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97 OCT 10 AM 55 Vol. M97 Page 33398

Recording requested by:  
Klamath County Title Co.

When recorded mail to:  
Owens Financial Group, Inc.  
P. O. Box 2308  
Walnut Creek, Calif. 94595

Loan # 50342B

157292 P

### SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT 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.

THIS SUBORDINATION AGREEMENT, is made September 17, 1997, between FIRST KLAMATH L.L.C., a Nevada Limited Liability Company, hereafter called "Owner," and The Edgar Viets Charitable Remainder Unitrust hereafter called "Beneficiary";

#### WITNESSETH

WHEREAS, Old Stratford L.L.C., a Nevada limited liability Company did execute a Deed of Trust, dated January, 1997, to Blair M. Henderson as trustee, covering:

all that real property located in the City of Klamath Falls, County of Klamath, State of Oregon, described as follows:

See Exhibit "A" attached hereto and made part hereof for legal description.

(Commonly known as: 2660 Shasta Way, Klamath Falls, Oregon)

to secure a note in the sum of \$575,000.00, dated January 1997, in favor of The Edgar Viets Charitable Remainder Unitrust, which deed of trust was recorded February 7, 1997, in Volume M97, Page 3866, Official Records of said County, and is subject and subordinate to the deed of trust next hereinafter described; and

WHEREAS, Old Stratford L.L.C., a Nevada Limited Liability Company, did on January 30, 1997, execute a deed of trust to Klamath County Title Company, as trustee, covering said land and securing an indebtedness in the amount of \$500,000.00, in favor of Owens Financial Group, Inc., a California corporation, subsequently assigned to The City of San Leandro, hereinafter referred to as "Lender", which deed of trust was recorded February 7, 1997, in Volume M97, Page 3843, Official Records of said County, and provides among other things that it shall also secure additional loans and advances thereafter made upon the terms and conditions therein set forth; and

WHEREAS, Owner has executed, or is about to execute, a note and additional advance agreement in the amount of \$400,000.00, dated September 11, 1997, in favor of Lender, payable with interest and upon the terms and conditions described

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therein, which note and additional advance evidences an additional loan to be made by Lender to Owner under the terms and provisions of, and secured by, said deed of trust in favor of Lender; and

WHEREAS, it is a condition precedent to obtaining said additional loan that said deed of trust in favor of Lender, securing all obligations recited therein as being secured thereby, including but not limited to said additional loan, shall unconditionally be and remain at all times a lien or charge upon the land hereinbefore described, prior and superior to the lien or charge of the deed of trust first above mentioned; and

WHEREAS, Lender is willing to make said additional loan provided the deed of trust and additional advance securing the same is a lien or charge on the above described property prior and superior to the lien or charge of the deed of trust first above mentioned, and provided that Beneficiary will specifically and unconditionally subordinate the lien or charge of the deed of trust first above mentioned, to the lien or charge of the deed of trust and additional advance in favor of Lender; and

WHEREAS, it is to the mutual benefit to the parties hereto that Lender make such additional loan to Owner; and Beneficiary is willing that the deed of trust securing the same shall, when recorded, constitute a lien or charge upon said land which is unconditionally prior and superior to the lien or charge of the deed of trust first above mentioned.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Lender to make the additional loan above referred to, it is hereby declared, understood and agreed as follows:

1. That said deed of trust in favor of Lender, and said additional loan as well as other obligations recited as being secured thereby, and any renewals or extensions thereof, shall unconditionally be and remain at all times a lien or charge on the property therein described, prior and superior to the lien or charge of the deed of trust first above mentioned.
2. That Lender would not make the additional loan above described without this subordination agreement.
3. That this agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the deed of trust first above mentioned to the lien or charge of the deed of trust in favor of lender above referred to and shall supersede and cancel, but only insofar as would affect the priority between the deeds of trust hereinbefore specifically described, any prior agreement as to such subordination including, but not limited, those provisions, if any, contained in the deed of trust first above mentioned, which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

Beneficiary declares, agrees and acknowledges that

- (a) He consents to and approves (i) all provisions of the note evidencing the additional loan and the deed of trust in favor of Lender securing same, and (ii) all agreements, including but not limited to any

loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of the additional loan;

(b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) He intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has, by this instrument, been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

**NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.**

It is recommended that, prior to the execution of this Subordination Agreement, that the parties consult with their attorneys with respect thereto.

