease shall remain at all times prior and superior to the Mortgage and Deed of Trust first above mentioned.

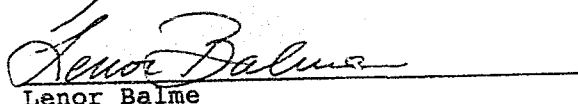
II. AGREEMENT

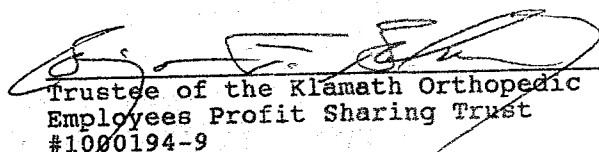
2.1 To carry out the intention of the parties and in consideration of the premises and other valuable consideration, it is hereby agreed and declared that the (a) Second Amended and Restated Trust Indenture, dated October 6, 1994, recorded October 4, 1994, in Volume M94, page 30948, Mortgage Records of Klamath County,, Oregon, and; (b) Second Amended and Restated Lease, dated as of October 6, 1994, recorded October 4, 1994, in Volume M94, page 31072, Mortgage Records of Klamath County, Oregon, and any renewals, replacements, or extensions thereof shall be and remain at all times a lien upon the property described in Exhibit "A" prior and superior to the Mortgage described in paragraph 1.1 hereof and the Deed of Trust described in paragraph 1.2 hereof.

2.2 This agreement shall bind and inure to the benefit of the heirs, successors and assigns of each of the parties.

DATED this 3rd day of ^{September} ~~October~~, 1994.

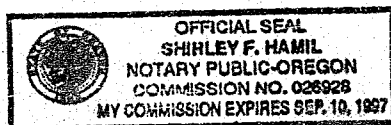

Benjamin F. Balme

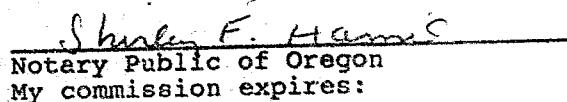

Lenor Balme


Trustee of the Klamath Orthopedic
Employees Profit Sharing Trust
#1000194-9

STATE OF OREGON)
) ss.
County of Klamath)

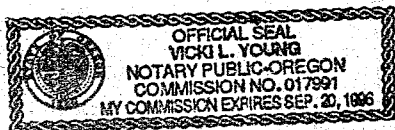
Personally appeared before me this 3rd day of ^{Sept.} ~~October~~, 1994, the above named BENJAMIN F. BALME and acknowledges the foregoing to be his voluntary act and deed.




Notary Public of Oregon
My commission expires:

STATE OF OREGON)
) ss.
 County of Klamath)

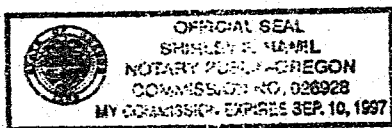
Personally appeared before me this ^{Sept} 30 day of October, 1994,
 the above named LENOR BALME and acknowledges the foregoing to be
 her voluntary act and deed.



Vicki L. Young
 Notary Public of Oregon
 My commission expires: 9-20-96

STATE OF OREGON)
) ss.
 County of Klamath)

Personally appeared BENJAMIN F. BALME who declared that he is
 the Trustee of the Klamath Orthopedic Clinic Employees Profit
 Sharing Trust #1000194-9 and that he has the authority under the
 terms of the said trust to execute this subordination agreement on
 its behalf.



Shirley F. Hamel
 Notary Public of Oregon
 My commission expires:

EXHIBIT "A"

DESCRIPTION OF PROPERTY

The following described real property situate in Klamath County, Oregon.

PARCEL 2: BUSINESS OFFICE

A parcel of land situated in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 20, Township 38 South, Range 9 E.W.M., Klamath County, Oregon, more particularly described as follows: Beginning at a 5/8 inch iron pin on the Easterly line of that parcel described in Volume M69 page 5894, Deed Records of Klamath County, Oregon, which point bears N. 0°51' E. a distance of 549.15 feet from the center one-quarter corner of said Section 20; thence N. 87°49' W. a distance of 85.0 feet; thence S. 0°51' W. a distance of 107.95 feet; thence S. 87°49' E. a distance of 85.0 feet, to the East line of said SE $\frac{1}{4}$ NW $\frac{1}{4}$, thence N 0°51' E. along said East line a distance of 107.95 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co the 4th day
of Oct A.D., 19 94 at 2:56 o'clock P M., and duly recorded in Vol. M94,
of Mortgages on Page 31124.

FEE \$25.00

Evelyn Biehn County Clerk

By Caroline Muleniere