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U.S. BANK NATIONAL ASSOCIATION
Commercial Loan Serving West
555 S.W. Oak Street, PL-7
Portland, OR 97204

Space above this line for recorder's use

**SUBORDINATION, NON-DISTURBANCE,
AND ATTORNMENT AGREEMENT**

Date: 7-1, 1999

From: POWER TRANSMISSION PRODUCTS, INC. ("Tenant")

The Anderson Loving Trust, successor in interest to
Jerry O. Anderson ("Landlord")

o/y To: U.S. BANK NATIONAL ASSOCIATION ("Lender")

Lease Dated: June 1, 1998
Lease Term: Five Years

WITNESSETH:

WHEREAS, the Tenant has entered into a lease dated June 1, 1998 (the "Lease") with Landlord, covering premises described as 205 Riverside Drive, Klamath Falls, Oregon (the "Premises") and legally described in Exhibit "A" attached hereto and incorporated herein by reference; and

WHEREAS, the Lender made a loan dated January 8, 1999 in the original principal amount of Two Hundred Ten Thousand Dollars (\$210,000) to the Landlord secured by a Deed of Trust, covering the Premises (hereinafter referred to as "mortgage"), which mortgage also secures any future advances made by Lender.

WHEREAS, Lender has been requested by Tenant and by Landlord to enter into a non-disturbance agreement with Tenant;

NOW, THEREFORE, in consideration of the promises and mutual covenants hereinafter contained, the parties hereto mutually covenant and agree as follows:

1. The Lease and any extensions, renewals, replacements or modifications thereof, and all of the right, title and interest of the Tenant in and to said Premises, including but not limited to any option or right of first refusal to purchase the Premises, or any acquisition of title to the Premises by Tenant during the term of the mortgage, are and shall be subject and subordinate to the mortgage and to all of the terms and conditions contained herein, and to any renewals, modifications, replacements, consolidations and extensions thereof.
2. Lender consents to the Lease and, in the event of foreclosure of said mortgage, or in the event Lender comes into possession or acquires title to the premises as a result of the enforcement or foreclosure of the mortgage or mortgage note, or as a result of any other means, Lender agrees to recognize Tenant and further agrees that Tenant shall not be disturbed in its possession of the Premises for any reason other than one which would entitle the Landlord to terminate the Lease under its terms or would cause, without further action by such Landlord, the termination of the Lease or would entitle such Landlord to dispossess the Tenant from the Premises.
3. Tenant agrees with Lender that if the interest of Landlord in the Premises shall be transferred to and owned by Lender by reason of foreclosure or other proceedings brought by it, or by any other manner, Tenant shall be bound to Lender under all of the terms, covenants and conditions of the Lease for the balance of the term thereof 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 Landlord under the Lease, and Tenant does hereby attorn to Lender as its Landlord, said attornment to be effective and self-operative without the execution of any further instruments on the part of any of the parties hereto immediately upon Lender succeeding to the interest of the Landlord in the Premises. Tenant agrees, however, upon the election of and written demand by Lender after Lender receives title to the Premises, to promptly execute an instrument in confirmation of the foregoing provisions, satisfactory to Lender, in which Tenant shall acknowledge such attornment and shall set forth the terms and conditions of its tenancy.
4. Tenant agrees with Lender that if Lender shall succeed to the interest of Landlord under the Lease, Lender shall not be (a) liable for any action or omission of any prior landlord under the Lease, or (b) subject to any offsets or defenses which Tenant might have against any prior landlord, or (c) bound by any rent or additional rent which Tenant might have paid for more than the current month to any prior landlord, or (d) bound by any security deposit which Tenant may have paid to any prior landlord, unless such deposit is in an escrow fund available to Lender, or (e) bound by any amendment or modification of the Lease made without Lender's consent provided Lender shall not unreasonably withhold, condition or delay its consent, or (f) bound by any provision in the Lease which obligates the Landlord to erect or complete any building or to perform any construction work or to make any improvements to the Premises except for the Landlord's

obligations to otherwise maintain and repair the building in accordance with the terms of the Lease. Tenant further agrees with Lender that Tenant will not voluntarily subordinate the Lease to any lien or encumbrance without Lender's consent.

5. Tenant shall provide Lender with a copy of any written notice that Tenant sends to or receives from Landlord no later than 10 days after transmission or receipt. In the event that the Landlord shall default in the performance or observance of any of the terms, conditions or agreements in the Lease, Tenant shall give written notice thereof to the Lender and the Lender shall have the right (but not the obligation) to cure such default. Tenant shall not take any action with respect to such default under the Lease, including and without limitation, any action in order to terminate, rescind or void the Lease or to withhold any rental thereunder for a period of ten (10) days after receipt of such written notice thereof by the Lender with respect to any such default capable of being cured by the payment of money and for a period of thirty (30) days after receipt of such written notice thereof by the Lender with respect to any other such default (provided, that in the case of any default which cannot be cured by the payment of money and cannot with diligence be cured within such thirty (30) day period because of the nature of such default or because Lender requires time to obtain possession of the Premises in order to cure the default, if Lender shall proceed promptly to attempt to obtain possession of the Premises, where possession is required, and to cure the same and thereafter shall prosecute the curing of such default with diligence and continuity, then the time within which such default may be cured shall be extended for such period as may be necessary to complete the curing of the same with diligence and continuity).

