

MTZ- 60535

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Vol M03 Page 35051

**Recording Requested by and
When Recorded Return to:**

Wells Fargo Bank, National Association
Real Estate Group; P6101-121
1300 SW Fifth Avenue, 12th Floor
Portland, OR 97201
Attn: Kathy McIvor

State of Oregon, County of Klamath
Recorded 05/23/2003 11:07 A.M.
Vol M03 Pg 35051-55
Linda Smith, County Clerk
Fee \$ 41.00 # of Pgs 5

SUBORDINATION OF CONTRACT
(Project Use Agreement)

THIS SUBORDINATION AGREEMENT is made this 20 day of May, 2003
between OREGON HOUSING AND COMMUNITY SERVICES, together with any successor to
its rights, duties, and obligations ("OHCS"), and WELLS FARGO BANK, NATIONAL
ASSOCIATION, its successors and assigns ("Lender").

RECITALS:

A. Crestview Commons Limited Partnership, an Oregon limited partnership
("Borrower"), is the owner of a 63 unit multifamily housing development located in the City of
Klamath Falls, Klamath County, Oregon, more particularly described on the attached Exhibit A,
known as the Crestview Commons (the "Property" or the "Project").

B. Lender has agreed to provide a loan to Borrower in the principal amount of
\$4,065,000.00 (the "Lender Loan") to enable Borrower to finance the construction on the Property,
subject to certain terms and conditions, including receipt by Lender of this Subordination Agreement.

C. Pursuant to the Lender Loan, Lender is or will be the owner and holder of the
Beneficiary's interest under a Construction and Permanent Deed of Trust With Absolute Assignment
of Leases and Rents, Security Agreement, and Fixture Filing, encumbering the Property (the "Lender
Deed of Trust") by and between Borrower as Grantor, Chicago Title Insurance Company of Oregon
(the "Title Company") as Trustee, and Lender as Beneficiary. A condition of the Lender Loan is that
the Title Company insure the Lender Deed of Trust as a first lien on the Property.

D. The Lender Deed of Trust secures or will secure the repayment by Borrower of the
Lender Loan and the performance of Borrower's obligations under a Promissory Note, and other
security documents in favor of Lender (collectively, the "Lender Loan Documents"), and all
advances or charges made or accruing under the Lender Deed of Trust and the other Lender Loan

41.00
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Documents, including any extensions or renewals thereof.

E. In connection with that certain \$25,000.00 Grant provided for the Project by OHCS, Rembold Trust, Inc. and OHCS have entered into that certain Project Use Agreement dated April 9, 2003, containing certain covenants, reservations, and restrictions on the use and/or operation of the Property (the "Project Use Agreement"). The Project Use Agreement was recorded against the Property May 7, 2003, as Fee Number M 03, Page 30506, in the Official Records of Klamath County, Oregon. *recorded M 03, Page 32271.*

F. Lender would not make the Lender Loan to Borrower but for the subordination of the Project Use Agreement, as provided in this Subordination Agreement.

AGREEMENT:

NOW, THEREFORE, the undersigned OHCS and Lender agree as follows:

1. **Subordination.** In consideration of benefits to OHCS from Lender making the Lender Loan to Borrower to enable Borrower to finance the construction on the Property, the receipt and sufficiency of which consideration is hereby acknowledged, and to induce Lender to advance funds under the Lender Deed of Trust and the other Lender Loan Documents and to induce the Title Company to insure the Lender Deed of Trust as a first lien on the Property, OHCS does hereby acknowledge, agree, and affirm that the Project Use Agreement is unconditionally subordinate and subject to the lien of the Lender Deed of Trust and the other Lender Loan Documents, and to all advances, charges, and indebtedness of Borrower made or accruing under the Lender Deed of Trust and the other Lender Loan Documents, including any extensions or renewals thereof in an amount not to exceed \$4,065,000.00.

2. **Entire Agreement.** This Subordination Agreement contains the whole and only agreement between the parties with regard to the subordination of the Project Use Agreement to the lien of the Lender Deed of Trust and the other Lender Loan Documents, and shall supersede and cancel any prior agreements as to such, or any, subordination. OHCS has not relied on any inducements or assurances from Lender, Borrower, or anyone in executing this Subordination Agreement, other than as set forth herein.

3. **Binding on Successors.** OHCS, together with any successor to its rights, duties, and obligations, and any other party claiming rights under the Project Use Agreement, shall be bound by this Subordination Agreement.

4. **Severability.** If any provision of this Subordination Agreement or the application thereof to any entity, person, or circumstance shall be invalid or unenforceable to any extent, the remainder of this Subordination Agreement and the application of such provisions to other entities, persons, or circumstances shall not be affected thereby, and shall be enforced to the greatest extent

permitted by law.

5. **Multiple Counterparts.** This Subordination Agreement may be executed in one or more counterparts, and all so executed shall constitute one agreement, binding on all the parties hereto, even though all parties are not signatories to the original or the same counterpart. Any counterpart of this Subordination Agreement that has attached to it separate signature pages, which altogether contain the signatures of all parties, shall for all purposes be deemed a fully executed instrument.

6. **Governing Law.** The parties agree that the laws of the State of Oregon shall govern the performance and enforcement of this Subordination Agreement.

7. **Further Assurances.** The parties agree to execute and deliver such further documents, instruments, and other agreements as are necessary or convenient to carry out the terms and purposes of this Subordination Agreement.

8. **Authority.** Each party hereby represents that all legal action necessary for the execution of this Subordination Agreement by such party has been duly taken and that the person(s) signing below on behalf of such party is duly authorized to execute this Subordination Agreement.

IN WITNESS WHEREOF, the parties have executed and delivered this Subordination Agreement on the date first written above.

OREGON HOUSING AND COMMUNITY SERVICES

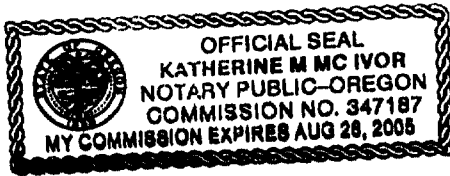
By: Betty Markey
Name: Betty Markey
Title: Housing Resources Manager

WELLS FARGO BANK, NATIONAL ASSOCIATION
Lender

By: Joseph P. Delyea
Name: Joseph P. Delyea
Title: Vice President

STATE OF OREGON)
) ss:
 COUNTY OF Multnomah)

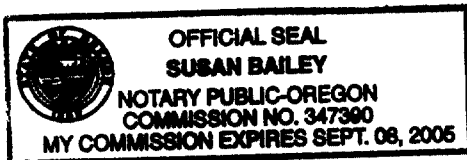
The foregoing instrument was acknowledged before on this 20 day of May, 2003, by Joseph P. Delyea, a Vice President of and on behalf of Wells Fargo Bank.



Katherine M. McIvor
 Notary Public for Oregon
 My commission expires:

STATE OF OREGON)
) ss:
 COUNTY OF Marion)

The foregoing instrument was acknowledged before me this 18th day of April, 2003, by Betty Markey as Housing Resources Manager on behalf of Oregon Housing and Community Services.



Susan Bailey
 Notary Public for Oregon
 My commission expires: 9-8-05

EXHIBIT A

Exhibit A to Subordination of Contract between Oregon Housing and Community Services and Wells Fargo Bank, National Association dated as of May 20, 2003.

PARCEL I:

Parcel 1 of Land Partition 1-03, said Land Partition being Parcel 1 of Land Partition 14-97 and a portion of a tract of land situated in the NE1/4 of the NE1/4 of Section 10, Township 39 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon.