

AmeriTitle
MTC 45593 AM

RECORDATION REQUESTED BY:

Umpqua Bank
CBC Tehama
C/O Loan Support Services
PO Box 1580
Roseburg, OR 97470

2015-013614

Klamath County, Oregon

12/18/2015 03:24:45 PM

Fee: \$82.00

WHEN RECORDED MAIL TO:

Umpqua Bank
PO Box 1580
Roseburg, OR 97470

SEND TAX NOTICES TO:

Knoll Ranch, LLC
6149 Reeder Road
Klamath Falls, OR 97603-9665

FOR RECORDER'S USE ONLY

NOTICE: THIS SUBORDINATION AGREEMENT - LEASE RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

SUBORDINATION AGREEMENT - LEASE

THIS SUBORDINATION AGREEMENT - LEASE dated December 9, 2015, is made and executed among Klamath Basin Geopower, Inc., whose address is 200 S. Virginia St., Suite 560, Reno, NV 89501 ("Lessee"); Knoll Ranch, LLC, whose address is 6149 Reeder Road, Klamath Falls, OR 97603-9665 ("Borrower"); and Umpqua Bank, whose address is CBC Tehama, C/O Loan Support Services, PO Box 1580, Roseburg, OR 97470 ("Lender").

SUBORDINATED LEASE. Lessee has executed a lease dated September 18, 2012 of the property described herein which was recorded as follows: Recorded on September 18, 2012 as Instrument No. 2012-011090 (the "Subordinated Lease"). The following information is the summary of the basic terms and conditions of the Subordinated Lease: Disclosed by Memorandum of Geothermal Lease and agreement.

REAL PROPERTY DESCRIPTION. The Lease covers 200 S. Virginia St., Suite 560, Reno, NV 89501 of the following described real property located in Klamath County, State of Oregon:

See Exhibit "A", which is attached to this Subordination and made a part of this Subordination as if fully set forth herein.

The Real Property or its address is commonly known as 6149 Reeder Road, Klamath Falls, OR 97603. The Real Property tax identification number is R599891; R599944.

SUPERIOR INDEBTEDNESS. Lender has extended or has agreed to extend the following described financial accommodations to Borrower, secured by the Real Property (the "Superior Indebtedness"):

All "Indebtedness" as that term is defined in Lender's Lien.

LENDER'S LIEN. The Superior Indebtedness is or will be secured by the Real Property and evidenced by a mortgage, deed of trust, or other lien instrument, dated December 9, 2015, from Borrower to Lender (the "Lender's Lien"). As a condition to the granting of the requested financial accommodations, Lender has required that the Lender's Lien be and remain superior to the Subordinated Lease.

REQUESTED FINANCIAL ACCOMMODATIONS. Lessee and Borrower each want Lender to provide financial accommodations to Borrower in the form of the Superior Indebtedness. Borrower and Lessee each represent and acknowledge to Lender that Lessee will benefit as a result of these financial accommodations from Lender to Borrower, and Lessee acknowledges receipt of valuable consideration for entering into this Subordination.

NOW THEREFORE THE PARTIES TO THIS SUBORDINATION HEREBY AGREE AS FOLLOWS:

SUBORDINATION. All of Lessee's right, title, and interest in and to the Subordinated Lease and the Real Property is and shall be subordinated in all respects to Lender's Lien and the Superior Indebtedness, and it is agreed that Lender's Lien shall be and remain, at all times, prior and superior to Lessee's interests in the Subordinated Lease and the Real Property. Lessee also subordinates to Lender's Lien all other Security Interests in the Real Property held by Lessee, whether now existing or hereafter acquired.

LESSEE'S REPRESENTATIONS AND WARRANTIES. Lessee hereby represents and warrants to Lender that Lessee has heretofore delivered to Lender a true, correct and complete copy of the Lease, which constitutes the entire agreement between the parties thereto and Lessee further acknowledges that the Lease is in full force and effect and that no default by Lessee or, to Lessee's knowledge, by other party under the terms and provisions of the Lease exists as of the date hereof.

