

**RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:**

Rabobank, N.A.
 Attention: Community Development Finance
 618 W. Main Street
 Visalia, California 93291

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this "**Agreement**") is dated as of June ____, 2017 by and among (i) CASTROVILLE FLC, LP, a California limited partnership (the "**Borrower**"), (ii) THE COUNTY OF MONTEREY, a political subdivision of the State of California (the "**County**"); (iii) MONTEREY COUNTY HOUSING AUTHORITY DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation (the "**Seller**"), (iv) the HOUSING AUTHORITY OF THE COUNTY OF MONTEREY, a public body, corporate and politic, duly organized and existing under the laws of the State of California ("**HACM**"), (v) CALIFORNIA COMMUNITY REINVESTMENT CORPORATION, a California nonprofit public benefit corporation ("**CCRC**") and (vi) RABOBANK, N.A., its successors, transferees and assigns ("**Senior Lender**").

Recitals

A. Borrower is the owner of the real property described in **Exhibit A** attached to this Agreement (the "**Property**").

B. Senior Lender is making a loan (the "**First Mortgage Loan**") to Borrower in the principal amount of \$_____.00. The First Mortgage Loan is being made under a Loan Agreement (Construction Loan Converting to Term Loan) dated as of June ____, 2017 by and between Borrower and Senior Lender (the "**First Mortgage Loan Agreement**"). The First Mortgage Loan is evidenced by that certain Promissory Note Secured by Deed of Trust (Construction Loan Converting to Term Loan) (the "**First Mortgage Note**") and is secured by a construction and permanent deed of trust (the "**First Mortgage Deed of Trust**") covering certain real and personal property, as therein described, including but not limited to the Property, being recorded in the Official Records of Monterey County, California ("**Official Records**") concurrently herewith. The First Mortgage Loan Agreement, First Mortgage Note, First Mortgage and the other "Loan Documents" (as defined in the First Mortgage Loan Agreement) as hereinafter sometimes collectively referred to as the "**First Mortgage Loan Documents**").

C. Upon the timely satisfaction of the Conversion Conditions set forth in that certain Loan Purchase Agreement ("**Loan Purchase Agreement**") dated as of even date herewith by and among Borrower, Senior Lender and CCRC, CCRC has agreed to purchase the First Mortgage Loan from Senior Lender for a purchase price in the maximum amount of \$_____.00. Effective as of the Conversion Date (as defined in the Loan Purchase Agreement) and CCRC's purchase of the First Mortgage Loan, any reference herein to "Senior Lender" shall mean CCRC. In connection with CCRC's entry into the Loan Purchase Agreement, Borrower has executed that certain Delivery Assurance Fee Multifamily Deed of Trust, Security Agreement and Fixture Filing dated as of even date herewith in favor of CCRC ("**Delivery Assurance Fee Deed of Trust**") to be recorded in the Official Records substantially concurrently herewith.

D. The Borrower has requested the Senior Lender permit the County to retain its existing loan to Borrower in the aggregate amount of \$341,000.00 (collectively, as amended the "**County HOME Loan**") evidenced by a HOME Loan and Regulatory Agreement dated as of April 2, 2002 by and between

the County and HACM and recorded in the Official Records on May 24, 2002 as Document No. 2002049517 and amended by that certain Amendment to HOME Loan and Regulatory Agreement executed by and between Borrower and County to be recorded in the Official Records concurrently herewith (as amended, "**County HOME Loan Agreement**"), and that certain Promissory Note (HOME Loan) in the original principal amount of the County HOME Loan dated as of April 2, 2002, executed by HACM to the order of the County and Allonge thereto dated _____, 2017 (as amended, the "**County HOME Note**"), and secured by that certain Deed of Trust and Security Agreement dated as of April 2, 2002, executed by HACM in favor of the County, and recorded in the Official Records on May 24, 2002 as Document No. 2002049518 (as amended, "**County HOME Mortgage**"). Borrower, County and HACM are also entering into that certain Assignment, Assumption and Release Agreement dated as of _____, 2017 to be recorded in the Official Records concurrently herewith (the "**County Assignment and Assumption**"), pursuant to which Borrower is assuming the County HOME Loan. All documents which evidence, guaranty, secure or otherwise pertain to the County HOME Loan, including but not limited to the County HOME Loan Agreement, County HOME Note, County HOME Mortgage, collectively constitute the "**County Home Loan Documents**."

