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2012-005372

Klamath County, Oregon



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05/17/2012 12:08:16 PM

Fee: \$82.00

RECORDING REQUESTED BY, AND
WHEN RECORDED RETURN TO:

Harvest Capital Company
Attn: Royce Ann Simmons
P.O. Box 579
Canby, OR 97013

SUBORDINATION

THIS SUBORDINATION AGREEMENT (the "**Agreement**") is made and entered into as of the 10th day of May, 2012, by OPTIM, INC. a Nevada corporation ("**Optim**"), KLAMATH BASIN GEOPOWER, INC., a Nevada corporation ("**KBG**" and with Optim, collectively "**Tenant**") for the benefit of HARVEST CAPITAL COMPANY ("**Harvest**") and U.S. BANK NATIONAL ASSOCIATION as CUSTODIAN/TRUSTEE OF FEDERAL AGRICULTURAL MORTGAGE CORPORATION PROGRAMS ("Farmer Mac" and with Harvest, the "**Lenders**").

RECITALS:

WHEREAS, Harvest has made loans in the original aggregate principal amount of \$4,550,000 (the "**\$4,550,000 Loans**") to JESPERSEN-EDGEWOOD, INC., an Oregon corporation, LAWRENCE (a.k.a. Larry) C. JESPERSEN and MAUREEN V. JESPERSEN, husband and wife, LEONARD K. JESPERSEN and VICKY L. JESPERSEN, husband and wife, JACEN JESPERSEN and JULIE JESPERSEN, husband and wife, and KENNETH G. HOLMES and BETHANY N. HOLMES, husband and wife which are evidenced and secured by various loan documents, including a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing, dated April 7, 2008 and recorded April 10, 2008 in Volume 2008, page 005287, Microfilm Records of Klamath County, Oregon (the "**\$4,550,000 Mortgage**"). The \$4,550,000 Mortgage encumbers the real property in Klamath County, Oregon described on

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Exhibit A, and related water rights and personal property (the “**\$4,550,000 Premises**”). Pursuant to an assignment recorded March 9, 2011, Harvest assigned the \$4,550,000 Loans and \$4,550,000 Mortgage to Farmer Mac.

WHEREAS, Harvest has made a loan in the original aggregate principal amount of \$450,000 (the “**\$450,000 Loan**”) to JESPERSEN-EDGEWOOD, INC., an Oregon corporation, LAWRENCE (a.k.a. Larry) C. JESPERSEN and MAUREEN V. JESPERSEN, husband and wife, LEONARD K. JESPERSEN and VICKY L. JESPERSEN, husband and wife, JACEN JESPERSEN and JULIE JESPERSEN, husband and wife, and KENNETH G. HOLMES and BETHANY N. HOLMES, husband and wife which are evidenced and secured by various loan documents, including a Mortgage, Assignment of Rents, Security Agreement and Fixture Filing, dated April 7, 2008 and recorded April 10, 2008 in Volume 2008, page 005288, Microfilm Records of Klamath County, Oregon (the “**\$450,000 Mortgage**”). The \$450,000 Mortgage encumbers the real property in Klamath County, Oregon described on Exhibit B, and related water rights and personal property (the “**\$450,000 Premises**”). Pursuant to an assignment recorded March 9, 2011, Harvest assigned the \$450,000 Loan and \$450,000 Mortgage to Farmer Mac.

WHEREAS, Harvest intends to make a loan in the principal amount of \$900,000 (the “**2012 Loan**” and with the \$4,550,000 Loan and \$450,000 Loan, the “**Loans**”) to JESPERSEN SWAN LAKE, INC., an Oregon corporation, EDGEWOOD RANCH, INC., an Oregon corporation, LJ2, LLC, an Oregon limited liability company, LAWRENCE (a.k.a. Larry) C. JESPERSEN and MAUREEN V. JESPERSEN, husband and wife, LEONARD K. JESPERSEN and VICKY L. JESPERSEN, husband and wife, JACEN JESPERSEN and JULIE JESPERSEN, husband and wife, and KENNETH G. HOLMES and BETHANY N. HOLMES, husband and wife (“the “**2012 Borrowers**”) which will be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the “**2012 Trust Deed**”) encumbering the real property in Klamath County, Oregon described on attached Exhibit C and related water rights and personal property (the “**2012 Premises**” and with \$4,550,000 Premises and \$450,000 Premises, the “**Premises**”). At the closing of the 2012 Loan, Harvest will assign the 2012 Loan and 2012 Trust Deed to Farmer Mac.

Contemporaneously with the closing of the 2012 Loan, the 2012 Borrowers will execute a Mortgage Modification Agreement which cross collateralizes the 2012 Loan and the \$4,550,000 Loans and cross defaults the 2012 Loan, the \$4,550,000 Loans and the \$450,000 Loan, so that collateral securing each of the \$4,550,000 Loans and the 2012 Loan secures both the \$4,550,000 Loans and the 2012 Loan, and so that a default on any of such loans is a default on all of such loans (the “**Modification Agreement**”).