LESSEE WAIVERS. Lessee waives any right to require Lender: (A) to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; (B) to make any presentment, protest, demand, or notice of any kind, including notice of any nonpayment of any secured by Lender's Lien, or notice of any action or nonaction on the part of Borrower, Lender, any surety, endorser, or other guarantor in connection with the Superior Indebtedness, or in connection with the creation of new or additional indebtedness; (C) to resort for payment or to proceed directly or at once against any person, including Borrower; (D) to proceed directly against or exhaust any collateral held by Lender from Borrower, any other guarantor, or any other person; (E) to give notice of the terms, time, and place of any public or private sale of personal property security held by Lender from Borrower or to comply with any other applicable provisions of the Uniform Commercial Code; (F) to pursue any other remedy within Lender's power; or (G) to commit any act or omission of any kind, at any time, with respect to any matter whatsoever.

LENDER'S RIGHTS. Lender may take or omit any and all actions with respect to Lender's Lien without affecting whatsoever any of

SUBORDINATION AGREEMENT - LEASE (Continued)

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Lender's rights under this Subordination. In particular, without limitation, Lender may, without notice of any kind to Lessee, (A) make one or more additional secured or unsecured loans to Borrower; (B) repeatedly alter, compromise, renew, extend, accelerate, or otherwise change the time for payment or other terms of the Superior Indebtedness or any part of it, including increases and decreases of the rate of interest on the Superior Indebtedness; extensions may be repeated and may be for longer than the original loan term; (C) take and hold collateral for the payment of the Superior Indebtedness, and exchange, enforce, waive, and release any such collateral, with or without the substitution of new collateral; (D) release, substitute, agree not to sue, or deal with any one or more of Borrower's sureties, endorsers, or guarantors on any terms or manner Lender chooses; (E) determine how, when and what application of payments and credits, shall be made on the Superior Indebtedness; (F) apply such security and direct the order or manner of sale of the security, as Lender in its discretion may determine; and (G) transfer this Subordination to another party.

DEFAULT BY BORROWER. If Borrower becomes insolvent or bankrupt, this Subordination shall remain in full force and effect. In the event of a corporate reorganization or corporate arrangement of Borrower under the provisions of the Bankruptcy Code, as amended, this Subordination shall remain in full force and effect and the court having jurisdiction over the reorganization or arrangement is hereby authorized to preserve such priority and subordination provided under this Subordination in approving any such plan of reorganization or arrangement. Any default by Borrower under the terms of the Subordinated Lease also shall constitute an event of default under the terms of the Superior Indebtedness in favor of Lender.

WAIVE JURY. All parties hereby waive the right to any jury trial in any action, proceeding or counterclaim brought by any party against any other party.

VENUE. The loan transaction that is evidenced by this Agreement has been applied for, considered, approved and made in the State of Oregon. If there is a lawsuit relating to this Agreement, the undersigned shall, at Lender's request, submit to the jurisdiction of the courts of Lane, Douglas or Washington County, Oregon, as selected by Lender, in its sole discretion, except and only to the extent of procedural matters related to Lender's perfection and enforcement of its rights and remedies against the collateral for the loan, if the law requires that such a suit be brought in another jurisdiction. As used in this paragraph, the term "Agreement" means the promissory note, guaranty, security agreement or other agreement, document or instrument in which this paragraph is found, even if this document is described by another name, as well.