E. The Borrower has requested the Senior Lender permit the County to retain its existing loan to Borrower in the aggregate amount of \$35,000.00 (collectively, as amended the "**County CDBG Loan**") evidenced by a CDBG Loan and Regulatory Agreement dated as of May 1, 2002 by and between the County and HACM and recorded in the Official Records on July 3, 2002 as Document No. 2002062500 and amended by that certain Amendment to CDBG Loan and Regulatory Agreement executed by and between Borrower and County to be recorded in the Official Records concurrently herewith (as amended, "**County CDBG Loan Agreement**"), and that certain Promissory Note (CDBG Loan) in the original principal amount of the County CDBG Loan dated as of May 23, 2002, executed by HACM to the order of the County and Allonge thereto dated _____, 2017 (as amended, the "**County CDBG Note**"), and secured by that certain Deed of Trust and Security Agreement dated as of May 1, 2002, executed by HACM in favor of the County, and recorded in the Official Records on July 3, 2002 as Document No. 2002062501 (as amended, "**County CDBG Mortgage**"). Borrower, County and HACM are also entering into the County Assignment and Assumption pursuant to which Borrower is assuming the County CDBG Loan. All documents which evidence, guaranty, secure or otherwise pertain to the County CDBG Loan, including but not limited to the County CDBG Loan Agreement, County CDBG Note, County CDBG Mortgage, collectively constitute the "**County CDBG Loan Documents**."

F. The Borrower has requested the Senior Lender permit the Seller to make a subordinate loan to Borrower in the aggregate amount of \$_____.00 (the "**Seller Loan**") to be evidenced by a Promissory Note in the principal amount of the Seller Loan ("**Seller Note**") and secured by that certain Subordinate Deed of Trust and Financing Agreement ("**Seller Mortgage**") to be recorded in the Official Records substantially concurrently herewith. All documents which evidence, guaranty, secure or otherwise pertain to the Seller Loan, including but not limited to the Seller Note and Seller Mortgage, collectively constitute the "**Seller Loan Documents**".

G. The Borrower has requested the Senior Lender permit HACM to make a subordinate loan to Borrower in the aggregate amount of \$_____.00 (the "**HACM Loan**") to be evidenced by a Promissory Note in the principal amount of the HACM Loan ("**HACM Note**") and secured by that certain Subordinate Deed of Trust and Financing Agreement ("**HACM Mortgage**") to be recorded in the Official Records substantially concurrently herewith. All documents which evidence, guaranty, secure or otherwise pertain to the HACM Loan, including but not limited to the HACM Note and HACM Mortgage, collectively constitute the "**HACM Loan Documents**".

H. The Senior Lender has agreed to permit the Subordinate Lenders to make the Subordinate Loans and to place subordinate mortgage liens against the Property subject to all of the conditions contained in this Agreement.

NOW, THEREFORE, in order to induce the Senior Lender to permit the Subordinate Lenders to make the Subordinate Loans to the Borrower and to place subordinate mortgage liens against the Property, and in consideration thereof, the Senior Lender, the Subordinate Lenders and the Borrower agree as follows:

1. Definitions.

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

"Affiliate" means, when used with respect to a Person, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which controls such Person (the term "control" for these purposes shall mean the ability, whether by the ownership of shares or other equity interests, by contract or otherwise, to elect a majority of the directors of a corporation, to make management decisions on behalf of, or independently to select the managing partner of, a partnership, or otherwise to have the power independently to remove and then select a majority of those individuals exercising managerial authority over an entity, and control shall be conclusively presumed in the case of the ownership of 50% or more of the equity interests).

"Borrower" means the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender) who acquires title to the Property after the date of this Agreement.

"Business Day" means any day other than Saturday, Sunday or a day on which the Senior Lender is not open for business.

