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SUBORDINATION AGREEMENT

This agreement made this 4th day of March 1981 by and between Bank of Nova Scotia, hereinafter "First Party" and Western Plains Service Corporation, a South Dakota corporation, hereinafter "Second Party"

WITNESSETH:

Whereas, first party holds, as security, a note in the principal sum of \$150,000 secured by a deed of trust on those certain parcels of real property lying in Douglas County, Nevada, and described as,

Lots 32 and 34 as set forth on the third amended map of Tahoe Village Unit No. 2, filed for record on August 14, 1979, as document No. 35555, Official Records of Douglas County, Nevada, and further described as Units 1 through 6 as set forth on the Condominium Map of said Lot 32 recorded as Document No. 58349 and Units 1 through 4 as set forth on the Condominium Map of said Lot 34 recorded as Document No. 53851, both of such maps having been filed for record February 26, 1981, Official Records of Douglas County, Nevada, Together With an undivided 6/6th interest in and to those portions designated as Common Areas on said Condominium Map of Lot 32 and an undivided 4/4th interest in and to those portions designated as Common Areas on said Condominium Map of Lot 34, Together With all and singular the tenements, hereditaments and appurtenants thereunto belonging,

which deed of trust was dated November 1, 1979, and recorded January 9, 1980, in Book 180, page 399, as document No. 40436, Official Records of Douglas County, Nevada, and ultimately assigned to First Party by assignment recorded January 30, 1981, in Book 181, Page 1813, as Document No. 53080, Official Records of Douglas County, Nevada; and

Whereas the aforesaid real property is now owned by D.R.D. Development, Inc. (hereinafter "Owner") and Second Party is prepared to lend Owner the sum of \$4,400,000.00 to enable Owner

to construct approximately sixty (60) condominium units in part on the above described real property and;

Whereas, in order to induce Second Party to make the above described construction loan to owner it is necessary that the trust deed recorded as Document No. 40436 as aforesaid and assigned to First Party by assignment recorded as document No. 53080 as aforesaid be subordinated to the lien of the trust deed about to be executed by Owner as trustor to Silver State Title Company, a Nevada Corporation, as trustee and in favor of Second Party as beneficiary to secure the repayment of said construction loan; and

Whereas, the deed of trust on said real property about to be executed as aforesaid will secure a promissory note in the principal sum of \$4,400,000.00 bearing a variable interest rate of not less than 15% nor more than 25% per annum based on a 360 day year and the note will be payable in full twelve (12) months after the date it is executed, subject to the maker's (Owner's) option to extend the maturity date, and therefore payment, for a period of no greater than one hundred eighty (180) days by making an appropriate written request to the holder of the note at least thirty (30) days before the original maturity date thereof and by paying the holder an extension fee of one per cent (1%) of the principal amount of the note (1% of \$4,400,000.00 or \$44,000.00) at least ten (10) days before the original maturity date thereof. The note will also carry a penalty rate of interest of 5% over prime of Citibank of New York, N.Y. in the event of a default of any of the Owner's undertakings in the note or deed of trust securing it, but in no event shall the rate of interest on the unpaid balance of principal exceed twenty-five per cent (25%).

Now Therefore the parties agree as follows:

1. That the lien of the deed of trust dated November 1, 1979, recorded as Document No. 40436, Official Records of Douglas County, Nevada, shall be subordinate and junior to the lien of the proposed deed of trust to be executed by Owner in favor of Second Party to secure a promissory note in the principal sum of \$4,400,000.00, as described above, provided, however, that the subordination hereby agreed to is limited to and shall not exceed the sum of Seven Hundred Eighty-three Thousand Three Hundred and Thirty-four Dollars (U.S.) (\$783,334.00).

2. This agreement to subordinate shall become effective only when Owner executes the note and deed of trust in favor of Second Party and not before.

In Witness whereof the parties through their duly authorized officers have executed this agreement the day and year first above mentioned.

In the Presence of:

Bank of Nova Scotia, First Party

D. Havischub  
D HAVISCHIEK

By [Signature]  
David A Proch-WILSON

In the Presence of:

Western Plains Service Corporation  
Second Party

[Signature]  
MARK G. SCHNEU

By [Signature]  
DELBERT M. BOOR DAHL

CANADA )  
PROVINCE of MANITOBA )

ss.

On the 5th day of MARCH, 1981, personally appeared before me David A. Proch-Wilson, Assd. Mgr., of the Bank of Nova Scotia, who acknowledged that he executed the foregoing instrument on behalf of the bank.

[Signature]  
NOTARY PUBLIC  
\* NOTARY PUBLIC  
IN AND FOR THE PROVINCE OF MANITOBA

(Seal)

SEAL