This document may be executed in counterpart

Owner:

**MAILING ADDRESSES**

FIRST KLAMATH L.L.C.,  
a Nevada Limited Liability Company

c/o The Dwares Group  
Attn: Peter Dwares  
World Trade Center, #205  
San Francisco, CA 94111

BY: SOUTHSTAR FINANCIAL & DEVELOPMENT, INC.,  
a Nevada Corporation,  
its Manager

c/o Key Investment  
Properties  
Attn: Andy South  
7130 Firloop Road, #214  
Tigard, OR 97223

BY: *[Signature]*  
Andrew South,  
President

Beneficiary:

The Edgar Viats Charitable Remainder  
Unitrust

By: *[Signature]*  
Trustee

*Southstar Financial & Development Corp.  
and Andrew South are not personally  
liable for the subordinated loan or any  
aspect of it either presently or  
fow.*

*105  
for Southstar*

## CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

STATE OF ~~CALIFORNIA~~ <sup>FLORIDA</sup>COUNTY OF ADAOn SEPTEMBER 30 1997, before me, A NOTARY PUBLIC,  
personally appeared STEPHEN R. FARDNER

(X) personally known to me - OR - ( ) proved on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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This Certificate is attached to  
SUBORDINATION AGREEMENT  
dated: September 17, 1997  
Signer(s) other than named above:

WITNESS my hand and official seal.

Ralph J. Gines  
Notary Public  
RALPH J. GINES

My commission expires 2-3-98

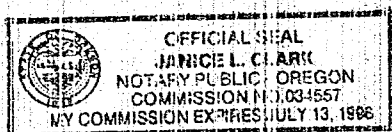
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State of Oregon  
County of Multnomah

This instrument was acknowledged before me on October 6, 1997  
by Andrew South as President of Southstar Financial and Development  
Corp.

Dated: 10/6/97



Janice L. Clark  
Janice L. Clark  
Notary Public in and for the State  
of Oregon, residing at Portland,  
Oregon.  
My commission expires 7/13/98

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loan or escrow agreements, between Owner and Lender for the disbursement of the proceeds of the additional loan;

(b) Lender in making disbursements pursuant to any such agreement is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

(c) He intentionally and unconditionally waives, relinquishes and subordinates the lien or charge of the deed of trust first above mentioned in favor of the lien or charge upon said land of the deed of trust in favor of Lender above referred to and understands that in reliance upon, and in consideration of, this waiver, relinquishment and subordination specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment and subordination; and

(d) An endorsement has been placed upon the note secured by the deed of trust first above mentioned that said deed of trust has, by this instrument, been subordinated to the lien or charge of the deed of trust in favor of Lender above referred to.

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It is recommended that, prior to the execution of this Subordination Agreement, that the parties consult with their attorneys with respect thereto.

This document may be executed in counterpart

Owner:

MAILING ADDRESSES

FIRST KLAMATH L.L.C.,  
a Nevada Limited Liability Company

c/o The Dwares Group  
Attn: Peter Dwares  
World Trade Center, #205  
San Francisco, CA 94111

BY: SOUTHSTAR FINANCIAL & DEVELOPMENT, INC.,  
a Nevada Corporation,  
its Manager

c/o Key Investment  
Properties  
Attn: Andy South  
7150 Firloop Road, #214  
Tigard, OR 97223

BY: \_\_\_\_\_  
Andrew South,  
President

Beneficiary:

The Edgar Viets Charitable Remainder  
Unitrust

By: Donna R. Gardner  
Trustee



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## CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

STATE OF <sup>F0940</sup> CALIFORNIACOUNTY OF ADAOn SEPTEMBER 30 1997, before me, A NOTARY PUBLIC,  
personally appeared STEPHEN R GARDNER

(X) personally known to me - OR - ( ) proved on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

This Certificate is attached to  
SUBORDINATION AGREEMENT  
dated: September 17, 1997  
Signer(s) other than named above:

WITNESS my hand and official seal.

Ralph J Gines  
Notary Public  
RALPH J GINES

My commission expires 2-3-98

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## Exhibit A

✓ A portion of Tracts 36 and 43 Enterprise Tracts, City of Klamath Falls, Klamath County, Oregon, more particularly described as follows:

Beginning on the Southerly line of Shasta Way, South 0°00½' East 73 feet and North 89°54' East 280 feet from the section corner common to Sections 33 and 34, Township 38 South, Range 9 East of the Willamette Meridian and Sections 3 and 4, Township 39 South, Range 9 East of the Willamette Meridian; thence South 0°00½' East parallel with the West line of said Tract 43 along the East line of the tracts of land described in 2 deeds recorded in Deed Volume 255 at page 261 and Deed Volume 255 at page 613, 659.44 feet to the Northeast line of Pershing Way; thence South 55°50½' East 277.99 feet along said Northeasterly line of Pershing Way; thence North 0°00½' West 820 feet more or less to the Southerly line of Shasta Way; thence South 89°54' West 230 feet to the point of beginning.

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title the 10th day  
of October A.D., 19 97 at 9:55 o'clock A.M., and duly recorded in Vol. M97  
of Mortgages on Page 33398

FEE \$40.00

By Bernetha G. Letsch, County ClerkBy Kathleen Ross