6. Tenant agrees with Lender that Tenant's estate in the Premises shall not be conveyed or encumbered without the written consent of the Lender so long as the Lease is in effect.

7. Landlord and Tenant hereby covenant and agree with Lender as follows:

a. The Lease has been properly executed and delivered by Tenant, is valid and binding upon Tenant, has not been modified, and is in full force and effect;

b. As of the date of this Agreement there exist no defaults under the terms of the Lease by Landlord or Tenant;

c. As of the date of this Agreement Tenant has not paid any rental to Landlord more than one month in advance and Landlord holds no security deposit for Tenant except \$ 00;

d. As of the date of this Agreement Tenant has no defense, claim of lien or offset, under the Lease or against the rental payable thereunder; and

e. As of the date of this Agreement Tenant has no claims to or interest in the Premises, legal or equitable, or any contract or option therefore, other than as a tenant under the lease.

Tenant hereby agrees that it will promptly notify Lender in writing of and when any of the above conditions should become untrue or incorrect in any material respect.

8. This Agreement shall bind and inure to the benefit of all parties hereto, their successors and assigns. As used herein the term "Tenant" shall include the Tenant, its successors and assigns; the words "foreclosure" and "foreclosure sale" as used herein shall be deemed to include the acquisition of Landlord's estate in the Premises by voluntary deed (or assignment) in lieu of foreclosure, and the word "Lender" shall include the Lender herein specifically named and any of its successors and assigns, including anyone who shall succeed to Landlord's interest in the Premises by, through or under foreclosure of the mortgage.

9. This Agreement shall not be modified or amended except in writing signed by the parties hereto.

10. The use of the neuter gender in this Agreement shall be deemed to include any other gender, and words in the singular number shall be held to include the plural, when the sense requires.

11. Notwithstanding any of the other provisions hereof, this Agreement is not intended to create and shall not be deemed to create any personal liability on the part of Tenant for repayment of the loan secured by the mortgage.

12. All notices, demands, or other communications permitted or required to be given under this Agreement shall be in writing and shall be addressed to the parties at their addresses respectively specified above or to such other place as the parties may from time to time designate in writing and shall be sent by (i) the United States certified or registered mail, postage prepaid, (ii) personal delivery, (iii) commercial courier service, such as Federal Express, or (iv) facsimile (teletype) transmission (provided that any notice delivered by facsimile transmission must be confirmed by notice delivered in any other manner permitted hereunder). Notices sent by mail shall be deemed given three (3) days after mailing; notices sent pursuant to the method described in clauses (ii) or (iii) shall be deemed given when delivered; and notices sent by facsimile transmission shall be deemed given one (1) hour after the completion of transmission (provided that any such notice is confirmed by notice delivered in any other manner permitted hereunder). This notice provision contemplates the parties inserting their addresses below their names on the front of the document.

IN WITNESS WHEREOF the parties hereto have placed their hands and seals the day and year first above written.

**POWER TRANSMISSION PRODUCTS,
INC.**

By: Timothy C. Anderson

Name: TIMOTHY C. Anderson

Title: PRESIDENT

THE ANDERSON LOVING TRUST,
successor in interest to Jerry D. Anderson

By: Jerry D. Anderson

Name: JERRY D. ANDERSON

Title: TRUSTEE

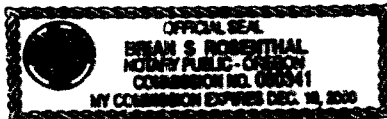
U.S. BANK NATIONAL ASSOCIATION

By: *G. T. Schell*Name: G. T. SCHELLTitle: VICE PRESIDENT

STATE OF OREGON)

COUNTY OF Multnomah) ss.

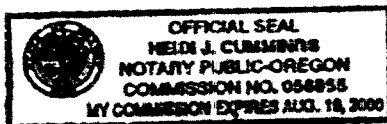
This instrument was acknowledged before me on this 12th day of July, 1999,
by Timothy C. Andersen as President of Power
Transmission Products, Inc.

*Brian S. Rosenthal*
Notary Public for OregonMy commission expires: 12/18/00

STATE OF OREGON)

COUNTY OF Klamath) ss.

This instrument was acknowledged before me on this 1 day of July, 1999,
by Jerry O. Anderson as Trustee of the Anderson Loving Trust.

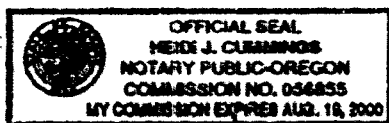
*Heidi J. Cummings*
Notary Public for OregonMy commission expires: Aug 19, 2000

STATE OF OREGON)

County of Klamath) ss.

The foregoing instrument was acknowledged before me on this 1 day of July, 1999 by Olivia Schell as Relationship Mgr. of
U.S. Bank National Association.

Before me:

*Heidi J. Cummings*
Notary Public for OregonMy commission expires: Aug 19, 2000

State of Oregon, County of Klamath
Recorded 7/27/99, at 3:50 p m.
In Vol. M99 Page 29976
Linda Smith,
County Clerk Fee \$ 30 KR