"Default Notice" means: (a) a copy of the written notice from the Senior Lender to the Borrower stating that a First Mortgage Loan Default has occurred under the First Mortgage Loan; or (b) a copy of the written notice from a Subordinate Lender to the Borrower stating that a Subordinate Loan Default has occurred under the respective Subordinate Loan. Each Default Notice shall specify the default upon which such Default Notice is based.

"First Mortgage Loan Default" means the occurrence of an "Event of Default" as that term is defined in the First Mortgage Loan Documents.

"First Mortgage Loan Documents" means the First Mortgage Loan Agreement, the First Mortgage Note, the First Mortgage, and all other documents evidencing, securing or otherwise executed and delivered in connection with the First Mortgage Loan.

"Person" means an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own property.

"Senior Lender" means the Person named as such in the first paragraph of this Agreement. When any other Person becomes the legal holder of the First Mortgage Note, such other Person shall automatically become the Senior Lender.

"Subordinate Lender" or **"Subordinate Lenders"** means, individually and collectively, the County, Seller, and HACM.

"Subordinate Loan" or **"Subordinate Loans"** means, individually and collectively, the County Home Loan, County CDBG Loan, Seller Loan, and HACM Loan.

"Subordinate Loan Default" means a default by the Borrower in performing or observing any of the terms, covenants or conditions in the respective Subordinate Loan Documents to be performed or

observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

“Subordinate Loan Documents” means, as applicable, the County Home Loan Documents, County CDBG Loan Documents, the Seller Loan Documents, and the HACM Loan Documents.

“Subordinate Mortgages” means, collectively, the County HOME Mortgage, County CDBG Mortgage, Seller Mortgage, HACM Mortgage and Delivery Assurance Fee Deed of Trust.

2. Permission to Place Mortgage Liens Against Property.

The Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Property contained in the First Mortgage Loan Documents and subject to the provisions of this Agreement, to permit the Subordinate Lenders to record the Subordinate Mortgages and other recordable Subordinate Loan Documents against the Property (which are subordinate in all respects to the lien of the First Mortgage) to secure the Borrower's obligation to repay the respective Subordinate Notes and all other obligations, indebtedness and liabilities of the Borrower to the Subordinate Lenders under and in connection with the Subordinate Loans. Such permission is subject to the condition that each of the representations and warranties made by the Borrower and the Subordinate Lenders in Section 4 is true and correct on the date of this Agreement and on the date on which the proceeds of the Subordinate Loans are disbursed to the Borrower. If any of the representations and warranties made by the Borrower and the Subordinate Lenders in Section 4 is not true and correct on both of those dates, the provisions of the First Mortgage Loan Documents applicable to unpermitted liens on the Property shall apply.

3. Lien Priority.

Each of Senior Lender and the Subordinate Lenders agree that the Subordinate Loan Documents are unconditionally and will remain at all times, liens, claims, or charges on the Property in the following priority order: **[TO BE CONFIRMED]**

- (a) The First Mortgage and First Mortgage Loan Documents;
- (b) The County Home Mortgage and County Home Loan Documents;
- (c) The County CDBG Mortgage and County CDBG Loan Documents;
- (d) The Delivery Assurance Fee Deed of Trust;
- (e) The Seller Mortgage and Seller Loan Documents; and
- (f) The HACM Mortgage and HACM Loan Documents.

4. Borrower's, Subordinate Lenders' and Senior Lender's Representations and Warranties.

The Borrower and the Subordinate Lenders (with respect to their respective Subordinate Loan) each makes the following representations and warranties to the Senior Lender:

(a) **Relationship of Borrower to Subordinate Lenders and Senior Lender.** None of the Subordinate Lenders are an Affiliate of the Borrower and is not in possession of any facts which would lead it to believe that the Senior Lender is an Affiliate of the Borrower.

(b) **Term.** The term of the respective Subordinate Note does not end before the term of the First Mortgage Note.

(c) **Subordinate Loan Documents.** The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Borrower shall deliver to Senior Lender an executed copy of each of the Subordinate Loan Documents, certified to be true, correct and complete.

