

Subordinator acknowledges that, prior to the execution hereof, Subordinator has had the opportunity to examine the terms of lender's encumbrance, note, and agreements relating thereto; that Subordinator consents to and approves same, and recognizes that lender has no obligation to subordinator to advance any funds under lender's encumbrance or to see to the application of lender's funds; and that any application or use of such funds for purposes other than those provided for in lender's encumbrance, note or agreements shall not defeat this subordination, in whole or in part.

It is expressly understood and agreed that nothing herein contained shall be construed to change, alter or impair the subordinator's lien, except as hereinabove expressly set forth.

In the event that the loan above mentioned is an additional advance to be made under the open-end provisions of an existing trust deed or mortgage held by the lender as a first lien upon the property described above, subordinator agrees that all of subordinator's right, title, lien or interest in, to and upon said real property shall be subject to and subordinate to the lender's existing trust deed or mortgage not only for the unpaid balance of the original loan and any further advances heretofore made and secured by lender's encumbrance, but also for the additional advances now and hereafter to be made by lender to owner.

Subordinator agrees to pay lender's attorney fees and costs in any action to enforce this agreement, whether through arbitration, bankruptcy or insolvency proceedings, civil action, appeals, or otherwise.

This agreement binds subordinator's heirs, representatives, successors and assigns, and it shall inure to the benefit of the assignees or transferees of lender's encumbrance and the obligation secured thereby.

NOTICE: UNDER THE TERMS OF THIS SUBORDINATION AGREEMENT, THE NEW LOAN PROCEEDS MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND. IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS SUBORDINATION AGREEMENT, THE PARTIES CONSULT WITH THEIR ATTORNEYS ABOUT THIS AGREEMENT. READ THIS AGREEMENT CAREFULLY, AND DO NOT SIGN IT UNLESS ALL OF ITS PROVISIONS ARE ACCEPTABLE TO YOU.

IN WITNESS WHEREOF, subordinator has executed this subordination agreement on the date first above written.

William A. Kopacz
WILLIAM KOPACZ, GENERAL MANAGER
MIDSTATE ELECTRIC COOPERATIVE, INC.

State of Oregon)
County of Seachuck)

Personally appeared the above named
William A. Kopacz

and acknowledged the foregoing instrument to be
his voluntary act and deed, this 16th
day of February, 19 99
Before me:

Shelley Mueser
Notary Public for Oregon
My commission expires: 6/17/00

State of Oregon)
County of _____)

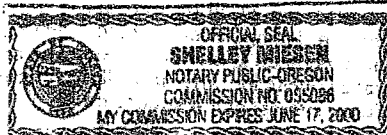
Personally appeared the above named

and acknowledged the foregoing instrument to be
_____ voluntary act and deed, this _____
day of _____, 19 _____
Before me:

Notary Public for Oregon
My commission expires:

STATE OF OREGON, County of _____)SS.

The foregoing instrument was acknowledged before me this _____ day of _____
19 _____, by _____ as the _____
of _____, a _____ corporation, on behalf of the corporation.



Notary Public for Oregon
My commission expires:

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of _____ First American Title the _____ 22nd day
of _____ February A.D. 1999 at _____ 3:15 o'clock P. M., and duly recorded in Vol _____ 1999
of _____ Mortgages on Page _____ 6021

FEE \$15.00

Linda Smith, County Clerk

by Kathleen Ross