

2017-011194

Klamath County, Oregon

10/03/2017 08:40:01 AM

Fee: \$92.00

WHEN RECORDED RETURN TO:

Umpqua Bank
1111 Third Avenue, Suite 2900
Seattle, Washington 98101
Attention: Brianne Nevill

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172480 Am*

**SUBORDINATION AGREEMENT
(Sponsor Loan)**

THIS SUBORDINATION AGREEMENT is made and entered into as of September 29, 2017, by and among **UMPQUA BANK**, an Oregon banking corporation (together with its successors and assigns, "Senior Lender"), **KLAMATH HOUSING AUTHORITY**, a political division of the State of Oregon ("Subordinated Lender"), and **SKY MEADOWS, LLC**, an Oregon limited liability company ("Borrower").

WITNESSETH:

WHEREAS, Senior Lender has agreed, subject to certain conditions, to lend to Borrower up to Five Million and 00/100ths Dollars (\$5,000,000) (the "Senior Loan") to be secured by a Fee and Leasehold Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing (the "Senior Trust Deed") dated of even date herewith by Borrower for the benefit of Senior Lender and recorded in the real property records of Klamath County, Oregon, as Document No. 2017-011103 against the real property described on Exhibit A attached hereto (the "Property").

WHEREAS, Subordinated Lender has agreed, subject to certain conditions, to make a loan to Borrower as set forth on Exhibit B attached hereto (individually or collectively as the context may require, the "Subordinated Loan"). The Subordinated Loan is secured by a Deed of Trust dated as of September 29, 2017, by Borrower for the benefit of Subordinated Lender and recorded in the real property records of Klamath County, Oregon, as Document No. 2017-011170 against the Property (the "Subordinated Trust Deed").

WHEREAS, one of the conditions of Senior Lender extending credit to Borrower is the subordination of the Subordinated Liens (described below) to the Senior Liens (described below).

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

1.1 "Subordinated Indebtedness" means all obligations of any type or nature secured by the Subordinated Liens, presently or hereafter due from Borrower to

Subordinated Lender, together with all interest and other charges or expenses incidental thereto.

1.2 "Subordinated Liens" means all liens, mortgages, encumbrances, restrictions, and security interests of any type or nature, previously or hereafter granted by Borrower to Subordinated Lender, including without limitation, liens, mortgages, encumbrances, restrictions, and security interests granted in the Subordinated Trust Deed.

1.3 "Senior Indebtedness" means all obligations of any type or nature secured by the Senior Trust Deed, presently or hereafter due from Borrower, its successors and assigns, to Senior Lender, its successors, assigns, or participants, including, without limitation, all principal, interest, charges, and expenses under or incidental to the indebtedness secured by the Senior Liens.

1.4 "Senior Liens" means all liens, mortgages, security interests, and collateral assignments of any type or nature granted by Borrower to Senior Lender in the Senior Trust Deed, or in any other document or agreement securing payment of the Senior Indebtedness, and any amendments, modifications, or supplements thereto.

2. Consent of Subordinated Lender. Notwithstanding any of the terms of the documents and instruments creating the Subordinated Indebtedness, the Subordinated Lender does hereby consent to the creation, now or hereafter, of the Senior Indebtedness and the Senior Liens and to the execution and delivery by Borrower of any and all documents and instruments in connection therewith, including, without limitation, the Senior Trust Deed, and to the performance by Borrower of any and all of its obligations under or in connection therewith. Subordinated Lender agrees that no such action shall constitute an event of default or event, which with the passage of time, will become an event of default under any document or instrument relating to the Subordinated Indebtedness or Subordinated Liens.

3. Subordination of Subordinated Liens. In consideration of Senior Lender advancing the Senior Indebtedness, the Subordinated Liens are hereby subordinated to the Senior Liens; the Senior Liens shall be first, prior, and superior to the Subordinated Liens. The terms and provisions of any document creating a Subordinated Lien are hereby amended to provide that the Subordinated Liens therein granted are subordinate to the Senior Liens and that none of the terms of such documents or instruments evidencing the Subordinated Liens shall affect or limit in any way the rights or remedies provided to the holder of the Senior Indebtedness under the Senior Liens.

4. Insolvency Proceedings Against Borrower. The insolvency or bankruptcy of Borrower shall not affect this Agreement, and the same shall remain in full force and effect. In any insolvency or bankruptcy proceeding for the complete liquidation of Borrower (as opposed to a Chapter 11 Reorganization), Subordinated Lender shall not receive any distribution from the bankruptcy estate of Borrower unless and until the Senior Indebtedness has been satisfied in full.

5. Subordinated Loan Documents. Subordinated Lender shall not, without the prior written consent of Senior Lender, amend, modify, or supplement any of the documents or instruments creating or evidencing the Subordinated Indebtedness or Subordinated Liens.