The Borrower and the Senior Lender each makes the following representations and warranties to the Subordinate Lenders:

(d) **First Mortgage Loan Documents.** The executed First Mortgage Loan Documents are substantially in the same form as, when applicable, those submitted to, and approved by, Senior Lender and submitted to Subordinate Lenders prior to the date of this Agreement. Upon execution and delivery of the First Mortgage Loan Documents, Borrower shall deliver to each Subordinate Lender an executed copy of each of the First Mortgage Documents, certified to be true, correct and complete.

5. Terms of Subordination.

(a) **Agreement to Subordinate.** The Senior Lender and the Subordinate Lenders agree that: (i) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the First Mortgage Loan Documents, and (ii) the Subordinate Mortgages and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the First Mortgage and the other First Mortgage Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the First Mortgage and the other First Mortgage Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the First Mortgage, curing defaults by the Borrower under the First Mortgage Loan Documents or for any other purpose expressly permitted by the First Mortgage, or (2) constructing, renovating, repairing, furnishing, fixturing or equipping the Property).

(b) **Subordination of Subrogation Rights.** Each Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or by reason of its exercise of any other right or remedy under the respective Subordinate Loan Documents, it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the First Mortgage, then, in that event, such lien shall be subject and subordinate to the lien of the First Mortgage.

(c) **Payments Before First Mortgage Loan Default.** Until the Subordinate Lender receives a Default Notice of a First Mortgage Loan Default from the Senior Lender, the Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the respective Subordinate Loan Documents.

(d) **Payments After First Mortgage Loan Default.** The Borrower agrees that, after it receives notice (or otherwise acquires knowledge) of a First Mortgage Loan Default, it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by any of the Subordinate Mortgages) without the Senior Lender's prior written consent. The Subordinate Lender agrees that, after it receives a Default Notice from the Senior Lender with written instructions directing the Subordinate Lender not to accept payments from the Borrower on account of the Subordinate Loan, it will not accept any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the respective Subordinate Mortgage) without the Senior Lender's prior written consent. If the Subordinate Lender receives written notice from the Senior Lender that the First Mortgage Loan Default which gave rise

to the Subordinate Lender's obligation not to accept payments has been cured, waived, or otherwise suspended by the Senior Lender, the restrictions on payment to the Subordinate Lender in this Section 5 shall terminate, and the Senior Lender shall have no right to any subsequent payments made to the Subordinate Lender by the Borrower prior to the Subordinate Lender's receipt of a new Default Notice from the Senior Lender in accordance with the provisions of this Section 5(d).

(e) **Remitting Subordinate Loan Payments to Senior Lender.** If, after the Subordinate Lender receives a Default Notice from the Senior Lender in accordance with subsection (d) above, the Subordinate Lender receives any payments under the Subordinate Loan Documents, the Subordinate Lender agrees that such payment or other distribution will be received and held in trust for the Senior Lender and unless the Senior Lender otherwise notifies the Subordinate Lender in writing, will be promptly remitted, in kind to the Senior Lender, properly endorsed to the Senior Lender, to be applied to the principal of, interest on and other amounts due under the First Mortgage Loan Documents in accordance with the provisions of the First Mortgage Loan Documents. By executing this Agreement, the Borrower specifically authorizes the Subordinate Lender to endorse and remit any such payments to the Senior Lender, and specifically waives any and all rights to have such payments returned to the Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by the Subordinate Lender, and remitted to the Senior Lender under this Section 5, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to the Senior Lender waive any Subordinate Loan Default which may arise from the inability of the Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) **Agreement Not to Commence Bankruptcy Proceeding.** Each Subordinate Lender agrees that during the term of this Agreement it will not commence, or join with any other creditor in commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender's prior written consent.