Optim has entered into a Geothermal Lease and Agreement with Jespersen-Edgewood, Inc. covering the Premises and other property, a memorandum of which was recorded November 19, 2010 as Instrument No. 2010 – 13434, Microfilm Records of Klamath County,

Oregon (the "Lease"). Optim has subsequently, pursuant to an unrecorded assignment, assigned the Lease to KBG.

WHEREAS, for purposes of completing the 2012 Loan, Lenders requires that the \$4,550,000 Mortgage, \$450,000 Mortgage, and 2012 Trust Deed, each as modified the Modification Agreement, be superior to all interest of Tenant in and to the Premises.

NOW, THEREFORE, for and in valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Tenant does hereby covenant and agree as follows:

A G R E E M E N T:

1. The Lease and all of Tenant's rights under the Lease, including without limitation, any and all options to purchase and any and all interests in the buildings, irrigation equipment and other improvements located on the Premises, now is, and shall at all times and for all purposes continue to be, subject and subordinate to and is hereby subordinated to, in each and every respect, to the \$4,550,000 Mortgage, the \$450,000 Mortgage and 2012 Trust Deed, each as modified by the Modification Agreement, it being understood and agreed that the foregoing subordination shall apply to any and all increases, renewals, modifications, amendments, extensions, substitutions, replacements and/or consolidations of the \$4,550,000 Loan, \$450,000 Loan and 2012 Loan and the documents evidencing and securing the same.

2. Tenant represents and warrants to Lenders that Optim has assigned the Lease to KBG and KBG is the sole holder of the lessee's interest in the Lease, and the lessee's interest in the Lease has not been encumbered or, except for the assignment from Optim to KBG, assigned. Tenant acknowledges and agrees that Harvest would not make the 2012 Loan without this Agreement.


3. If, after a default under any of the Loans, Lenders sends written notice to Tenant to direct its rental payments under the Lease to Lenders, then Tenant agrees to follow the instructions set forth in such written instructions and deliver rental payments to Lenders.

4. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their successors in interest, heirs and assigns and any subsequent owner of the Premises. The term "Lenders" as used throughout this Agreement includes any successor or assign of Lenders and any holder(s) of any interest in the indebtedness secured by the \$4,550,000 Mortgage, \$450,000 Mortgage or 2012 Trust Deed.


5. Should any action or proceeding be commenced to enforce any of the provisions of this Agreement or in connection with its meaning, the prevailing party in such action shall be awarded, in addition to any other relief it may obtain, its reasonable costs and expenses, not limited to taxable costs, and reasonable attorney's fees and costs.

IN WITNESS WHEREOF, the Tenant hereto has caused this Agreement to be executed as of the day and year first above written.

OPTIM, INC.
a Nevada corporation

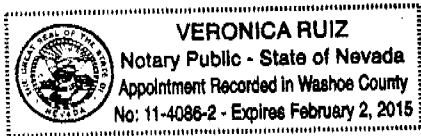
By: 
Its: VICE-PRESIDENT

KLAMATH BASIN GEOPower, INC.
a Nevada corporation

By: 
Its: SECRETARY & TREASURER

STATE OF NV)
COUNTY OF Washoe) ss.

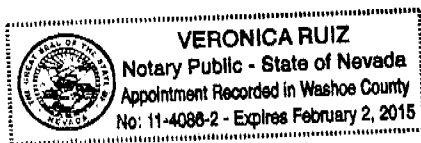
This instrument was acknowledged before me on 5-10, 2012, by Sathish Pullammanappillai, of Optim, Inc., a Nevada corporation, on its behalf.



Veronica Ruiz
Notary Public
My commission expires: 2-2-15
Commission No.: 11-4086-2

STATE OF NV)
COUNTY OF Washoe) ss.

This instrument was acknowledged before me on 5-10, 2012, by Sathish Pullammanappillai, of Klamath Basin Geopower, Inc., a Nevada corporation, on its behalf.



Veronica Ruiz
Notary Public
My commission expires: 2-2-15
Commission No.: 11-4086-2

EXHIBIT A
Legal Description
\$4,550,000 Premises

PARCEL 1:

IN TOWNSHIP 37 SOUTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON:

Section 14: W1/2 SW1/4
Section 15: NW1/4 NW1/4, S1/2 N1/2, NE1/4 SE1/4
Section 23: W1/2 NE1/4, SE1/4 NE1/4, E1/2 SE1/4
Section 24: SW1/4 SW1/4
Section 25: W1/2, W1/2 SE1/4
Section 26: E1/2 E1/2
Section 35: NE1/4 NE1/4
Section 36: All

IN TOWNSHIP 38 SOUTH, RANGE 11 1/2 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON:

Section 6: Government Lots 4, 5, 6 and 7; SE1/4 NW1/4, E1/2 SW1/4, SW1/4 SE1/4
Section 7: Government Lots 1, 2, 3 and 4; W1/2 E1/2, SE1/4 NE1/4, E1/2 W1/2, E1/2 SE 1/4, NE1/4 NE1/4
Section 8: W1/2 SW1/4
Section 17: W1/2
Section 18: Government Lots 1 and 2; NE1/4, E1/2 NW1/4
Section 20: SW1/4 NE1/4, NW1/4, N1/2 SW1/4, W1/2 SE1/4, SE1/4 SE1/4
Section 21: S1/2 SW1/4, SW1/4 SE1/4
Section 27: W1/2 SW1/4, SE1/4 SW1/4, EXCEPTING THEREFROM that portion of the SE1/4 SW1/4 conveyed to Oregon – California and Eastern Railway Company by deed recorded May 26, 1917 in Book 47 at page 592, Deed Records of Klamath County, Oregon. AND EXCEPTING from the SE1/4 SW1/4 that portion thereof lying Easterly of the Easterly line of the Oregon – California and Eastern Railway Company right of way.
Section 28: N1/2, NE1/4 SW1/4, SE1/4
Section 29: NE1/4, SE1/4 NW1/4, E1/2 SW1/4
Section 32: NE1/4 NW1/4, EXCEPTING THEREFROM all that portion lying within the Klamath Falls – Lakeview Highway (Highway 140)

PARCEL 2:

Parcel A:

The NE1/4 of Section 32, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel B:

The S1/2 NE1/4 and SE1/4 of Section 21 and S1/2 NW1/4 and SW1/4 of Section 22, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel C:

The NW1/4 of Section 28, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel D:

The NE1/4 NE1/4 of Section 19, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel E:

The E1/2 NE1/4 and the E1/2 W1/2 NE1/4 and that portion of the SE1/4 lying Easterly of Edgewood Lane in Section 18, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel F:

The E1/2 SE1/4 NE1/4 Section 7, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel G:

The SW1/4 SE1/4 of Section 5; N1/2 NE1/4, SE1/4 NE1/4 and that portion of the SW1/4 NE1/4 and the NE1/4 SE1/4 of Section 8 lying East of Swan Lake Road; and the S1/2 NW1/4 and that portion of the SW1/4 of Section 9, lying East of Swan Lake Road, all being in Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon, Excepting therefrom the following described tract: Beginning at a point 50 links due East from a point on the Section line 20 chains South of the Northwest corner of SW1/4 of Section 9, Township 38 South, Range 10 East of the Willamette Meridian; run thence, due East 6.50 chains; thence North 1.75 chains; thence East 5 chains; thence South 4 chains; thence West 5 chains; thence North 1.75 chains; thence West 6.50 chains; thence North .50 chains to the point of beginning. (per Linda K)

The S1/2 SW1/4 of Section 4 and the N1/2 NW1/4 of Section 9, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon. (per Linda K)

Parcel H:

The NE 1/4 of Section 28 and the NE1/4 of Section 29, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel I:

The SW1/4 of Section 27, and the SE1/4 of Section 28, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

TOGETHER WITH an easement for ingress and egress over the Westerly 30 feet of the NE1/4 of Section 28, Township 37 South, Range 10 East, Willamette Meridian, Klamath County, Oregon, as granted by instrument recorded April 27, 1994 in Volume M94, Page 12606, Microfilm Records of Klamath County, Oregon.

PARCEL 3:

The NE1/4, E1/2 NW1/4, and NE1/4 SE1/4 of Section 12, Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon

EXHIBIT B
Legal Description
\$450,000 Premises

In Township 38 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon:

The S1/2 SW1/4 of Section 4; the S1/2 SE1/4 of Section 5; the N1/2 NE1/4, SE1/4 NE1/4 and that portion of the SW1/4 NE1/4 and of the NE1/4 SE1/4 of Section 8 lying East of Swan Lake Road; the NW1/4 and that portion of the SW1/4 of Section 9 lying East of Swan Lake Road.

EXHIBIT C
Legal Description
212 Premises

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Section 25: W1/2, W1/2 SE1/4
Section 26: E1/2 E1/2
Section 34: NE1/4 NE1/4
Section 35: NE1/4 NE1/4, N1/2 NW1/4 and NW1/4 NE1/4
Section 36: All

IN TOWNSHIP 38 SOUTH, RANGE 11 1/2 EAST OF THE WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON:

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Section 7: Government Lots 1, 2, 3 and 4; W1/2 E1/2, SE1/4 NE1/4, E1/2 W1/2, E1/2 SE 1/4, NE1/4 NE1/4
Section 8: W1/2 SW1/4
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Parcel F:

The E1/2 SE1/4 NE1/4 Section 7, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel G:

The W1/2 and SE1/4 and W1/2 W1/2 SW1/4 NE1/4 of Section 8; SW1/4, W1/2 SE1/4 and NE1/4 SE1/4 of Section 9; SW1/4, S1/2 SE1/4 and NW1/4 SE1/4 of Section 15; all of Sections 16 and 17; E1/2 and N1/2 NW1/4 of Section 20; W1/2 and N1/2 NE1/4 of Section 21; E1/2 and N1/2 NW1/4 of Section 22; W1/2 and W1/2 SE1/4 of Section 23; SW1/4 of Section 28; SE1/4 of Section 29 all in Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

Parcel H:

The NE 1/4 of Section 28 and the NE1/4 of Section 29, Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

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PARCEL 4:

W1/2 and W1/2 E1/2 of Section 26 and the E1/2 and NW1/4 of Section 27, in Township 37 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.