6. Assignment. Subordinated Lender represents and warrants that no part of the Subordinated Indebtedness or Subordinated Liens have been assigned or transferred to or for the benefit of others. Subordinated Lender agrees not to sell, assign, transfer, or endorse the Subordinated Indebtedness, no matter how evidenced, to anyone except subject to the terms and conditions of this Agreement. The terms of this Agreement shall bind the successors and assigns of the parties.

7. Additional Documentation. Subordinated Lender agrees to execute and deliver to Senior Lender such other instruments as may reasonably be requested by Senior Lender in order to enable Senior Lender to enforce its rights hereunder.

8. No Liability. The parties hereto agree that Senior Lender shall not be liable for any action or failure to act under or in connection with any of the documents or instruments creating the Senior Liens or the Senior Indebtedness, it being understood that the decision of whether and when to act and the manner of proceeding under such instruments and documents shall not be affected in any manner by the existence of the Subordinated Indebtedness and the Subordinated Liens. It is further agreed that such obligations as may be imposed under the documents and instruments creating the Senior Liens or under applicable laws shall run exclusively to the benefit of Borrower and may be enforced or waived only by Borrower and not by the holders of the Subordinated Liens or Subordinated Indebtedness.

9. Insurance and Condemnation. Subordinated Lender agrees that if it receives any insurance or condemnation proceeds in respect of any of the assets of Borrower subject to the Senior Liens, Subordinated Lender shall immediately so notify Senior Lender in writing and shall deliver such proceeds to Senior Lender so long as any Senior Indebtedness remains unpaid.

10. Irrevocability of Agreement. Subordinated Lender agrees that, without notice to or further assent by Subordinated Lender (a) the liability of Borrower in respect of the Senior Indebtedness may, in whole or in part, be renewed, extended, modified, increased, or released by Senior Lender and the documents and instruments creating or evidencing the Senior Indebtedness or the Senior Liens may be amended or supplemented, as Senior Lender may deem advisable, (b) any collateral and/or security interests in respect of the Senior Indebtedness may, from time to time, in whole or in part, be exchanged, sold, or surrendered by Senior Lender, and (c) any deposit balance or balances to the credit of Borrower may, from time to time, in whole or in part, be surrendered or released by Senior Lender to Borrower, all without impairing or in any way affecting the subordination contained in this Agreement; nor shall the subordination herein contained be impaired or affected in any way by any other action, inaction, or omission in respect of the Senior Indebtedness or the Senior Liens or this Agreement.

11. Default.

11.1 Upon the occurrence of any event which would permit Subordinated Lender to accelerate the maturity of the Subordinated Indebtedness, before exercising such acceleration remedy, Subordinated Lender shall provide 30 days' advance written notice to Senior Lender of its intent to accelerate the Subordinated Indebtedness. Such notice shall specify in reasonable detail the default entitling Subordinated Lender to accelerate.

11.2 Upon the occurrence of any event which would permit Senior Lender to accelerate the maturity of the Senior Indebtedness, Senior Lender shall notify Subordinated Lender thereof before exercising such acceleration remedy. After receipt of notice from Senior Lender of such acceleration, Subordinated Lender shall hold for the benefit of Senior Lender all payments received thereafter from Borrower and shall promptly remit the same to Senior Lender.

12. Miscellaneous.

12.1 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including any party substituted as a beneficiary under the Senior Trust Deed. This Agreement shall be construed and enforced in accordance with the laws of the State of Oregon.

12.2 If any of the provisions or terms of this Agreement shall for any reason be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other of the terms hereof, and this Agreement shall be construed as if such unenforceable term had never been contained herein.

12.3 All notices and other communications hereunder shall be deemed to have been duly given, made, or served, if in writing and delivered personally or mailed by first class mail, postage prepaid, to the respective parties to this Agreement as follows:

(a) If to Borrower:

Sky Meadows, LLC
c/o Luckenbill-Drayton & Associates, LLC
1007 NW Rimrock Drive
Redmond, Oregon 97756
Attention: Lisa Drayton

(b) If to Subordinated Lender:

Klamath Housing Authority
1445 Avalon Street
Klamath Falls, Oregon 97601
Attention: Diana Otero

(c) If to Senior Lender:

Umpqua Bank
One S.W. Columbia Street, Suite 1170
Portland, Oregon 97258
Attention: Gina A. León

The designation of the person to be so notified or the address of such person for the purposes of such notice may be changed from time to time by similar notice in writing, except that any communication with respect to a change of address shall be deemed to be given and made when received by the party to whom such communication was sent.