6. Default Under Subordinate Loan Documents.

(a) **Notice of Default and Cure Rights.** The Subordinate Lender shall deliver to the Senior Lender a Default Notice within five (5) Business Days in each case where the Subordinate Lender has given a Default Notice to the Borrower. Failure of the Subordinate Lender to send a Default Notice to the Senior Lender shall not prevent the exercise of the Subordinate Lender's rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. The Senior Lender shall have the right, but not the obligation, to cure any such Subordinate Loan Default as provided below. Senior Lender may have up to thirty (30) days from the date of the Default Notice to cure any monetary default under the Subordinate Loan Documents; provided, however that the Subordinate Lender shall be entitled, during such 30-day period to continue to pursue its rights and remedies under the Subordinate Loan Documents with respect to the Property to the extent permitted under Section 6(b). Senior Lender may have up to sixty (60) days from the date of the Default Notice to cure any non-monetary default under the Subordinate Loan Documents. All amounts paid by the Senior Lender in accordance with the First Mortgage Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the First Mortgage.

(b) **Subordinate Lender's Agreement to Standstill.** If a Subordinate Loan Default occurs and is continuing, each Subordinate Lender agrees that, without the Senior Lender's prior written consent, it will not accelerate the respective Subordinate Loan, commence foreclosure proceedings with respect to the Property, collect rents, appoint (or seek the appointment of) a receiver or institute any other collection or enforcement action without first giving Senior Lender ninety (90) days prior written notice and an opportunity to cure, which ninety (90) day period shall commence by delivery of a Default Notice to the Senior Lender as described in Section 6(a); provided, however, that such limitation on the remedies of Subordinate Lender shall not derogate or otherwise limit Subordinate Lender's rights, following an event of default under the Subordinate Loan

Documents to (a) compute interest on all amounts due and payable under the Subordinate Loan at the default rate described in the Subordinate Loan Documents, (b) compute prepayment premiums and late charges, and (c) enforce against any person, other than Borrower and any guarantors or indemnitors under the First Mortgage Loan Documents, any guaranty of the obligations of Borrower under the respective Subordinate Loan.

(c) **Cross Default.** The Borrower and the Subordinate Lender agree that a Subordinate Loan Default shall constitute a First Mortgage Loan Default under the First Mortgage Loan Documents and the Senior Lender shall have the right to exercise all rights or remedies under the First Mortgage Loan Documents in the same manner as in the case of any other First Mortgage Loan Default. If any Subordinate Lender notifies the Senior Lender in writing that any Subordinate Loan Default of which the Senior Lender has received a Default Notice has been cured or waived, as determined by the Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Property pursuant to its rights under the First Mortgage Loan Documents, any First Mortgage Loan Default under the First Mortgage Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the First Mortgage Loan shall be reinstated, provided, however, that the Senior Lender shall not be required to return or otherwise credit for the benefit of the Borrower any default rate interest or other default related charges or payments received by the Senior Lender during such First Mortgage Loan Default.

7. Default Under First Mortgage Loan Documents.

(a) **Notice of Default and Cure Rights.** The Senior Lender shall deliver to the Subordinate Lender a Default Notice within five (5) Business Days in each case where the Senior Lender has given a Default Notice to the Borrower. The Subordinate Lender shall have the right, but not the obligation, to cure any such First Mortgage Loan Default as provided below. Subordinate Lender may have up to thirty (30) days from the date of the Default Notice to cure any monetary default under the First Mortgage Loan Documents; provided, however, that the Senior Lender shall be entitled during such 30-day period to continue to pursue its remedies with respect to the Property. Subordinate Lender may have up to sixty (60) days from the date of the Default Notice to cure a non-monetary default. In the event that such a non-monetary default creates an unacceptable level of risk relative to the Property, or Senior Lender's secured position relative to the Property, as determined by Senior Lender in its sole discretion, then Senior Lender may exercise during such 60-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by the Subordinate Lender to the Senior Lender to cure a First Mortgage Loan Default shall be deemed to have been advanced by the Subordinate Lender pursuant to, and shall be secured by the lien of, the Subordinate Mortgage.

(b) **Cross Default.** The Subordinate Lenders agree that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a First Mortgage Loan Default shall not constitute a default under the Subordinate Loan Documents if no other default occurred under the Subordinate Loan Documents until either (i) the Senior Lender has accelerated the maturity of the First Mortgage Loan, (ii) the Senior Lender has taken affirmative action to exercise its rights under the First Mortgage to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the First Mortgage, or (iii) the Senior Lender has delivered a Default Notice to the Borrower. At any time after a First Mortgage Loan Default is determined to constitute a default under the Subordinate Loan Documents, the Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of this Agreement. If at any time the Borrower cures any First Mortgage Loan Default to the satisfaction of the Senior Lender, as evidenced by written notice from the Senior lender to the Subordinate Lender, any default under the Subordinate Loan Documents arising from such First Mortgage Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such First Mortgage Loan Default had never occurred.

