



2013-013323  
Klamath County, Oregon



12/03/2013 11:52:50 AM

Fee: \$57.00

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 intends to make a loan in the principal amount of FOUR MILLION AND NO/100 DOLLARS (\$4,000,000) (the "**Loan**") to EDGEWOOD RANCH, INC., an Oregon corporation, LAWRENCE C. JESPERSEN, JR. and VIOLETTE M. JESPERSEN, husband and wife, LAUREN M. JESPERSEN and MOLLY M. JESPERSEN, husband and wife, and KENNETH G. HOLMES and BETHANY N. HOLMES, husband and wife (the "**Borrowers**") which will be secured by a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (the "**Trust Deed**") encumbering the real property in Klamath County, Oregon described on attached Exhibit A and related water rights and personal property (the "**Premises**"). At the closing of the Loan, Harvest will assign the Loan and the Trust Deed to Farmer Mac.

WHEREAS, 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 purpose of completing the Loan, Lenders require that the 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 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 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 Loan without this Agreement.

3. If, after a default under the Loan, 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 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

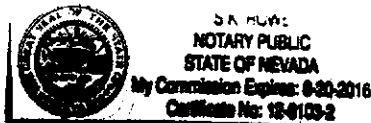
By:   
Its: president

**KLAMATH BASIN GEOPower, INC.**  
a Nevada corporation

By:   
Its: president

STATE OF NV )  
COUNTY OF Washoe ) ss.

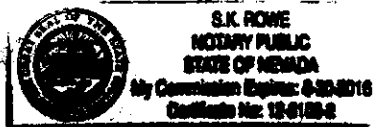
This instrument was acknowledged before me on November 29, 2013, by William Honjas, of Optim, Inc., a Nevada corporation, on its behalf.



S.K. Rowe  
Notary Public  
My commission expires: 6-20-2016  
Commission No.: 12-0153-2

STATE OF NV )  
COUNTY OF Washoe ) ss.

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



S.K. Rowe  
Notary Public  
My commission expires: 6-20-2016  
Commission No.: 12-0153-2

**EXHIBIT A**  
**Legal Description**  
**Premises**

**Parcel 1:**

Parcel 1 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:**

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

**Parcel 3:**

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

**Parcel 4:**

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 of the Willamette Meridian, Klamath County, Oregon, as granted by instrument recorded April 27, 1994 in Volume M94, Page 12606, Microfilm Records of Klamath County, Oregon.