



01/28/2011 03:39:20 PM

Fee: \$102.00

Recording Requested by and
When Recorded Return to:

Michelle Bilderback
Network for Oregon Affordable Housing
1020 SW Taylor, Suite 585
Portland, OR 97205

1628957

SUBORDINATION OF LIEN

(KHA Right of First Refusal)

THIS SUBORDINATION AGREEMENT is made this 28 day of January, 2011 between KLAMATH HOUSING AUTHORITY, an Oregon housing authority, together with any successor to its rights, duties, and obligations ("**KHA**"), and the NETWORK FOR OREGON AFFORDABLE HOUSING, an Oregon nonprofit public benefit corporation, and its successors and assigns ("**NOAH**").

RECITALS:

A. Iris Glen Townhomes, LLC, an Oregon limited liability company ("**Borrower**"), is the owner of a 36-unit multifamily housing development with a single family unit to serve as a manager's residence located in the City of Klamath Falls, Klamath County, Oregon, more particularly described on the attached Exhibit A, known as Iris Glen Townhomes (the "**Property**" or the "**Project**"). KHA is the administrative member of Borrower.

B. NOAH has agreed to provide a loan to Borrower in the principal amount of \$1,175,000.00 (the "**NOAH Loan**") to enable Borrower to refinance the construction loan that is currently a first lien on the Property, subject to certain terms and conditions, including receipt by NOAH of this Subordination Agreement.

C. Pursuant to the NOAH Loan, NOAH is or will be the owner and holder of the Beneficiary's interest under a Deed of Trust With Absolute Assignment of Leases and Rents, Security Agreement, and Fixture Filing encumbering the Property (the "**NOAH Deed of Trust**") by and between Borrower as grantor, First American Title Insurance Company (the "**Title**"),

Company") as trustee, and NOAH as beneficiary. A condition of the NOAH Loan is that the Title Company insure the NOAH Deed of Trust as a first lien on the Property.

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

E. Pursuant to Section 14.3 of Borrower's First Amended and Restated Operating Agreement dated as of November 16, 2009 (the "**Operating Agreement**"), Borrower has previously granted KHA a right of first refusal to purchase the Property (the "**KHA Right of First Refusal**") on certain terms and conditions as set forth in the Operating Agreement. A Memorandum of the KHA Right of First Refusal was recorded _____ as Document No. _____, Records of Klamath County, Oregon.

F. NOAH would not make the NOAH Loan to Borrower but for the subordination of the KHA Right of First Refusal as provided in this Subordination Agreement.

AGREEMENT:

NOW, THEREFORE, the undersigned KHA and NOAH agree as follows:

1. Subordination. In consideration of benefits to KHA from NOAH making the NOAH Loan to Borrower to enable Borrower to refinance the construction loan that is currently a first lien on the Property, the receipt and sufficiency of which consideration is hereby acknowledged, and to induce NOAH to advance funds under the NOAH Deed of Trust and the other NOAH Loan Documents and to induce the Title Company to insure the NOAH Deed of Trust as a first lien on the Property, KHA does hereby acknowledge, agree, and affirm that the KHA Right of First Refusal is unconditionally subordinate and subject to the lien of the NOAH Deed of Trust and the other NOAH Loan Documents, and to all advances, charges, and indebtedness of Borrower made or accruing under the NOAH Deed of Trust and the other NOAH Loan Documents, including any extensions or renewals thereof.

2. Approval of NOAH Loan Documents. KHA acknowledges and agrees that it has reviewed a copy of the NOAH Deed of Trust and other NOAH Loan Documents, has read and understands the NOAH Deed of Trust and other NOAH Loan Documents, and has approved the terms of the NOAH Deed of Trust and the other NOAH Loan Documents.

3. Modification of NOAH Loan Documents. KHA, solely in its capacity as grantee under the KHA Right of First Refusal, and not in its capacity as administrative member of Borrower under the NOAH Loan Documents, hereby consents to any agreement or arrangement in which NOAH waives, postpones, extends, reduces, or modifies any provisions of the NOAH Loan Documents, including any provision requiring the payment of money.

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

5. **Binding on Successors.** KHA, together with any successor to its rights, duties, and obligations, and any other party claiming rights under the KHA Right of First Refusal, shall be bound by this Subordination Agreement.

6. **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.

7. **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.

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

9. **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.

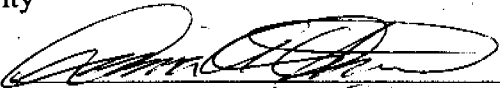
10. **Attorney Fees.** In the event action is instituted to enforce, interpret, or rescind any term of this Subordination Agreement, the prevailing party shall recover reasonable costs and attorney fees incurred in such action or on appeal.

11. **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.

[Signatures appear on next page.]

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

KLAMATH HOUSING AUTHORITY, an Oregon housing authority

By: 
Name: Diana A Hero
Title: Executive Director

NETWORK FOR OREGON AFFORDABLE HOUSING,
an Oregon nonprofit public benefit corporation

By: _____
Joni-Marie A. Hartmann, Deputy Director

By: _____
Susan Asam, Vice President

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

KLAMATH HOUSING AUTHORITY, an Oregon housing authority

By: _____
Name: _____
Title: _____

NETWORK FOR OREGON AFFORDABLE HOUSING,
an Oregon nonprofit public benefit corporation

By: Joni-Marie A. Hartmann
Joni-Marie A. Hartmann, Deputy Director

By: Susan Asam
Susan Asam, Vice President

STATE OF OREGON)

COUNTY OF Klamath)

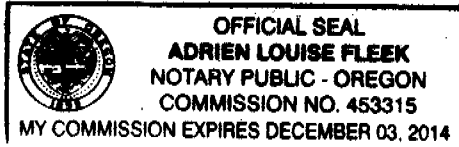
ss:

The foregoing instrument was acknowledged before me this 25 day of Jan, 2011, by Diana A. Otero, as Creative Director on behalf of Klamath Housing Authority, an Oregon housing authority.