8. Conflict.

The Borrower, the Senior Lender and the Subordinate Lenders each agrees that, in the event of any conflict or inconsistency between the terms of the First Mortgage Loan Documents, any of the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and the Subordinate Lenders in the Property; (b) the timing of the exercise of remedies by the Senior Lender and the Subordinate Lenders under the First Mortgage and the Subordinate Mortgages, respectively; and (c) solely as between the Senior Lender and the Subordinate Lenders, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and the Subordinate Lenders have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: extend Borrower's time to cure any First Mortgage Loan Default or Subordinate Loan Default, as the case may be; give the Borrower the right to notice of any First Mortgage Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the First Mortgage Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

9. Rights and Obligations of the Subordinate Lenders Under the Subordinate Loan Documents and of the Senior Lender under the First Mortgage Loan Documents.

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) **Protection of Security Interest.** The Subordinate Lenders shall not, without the prior written consent of the Senior Lender in each instance, which shall not be unreasonable withheld, delayed or conditioned, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents, except that the Subordinate Lenders shall have the right to advance funds to cure First Mortgage Loan Defaults pursuant to Section 7(a) above and advance funds pursuant to the Subordinate Mortgage for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Property and curing other defaults by the Borrower under the Subordinate Loan Documents.

(b) **Condemnation or Casualty.** In the event of: a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property (collectively, a "**Taking**"); or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "**Casualty**"), at any time or times when the First Mortgage remains a lien on the Property the following provisions shall apply:

(1) Each Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Taking and/or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Taking or a Casualty shall be and remain subordinate in all respects to the Senior Lender's rights under the First Mortgage Loan Documents with respect thereto, and the Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Taking or a Casualty made by the Senior Lender; provided, however, this subsection and/or anything contained in this Agreement shall not limit the rights of the Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Taking and/or Casualty; and

(2) all proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the First Mortgage Loan) in the manner determined by the Senior Lender in its sole discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the First Mortgage Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the First Mortgage Loan shall be

paid to, and may be applied by, the Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents, provided however, the Senior Lender agrees to consult with the Subordinate Lender in determining the application of Casualty proceeds, provided further however that in the event of any disagreement between the Senior Lender and the Subordinate Lender over the application of Casualty proceeds, the decision of the Senior Lender, in its sole discretion, shall prevail.

(c) **No Modification of Subordinate Loan Documents.** The Borrower and the Subordinate Lenders each agrees that, until the principal of, interest on and all other amounts payable under the First Mortgage Loan Documents have been paid in full, it will not, without the prior written consent of the Senior Lender in each instance, which shall not be unreasonably withheld, delayed or conditioned, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loans, decrease the term of the Subordinate Loans, increase the interest rate on the Subordinate Loans, or otherwise amend the Subordinate Loans' repayment terms in a manner that creates an adverse effect upon the Senior Lender under the First Mortgage Loan Documents. Any unauthorized amendment of the Subordinate Loan Documents or assignment of the Subordinate Lender's interest in the respective Subordinate Loan without the Senior Lender's consent shall be void ab initio and of no effect whatsoever.

10. Modification or Refinancing of First Mortgage Loan.

(a) **Modification of First Mortgage Loan.** The Subordinate Lenders consent to any agreement or arrangement in which the Senior Lender waives, postpones, extends, reduces or modifies any provisions of the First Mortgage Loan Documents, including any provision requiring the payment of money provided, however, that such consent shall not extend to any provision that increases the amount of the Senior Loan (other than pursuant to a protective advance permitted by the First Mortgage Loan Documents or applicable law); increases the interest rate, except as set forth in the First Mortgage Loan Documents; or decreases the term of the Senior Loan. However, Subordinate Lenders agree that they shall not unreasonably withhold its consent to any such modification.