ARBITRATION. Borrower and Lender agree that all disputes, claims and controversies between them, arising from this Note or otherwise, including without limitation contract and tort disputes, shall be brought in their individual capacities and not as a plaintiff or class member in any purported class or representative proceeding and, upon request of either party, shall be arbitrated pursuant to the rules of (and by filing a claim with) Arbitration Service of Portland, Inc., in effect at the time the claim is filed. No act to take or dispose of any collateral securing this Note shall constitute a waiver of this arbitration agreement or be prohibited by this arbitration agreement. This includes, without limitation, obtaining injunctive relief or a temporary restraining order; invoking a power of sale under any deed of trust or mortgage; obtaining a writ of attachment or imposition of a receiver; or exercising any rights relating to personal property, including taking or disposing of such property with or without judicial process pursuant to Article 9 of the Uniform Commercial Code. Any disputes, claims, or controversies concerning the lawfulness or reasonableness of any act, or exercise of any right, concerning any collateral securing this Note, including any claim to rescind, reform, or otherwise modify any agreement relating to the collateral securing this Note, shall also be arbitrated, provided however that no arbitrator shall have the right or the power to enjoin or restrain any act of any party. Borrower and Lender agree that in the event of an action for judicial foreclosure pursuant to California Code of Civil Procedure Section 726, or any similar provision in any other state, the commencement of such an action will not constitute a waiver of the right to arbitrate and the court shall refer to arbitration as much of such action, including counterclaims, as lawfully may be referred to arbitration. Judgment upon any award rendered by any arbitrator may be entered in any court having jurisdiction. Nothing in this Note shall preclude any party from seeking equitable relief from a court of competent jurisdiction. The statute of limitations, estoppel, waiver, laches, and similar doctrines which would otherwise be applicable in an action brought by a party shall be applicable in any arbitration proceeding, and the commencement of an arbitration proceeding shall be deemed the commencement of an action for these purposes. The Federal Arbitration Act shall apply to the construction, interpretation, and enforcement of this arbitration provision.

ATTORNEY FEES AND EXPENSES. The undersigned agrees to pay on demand all of Lender's costs and expenses, including Lender's attorney fees and legal expenses, incurred in connection with enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement. Lender may also use attorneys who are salaried employees of Lender to enforce this Agreement. The undersigned shall pay all costs and expenses of all such enforcement. In the event arbitration, suit, action or other legal proceeding is brought to interpret or enforce this Agreement, the undersigned agrees to pay all additional sums as the arbitrator or court may adjudge reasonable as Lender's costs, disbursements, and attorney fees at hearing, trial, and on any and all appeals. As used in this paragraph "Agreement" means the loan agreement, promissory note, guaranty, security agreement, or other agreement, document, or instrument in which this paragraph is found, even if this document is also described by another name. Whether or not an arbitration or court action is filed, all reasonable attorney fees and expenses Lender incurs in protecting its interests and/or enforcing this Agreement shall become part of the Indebtedness evidenced or secured by this Agreement, shall bear interest at the highest applicable rate under the promissory note or credit agreement, and shall be paid to Lender by the other party or parties signing this Agreement on demand. The attorney fees and expenses covered by this paragraph include without limitation all of Lender's attorney fees (including the fees charged by Lender's in-house attorneys, calculated at hourly rates charged by attorneys in private practice with comparable skill and experience), Lender's fees and expenses for bankruptcy proceedings (including efforts to modify, vacate, or obtain relief from any automatic stay), fees and expenses for Lender's post-judgment collection activities, Lender's cost of searching lien records, searching public record databases, on-line computer legal research, title reports, surveyor reports, appraisal reports, collateral inspection reports, title insurance, and bonds issued to protect Lender's collateral, all to the fullest extent allowed by law.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Subordination:

Amendments. This Subordination, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Subordination. No alteration of or amendment to this Subordination shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Expenses. If Lender institutes any suit or action to enforce any of the terms of this Subordination, Lender shall be entitled to recover such sum as the court may adjudge reasonable. Whether or not any court action is involved, and to the extent not prohibited by law,

SUBORDINATION AGREEMENT - LEASE (Continued)

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all reasonable expenses Lender incurs that in Lender's opinion are necessary at any time for the protection of its interest or the enforcement of its rights shall become a part of the Indebtedness payable on demand and shall bear interest at the Note rate from the date of the expenditure until repaid. Expenses covered by this paragraph include, without limitation, however subject to any limits under applicable law, Lender's expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services, the cost of searching records, obtaining title reports (including foreclosure reports), surveyors' reports, and appraisal fees and title insurance, to the extent permitted by applicable law. Lessee also will pay any court costs, in addition to all other sums provided by law.

Authority. The person who signs this Subordination as or on behalf of Lessee represents and warrants that he or she has authority to execute this Subordination and to subordinate the Subordinated Indebtedness and the Lessee's security interests in Lessee's property, if any.

Caption Headings. Caption headings in this Subordination are for convenience purposes only and are not to be used to interpret or define the provisions of this Subordination.

Governing Law. This Subordination will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Oregon without regard to its conflicts of law provisions. This Subordination has been accepted by Lender in the State of Oregon.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Subordination unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Subordination shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Subordination. No prior waiver by Lender, nor any course of dealing between Lender and Lessee, shall constitute a waiver of any of Lender's rights or of any of Lessee's obligations as to any future transactions. Whenever the consent of Lender is required under this Subordination, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Successors. This Subordination shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Subordination, and the covenants of Lessee herein in favor of Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Lender may transfer any or all of the Superior Indebtedness.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Subordination. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Subordination shall have the meanings attributed to such terms in the Uniform Commercial Code:

Borrower. The word "Borrower" means Knoll Ranch, LLC and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Lender. The word "Lender" means Umpqua Bank, its successors and assigns.

Note. The word "Note" means the Note dated December 9, 2015 and executed by Knoll Ranch, LLC in the principal amount of \$450,000.00, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Real Property. The words "Real Property" mean the real property, interests and rights, as further described in this Subordination.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.


Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

EACH PARTY TO THIS SUBORDINATION ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS SUBORDINATION, AND EACH PARTY AGREES TO ITS TERMS. THIS SUBORDINATION IS DATED DECEMBER 9, 2015.

BORROWER:

KNOLL RANCH, LLC

By: 
Barron W. Knoll, Member of Knoll Ranch, LLC

By: 
Grant W. Knoll, Member of Knoll Ranch, LLC

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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LESSEE:

KLAMATH BASIN GEOPOWER, INC.

By: *Jim Capra-Hudson Trustee*
Authorized Signer for Klamath Basin Geopower, Inc.

By: _____
Authorized Signer for Klamath Basin Geopower, Inc.

LENDER:

UMPQUA BANK

X *[Signature]*
Authorized Officer

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned Notary Public, personally appeared **Barron W. Knoll, Member of Knoll Ranch, LLC**, and known to me to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By _____

Residing at _____

Notary Public In and for the State of _____

My commission expires _____

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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LESSEE:

KLAMATH BASIN GEOPOWER, INC.

By: _____
Authorized Signer for Klamath Basin Geopower, Inc.

By: _____
Authorized Signer for Klamath Basin Geopower, Inc.

LENDER:

UMPQUA BANK

X _____
Authorized Officer

LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Oregon

COUNTY OF Klamath

)
) SS
)



On this 16th day of December, 20 15, before me, the undersigned Notary Public, personally appeared **Barron W. Knoll, Member of Knoll Ranch, LLC**, and known to me to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Cherice F. Treasure

Notary Public in and for the State of Oregon

Residing at Klamath County

My commission expires 6/17/2016

**SUBORDINATION AGREEMENT - LEASE
(Continued)**

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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

STATE OF Oregon)
COUNTY OF Klamath) SS
16th day of December)



On this 16th day of December, 20 15, before me, the undersigned Notary Public, personally appeared **Grant W. Knoll, Member of Knoll Ranch, LLC**, and known to me to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By Cherice F. Treasure Residing at Klamath County
Notary Public in and for the State of Oregon My commission expires 6/17/2016

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS
_____)

On this _____ day of _____, 20 _____, before me, the undersigned Notary Public, personally appeared _____

and known to me to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

SUBORDINATION AGREEMENT - LEASE
(Continued)