Adrien Fleek

Notary Public for Oregon

My commission expires: 12-3-14



STATE OF OREGON)

COUNTY OF _____)

ss:

The foregoing instrument was acknowledged before me this ____ day of _____, 2011, by Joni-Marie A. Hartman as deputy director on behalf of Network for Oregon Affordable Housing, an Oregon nonprofit public benefit corporation.

Notary Public for Oregon

My commission expires:

STATE OF OREGON)

COUNTY OF _____)

ss:

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by Susan Asam as vice president on behalf of Network for Oregon Affordable Housing, an Oregon nonprofit public benefit corporation.

Notary Public for Oregon

My commission expires:

STATE OF OREGON)
) ss:
COUNTY OF _____)

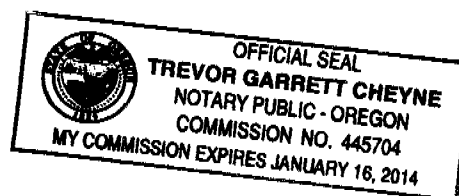
The foregoing instrument was acknowledged before me this ____ day of _____, 2011, by _____, as _____ on behalf of Klamath Housing Authority, an Oregon housing authority.

Notary Public for Oregon
My commission expires:

STATE OF OREGON)
) ss:
COUNTY OF Multnomah)

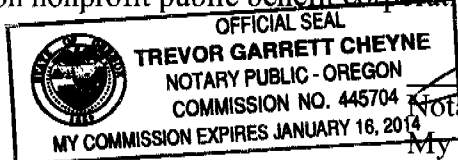
The foregoing instrument was acknowledged before me this 25 day of January, 2011, by Joni-Marie A. Hartman as deputy director on behalf of Network for Oregon Affordable Housing, an Oregon nonprofit public benefit corporation.

Notary Public for Oregon
My commission expires:



STATE OF OREGON)
) ss:
COUNTY OF Multnomah)

The foregoing instrument was acknowledged before me this 25 day of January, 2011, by Susan Asam as vice president on behalf of Network for Oregon Affordable Housing, an Oregon nonprofit public benefit corporation.



Notary Public for Oregon
My commission expires:

EXHIBIT A

Iris Glen Townhomes

LEGAL DESCRIPTION: Real property in the County of Klamath, State of Oregon, described as follows:

PARCEL I:

A PORTION OF LOTS 4, 5, 6, BLOCK 11, DIXON ADDITION TO THE CITY OF KLAMATH FALLS, IN THE COUNTY OF KLAMATH, STATE OF OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING ON THE EAST SIDE OF HILLSIDE AVENUE AT A POINT 36 FEET SOUTH OF THE NORTHWEST CORNER OF LOT 6, BLOCK 11, DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; RUNNING THENCE SOUTH ALONG THE EAST SIDE OF SAID HILLSIDE AVENUE A DISTANCE OF 37 FEET; THENCE EAST AND PARALLEL WITH THE NORTH LINE OF SAID LOT 6 TO THE NORTHWESTERLY LINE OF FORT KLAMATH ROAD; THENCE ALONG SAID NORTHWESTERLY LINE TO A POINT WHERE SAID LINE INTERSECTS WITH A LINE DRAWN EAST FROM SAID POINT OF BEGINNING AND PARALLEL WITH THE NORTH LINE OF SAID LOT 6; THENCE WEST TO THE POINT OF BEGINNING, BEING A TRACT OF LAND FRONTING 37 FEET ON SAID HILLSIDE AVENUE AND EXTENDING ACROSS LOTS 6, 5 AND 4 OF SAID BLOCK 11 TO FORT KLAMATH ROAD, SITUATE IN SOUTHWEST QUARTER OF SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 38 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN.

TOGETHER WITH AN EASEMENT FOR A DRIVEWAY ACROSS THE SOUTHERLY AND EASTERLY SIDE OF SAID LOT 4, BLOCK 11, CONVENIENTLY WIDE FOR A DRIVE FROM THE ALLEY IN THE REAR OF SAID LOT 4.

PARCEL II:

LOT 3 BLOCK 11, DIXON ADDITION TO KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

PARCEL III:

LOTS 4, 6 AND 7 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

PARCEL IV:

LOTS 8 AND 9 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON. EXCEPTING THEREFROM PORTIONS CONVEYED TO STATE OF OREGON BY AND THROUGH ITS STATE HIGHWAY COMMISSION; PORTION LOT 8 BY DEED RECORD SEPTEMBER 22, 1944 IN VOLUME 169, PAGE 194; AND PORTION OF LOT 9 BY DEED RECORDED OCTOBER 04, 1944 IN VOLUME 169, PAGE 458, DEED RECORDS OF KLAMATH COUNTY, OREGON.

PARCEL V:

LOTS 10 AND 11 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS,

**OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE RECORDS OF
KLAMATH COUNTY, OREGON.**

NOTE: This legal description was created prior to January 1, 2008.

**Tax Parcel Number: R375356, R375338, R375515, R375506, R375490, R375481,
R375472, R375463 and R375436**