(b) **Refinancing of First Mortgage Loan.** Each Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new mortgage debt, in an amount not greater than the existing balance of the Senior Loan which is for the purpose of refinancing all or any part of the First Mortgage Loan (including reasonable and necessary costs associated with the closing and/or the refinancing) provided, however, that such consent shall not extend to any refinancing provision that increases the interest rate or decreases the term of the Senior Loan. However, Subordinate Lenders agree that they shall not unreasonably withhold consent to any such modification. In the event of new mortgage debt for the purposed of refinancing meeting the requirements of this Section 10(b), Subordinate Lenders shall execute and deliver to Senior Lender a new subordinate agreement on the same terms and conditions as this Agreement.

11. Default by the Subordinate Lenders or Senior Lender.

If the Subordinate Lenders or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.

12. Notices.

Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which the Senior Lender or the Subordinate Lenders are required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof

of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received two days after mailing in the United States), addressed to the respective parties as follows:

SENIOR LENDER: Rabobank, N.A.
Attention: Community Development Finance
618 West Main Street
Visalia, California 93291

with a copy to:

California Community Reinvestment Corporation
100 West Broadway, Suite 1000
Glendale, California 91210
Attention: President

BORROWER: Castroville FLC, LP
c/o Monterey County Housing Authority
Development Corporation
134 East Rossi Street
Salinas, California 93901
Attention: President

COUNTY: The County of Monterey
Redevelopment and Housing Division
29 Bishop Street, Suite 203
Pajaro, CA 95076
Attention: Jim Cook, Program Manager

SELLER: Monterey County Housing Authority
Development Corporation
134 East Rossi Street
Salinas, California 93901
Attention: President

HACM: Housing Authority of the County of Monterey
134 East Rossi Street
Salinas California 93901
Attention: Executive Director

Any party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt.

13. General.

(a) **Assignment/Successors.** This Agreement shall be binding upon the Borrower, the Senior Lender and the Subordinate Lenders and shall inure to the benefit of the respective legal successors and assigns of the Senior Lender and the Subordinate Lenders.

(b) **No Partnership or Joint Venture.** The Senior Lender's permission for the placement of the Subordinate Loan Documents does not constitute the Senior Lender as a joint venturer or partner of any of the Subordinate Lenders. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) **Senior Lender's and Subordinate Lenders' Consent.** Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever the Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) **Further Assurances.** The Subordinate Lenders, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Mortgages are subordinate to the lien, covenants and conditions of the First Mortgage, or to further evidence the intent of this Agreement.

(e) **Amendment.** This Agreement shall not be amended except by written instrument signed by all parties hereto.

(f) **Governing Law.** This Agreement shall be governed by the laws of the State in which the Property is located.

(g) **Severable Provisions.** If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) **Term.** The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the First Mortgage Loan Documents; (ii) the payment

of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 5 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the First Mortgage; or (iv) the acquisition by the Subordinate Lenders of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Mortgage, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

14. Waiver of Jury Trial, Judicial Reference.

(a) **Waiver of Jury Trial.** TO THE FULLEST EXTENT NOT PROHIBITED BY LAW, EACH PARTY HERETO HEREBY AGREES TO, AND DOES, WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE LOAN, ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR INSTRUMENT BETWEEN THE PARTIES RELATING TO THE LOAN, THE LOAN DOCUMENTS, THE PROPERTY OR ANY DEALINGS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF ANY OF THE LOAN

DOCUMENTS. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES (EACH A "DISPUTE", AND COLLECTIVELY, ANY OR ALL, THE "DISPUTES") OF ANY KIND WHATSOEVER THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE LOAN, ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR INSTRUMENT BETWEEN THE PARTIES RELATING TO THE LOAN, THE LOAN DOCUMENTS, THE PROPERTY OR ANY DEALINGS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF ANY OF THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, ANTITRUST CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON-LAW OR STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTERING INTO THIS AGREEMENT AND ALL OTHER AGREEMENTS AND INSTRUMENTS PROVIDED FOR HEREIN, AND THAT EACH WILL CONTINUE TO BE BOUND BY AND RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH LEGAL COUNSEL OF ITS OWN CHOOSING, OR HAS HAD AN OPPORTUNITY TO DO SO, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS HAVING HAD THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR DOCUMENT ENTERED INTO BETWEEN THE PARTIES IN CONNECTION WITH THIS AGREEMENT OR ANY LOAN DOCUMENT. IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT WITHOUT A JURY.

