



2013-013319
Klamath County, Oregon



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12/03/2013 11:47:50 AM

Fee: \$87.00

WHEN RECORDED RETURN TO:

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

(space above reserved for recorder's use)

SUBORDINATION

THIS SUBORDINATION AGREEMENT (the "**Agreement**") is made and entered into as of the 25 day of NOVEMBER, 2013, by OPTIM, INC. a Nevada corporation ("**Optim**") and 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 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 attached Exhibit A, and related water rights and personal property (the "**\$450,000 Premises**"). Pursuant to an assignment recorded March 9, 2011 in Volume 2011-003387, Microfilm Records of Klamath County, Oregon, Harvest assigned the \$450,000 Loan and \$450,000 Mortgage to Farmer Mac. JESPERSEN-EDGEWOOD, INC. conveyed its interest in a portion of the \$450,000 Premises to JESPERSEN SWAN LAKE, INC. and conveyed the

7200amt.

remainder of the \$450,000 Premises to EDGEWOOD RANCH, INC. Pursuant to a Consent to Transfer and Assumption Agreement recorded May 17, 2012 in Volume 2012-005370, Microfilm Records of Klamath County, Oregon, JESPERSEN SWAN LAKE, INC. assumed the obligations of JESPERSEN-EDGEWOOD, INC. on the \$450,000 Loan.

WHEREAS, Harvest intends to make a loan in the principal amount of \$2,700,000 (the "2013 Loan" and with the \$450,000 Loan, the "Loans") to JESPERSEN SWAN LAKE, INC., an Oregon corporation, LEONARD K. JESPERSEN and VICKY L. JESPERSEN, husband and wife, and JACEN M. JESPERSEN and JULIE A. JESPERSEN, husband and wife (the "2013 Borrowers") which will be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "2013 Trust Deed") encumbering the real property in Klamath County, Oregon described on attached Exhibit B and related water rights and personal property (the "2013 Premises" and with the \$450,000 Premises, the "Premises"). At the closing of the 2013 Loan, Harvest will assign the 2013 Loan and 2013 Trust Deed to Farmer Mac.

Contemporaneously with the closing of the 2013 Loan, the 2013 Borrowers will execute a Release and Amendment to Mortgage, Assignment of Rents, Security Agreement and Fixture Filing which cross defaults the 2013 Loan and the \$450,000 Loan, so that a default on either of such loans is a default on both of such loans (the "Modification Agreement").

Optim has entered into a Geothermal Lease and Agreement with Jespersen-Edgewood, Inc. covering portions of the Premises and other property, a memorandum of which was recorded November 19, 2010 as Instrument No. 2010-013434, 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 2013 Loan, Lenders require that the \$450,000 Mortgage as modified the Modification Agreement, and 2013 Trust Deed, 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 \$450,000 Mortgage as modified by the Modification Agreement and 2013 Trust Deed, 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 \$450,000 Loan and 2013 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 2013 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 \$450,000 Mortgage or 2013 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.

[signature page follows]

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: president

KLAMATH BASIN GEOPower, INC.
a Nevada corporation

By: 
Its: president

STATE OF NV }
COUNTY OF Washoe } ss.

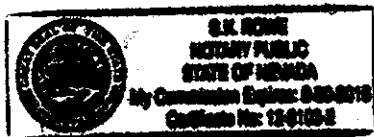
This instrument was acknowledged before me on November 29, 2013, by William Hong, of Optim, Inc., a Nevada corporation, on its behalf.



S.A. Rowe
Notary Public
My commission expires: 6-30-2016
Commission No.: 12-0109-2

STATE OF NV }
COUNTY OF Washoe } ss.

This instrument was acknowledged before me on November 29, 2013, by William Hong, of Klamath Basin Geopower, Inc., a Nevada corporation, on its behalf.



S.A. Rowe
Notary Public
My commission expires: 6-30-2016
Commission No.: 12-0109-2

EXHIBIT A
\$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 A-1

Loan No. 21302020

EXHIBIT B
Legal Description
2013 Premises

Parcel 1:

Parcel 3 of Land Partition 05-13, a replat of Parcel 1 of LP 16-121 situated in Sections 7, 8, 9, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28, 29, 34 and 35 of Township 37 South Range 10 East of the Willamette Meridian, Klamath county, Oregon being recorded on June 3, 2013 in 2013-006214, Records of Klamath County, Oregon.

Parcel 2:

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

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 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:**

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 SE1/4, 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

Exhibit B-1

Loan No. 21302020

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 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-2

Loan No. 21302020