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LIMITED LIABILITY COMPANY ACKNOWLEDGMENT

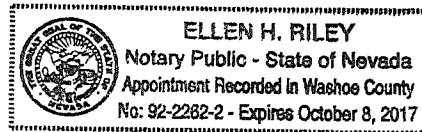
STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20____, before me, the undersigned Notary Public, personally appeared Grant W. Knoll, Member of Knoll Ranch, LLC, and known to me to be a member or designated agent of the limited liability company that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the limited liability company, by authority of statute, its articles of organization or its operating agreement, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this Subordination and in fact executed the Subordination on behalf of the limited liability company.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

CORPORATE ACKNOWLEDGMENT

STATE OF Nevada)
) SS
COUNTY OF Washoe)



On this 16th day of December, 2016, before me, the undersigned Notary Public, personally appeared Jeri Cooper Knudson, Trustee of the Bankrupt Estate of Kamae Basin Group, Inc. and known to me to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By [Signature] Residing at Washoe County Nevada
Notary Public in and for the State of Nevada My commission expires _____

SUBORDINATION AGREEMENT - LEASE
(Continued)

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CORPORATE ACKNOWLEDGMENT

STATE OF _____)
) SS
COUNTY OF _____)

On this _____ day of _____, 20 _____, before me, the undersigned Notary Public, personally appeared _____

and known to me to be (an) authorized agent(s) of the corporation that executed the Subordination Agreement - Lease and acknowledged the Subordination to be the free and voluntary act and deed of the corporation, by authority of its Bylaws or by resolution of its board of directors, for the uses and purposes therein mentioned, and on oath stated that he or she/they is/are authorized to execute this Subordination and in fact executed the Subordination on behalf of the corporation.

By _____ Residing at _____
Notary Public in and for the State of _____ My commission expires _____

LENDER ACKNOWLEDGMENT

STATE OF Oregon)
) SS
COUNTY OF Klamath)



On this 16th day of December, 20 15, before me, the undersigned Notary Public, personally appeared John Rende and known to me to be the _____, authorized agent for Umpqua Bank that executed the within and foregoing instrument and acknowledged said instrument to be the free and voluntary act and deed of Umpqua Bank, duly authorized by Umpqua Bank through its board of directors or otherwise, for the uses and purposes therein mentioned, and on oath stated that he or she is authorized to execute this said instrument and in fact executed this said instrument on behalf of Umpqua Bank.

By Cherice F. Treasure Residing at Klamath County
Notary Public in and for the State of Oregon My commission expires 6/17/2016

EXHIBIT "A"

PARCEL 1:

The NW1/4 NE1/4, NE1/4 NW1/4 of Section 20, Township 39 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 2:

A parcel of land situated in the NW1/4 of Section 20, Township 39 South, Range 10 East of the Willamette Meridian, being more particularly described as follows:

Commencing at the Southwest corner of the N1/2 SW1/4 NW1/4 of said Section 20; thence North 89° 53' 16" East 35.00 feet to the point of beginning of this description; thence North 00° 21' 40" East, along the Easterly right of way line of the County Road, 265.67 feet to the centerline of the K.I.D. canal right of way; thence Northeasterly along the centerline of said canal the following courses: along the arc of a 14° curve to the left 94.90 feet; thence North 46° 11' 00" East 396.60 feet; thence along the arc of a 6° curve to the left 442.22 feet; thence North 19° 39' 00" East 1056.61 feet to the Southerly right of way line of the County Road; thence leaving said canal right of way centerline North 89° 32' 36" East along said County Road Southerly right of way line of 354.52 feet to the East line of the W1/2 NW1/4 of said Section 20; thence South 00° 17' 02" West along said East line 1960.78 feet to the Southeast corner of the N1/2 SW1/4 NW1/4 of said Section 20; thence South 89° 53' 16" West along the South line of said N1/2 SW1/4 NW1/4 1301.58 feet to the point of beginning.