12.4 This Agreement represents the entire Agreement between the parties hereto on the subject matter hereof and, except as expressly provided herein, shall not be affected by reference to any other documents. Neither this Agreement nor any provision hereof may be changed, waived, discharged, or terminated orally, but such may be accomplished only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge, or termination is sought.

12.5 In the event any action is filed to enforce or construe the terms of this Agreement, the prevailing party shall be entitled to recover reasonable attorney fees. Attorney fees shall include services rendered at both the trial and appellate levels, as well as services rendered in any bankruptcy proceeding or arbitration proceeding.

[Remainder of this page intentionally left blank.]

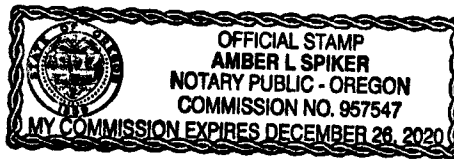
IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date and year first above written.

SUBORDINATED LENDER:

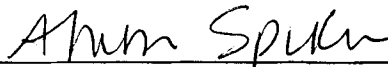
KLAMATH HOUSING AUTHORITY, a political division of the State of Oregon

By: 
Diana Otero, Executive Director

STATE OF OREGON)
COUNTY OF Klamath) SS



This instrument was acknowledged before me on Sept 27, 2017, by Diana Otero, who is Executive Director of Klamath Housing Authority, a political division of the State of Oregon, on behalf of said political division.


Notary Public for Oregon
My commission expires: 12/28/20

SENIOR LENDER:

UMPOUA BANK, an Oregon banking corporation

By: _____

Gina A. León, Vice President

STATE OF OREGON

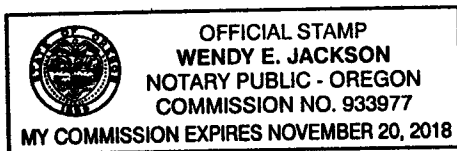
)

) SS

COUNTY OF MULTNOMAH

)

This instrument was acknowledged before me on September 27, 2017, by
Gina A. León, who is Vice President of Umpqua Bank, an Oregon banking corporation, on
behalf of said banking corporation.



Wendy E. Jackson

Notary Public for Oregon

My commission expires: 11-20-18

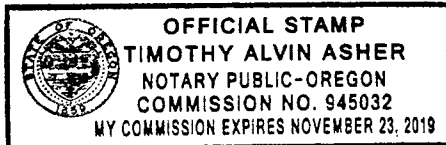
SKY MEADOWS, LLC, an Oregon limited liability company

By: Luckenbill-Drayton & Associates, LLC, an
Oregon limited liability company, its Manager

Lisa Drayton
Lisa Drayton, Manager

STATE OF OREGON)
) SS
COUNTY OF Deschutes)

This instrument was acknowledged before me on September 27th, 2017, by Lisa Drayton, who is Manager of Luckenbill-Drayton & Associates, LLC, an Oregon limited liability company, which is the Manager of LDA-Sky Meadows Development, LLC, an Oregon limited liability company, which is the Managing Member of Sky Meadows, LLC, an Oregon limited liability company.



Kimberly Aster
Notary Public for Oregon
My commission expires: 11-23-2019

EXHIBIT A

Legal Description

Real property in the City of Klamath Falls, County of Klamath, State of Oregon, described as follows:

Parcel 1

The North half of Lots 7 and 8, Block 59, Buena Vista Addition to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon.

Parcel 2

A portion of Lots 7 and 8 in Block 54, of Nichols Addition to the City of Klamath Falls, according to the official plat thereof on file in the office of the County Clerk of Klamath County, Oregon, more particularly described as follows:

Beginning at the most Northerly corner of Lot 8, Block 54, Nichols addition to the City of Klamath Falls, Oregon, and running thence Southwesterly along Lincoln Street, a distance of 87 feet; thence Southeasterly parallel with 8th street a distance of 60 feet; thence Northeasterly parallel with Lincoln street a distance of 87 feet; thence Northwesterly along 8th street a distance of 60 feet to the place of beginning; being the Northwesterly 60 feet of the Northeasterly 22 feet of Lot 7, and the Northwesterly 60 feet of Lot 8 in Block 54, Nichols Addition to the City of Klamath Falls, Oregon.

Parcel 3

Parcel 1 of Land Partition 2-17 Replat of Parcel 2 of Land Partition 8-00, situated in SE1/4 NE1/4 Section 14, Township 39 South, Range 09 East of the Willamette Meridian, Klamath County, Oregon and recorded May 8, 2017 as Instrument No. 2017-004773, Klamath County Records.

EXHIBIT B

Subordinated Loan Documents

1. a Promissory Note in the amount of \$76,573 by Borrower in favor of Subordinated Lender;
2. a Loan Agreement between Borrower and Subordinated Lender; and
3. the Deed of Trust.