The parties hereto hereby agree that this Agreement constitutes a written consent to waiver of trial by jury pursuant to the provisions of California Code of Civil Procedure Section 631 and Borrower does hereby appoint Lender its true and lawful attorney-in-fact, which appointment is coupled with an interest, and Borrower does hereby authorize and empower Lender, in the name, place and stead of Borrower, to file this Agreement with the clerk or judge of any court of competent jurisdiction as statutory written consent to waiver of trial by jury.

Senior Lender's Initial: _____

Borrower's Initial: _____

County's Initial: _____

Seller's Initial: _____

HACM's Initials: _____

CCRC's Initials: _____

(b) Consent to Judicial Reference. If and to the extent Section 14(a) immediately above is determined by a court of competent jurisdiction to be unenforceable or is otherwise not applied by any such court, the parties hereto each hereby consents and agrees that (a) any and all Disputes shall be heard by a referee in accordance with the general reference provisions of California Code of Civil Procedure Section 638, sitting without a jury in the County of Sacramento, California, (b) such referee shall hear and determine all of the issues in any Dispute (whether of fact or of law), including issues pertaining to a "provisional remedy" as defined in California Code of Civil Procedure Section 1281.8, including without limitation, entering restraining orders, entering temporary restraining orders, issuing temporary and permanent injunctions and appointing receivers, and shall report a statement of decision, provided that, if during the course of any Dispute any party desires to seek such a "provisional remedy" but a referee has not been appointed, or is otherwise unavailable to hear the request for such provisional remedy, then such party may apply to the Sacramento County Superior Court for such provisional relief, and (c) pursuant to California Code of Civil Procedure Section 644, judgment may be entered upon the decision of such referee in the same manner as if the Dispute had been tried directly by a court. The parties shall use their respective commercially reasonable and good faith efforts to agree upon and select such referee, provided that such referee must be a retired California state or federal judge, and further provided that if the parties cannot agree upon a referee, the referee shall be appointed by the Presiding Judge of the Sacramento County Superior Court. Each party hereto acknowledges that this consent and agreement is a material inducement to enter into this Agreement, the Loan Documents and all other

agreements and instruments provided for herein or therein, and that each will continue to be bound by and to rely on this consent and agreement in their related future dealings. The parties shall share the cost of the referee and reference proceedings equally; provided that, the referee may award attorneys' fees and reimbursement of the referee and reference proceeding fees and costs to the prevailing party, whereupon all referee and reference proceeding fees and charges will be payable by the non-prevailing party (as so determined by the referee). Each party hereto further warrants and represents that it has reviewed this consent and agreement with legal counsel of its own choosing, or has had an opportunity to do so, and that it knowingly and voluntarily gives this consent and enters into this Agreement having had the opportunity to consult with legal counsel. This consent and agreement is irrevocable, meaning that it may not be modified either orally or in writing, and this consent and agreement shall apply to any subsequent amendments, renewals, supplements, or modifications to this Agreement or any other agreement or document entered into between the parties in connection with this Agreement. In the event of litigation, this Agreement may be filed as evidence of either or both parties' consent and agreement to have any and all Disputes heard and determined by a referee under California Code of Civil Procedure Section 638. Notwithstanding anything to the contrary herein, the parties hereto acknowledge and agree that this provision shall have no application to any non-judicial foreclosure of all or any portion of the Property whether pursuant to the provisions of the Loan Documents or applicable law.

Senior Lender's Initial: _____

Borrower's Initial: _____

County's Initial: _____

Seller's Initial: _____

HACM's Initials: _____

CCRC's Initials: _____

(c) Not Applicable to Non-Judicial Foreclosures/Realization on Collateral. Notwithstanding anything to the contrary, the parties hereto understand, acknowledge and agree that (i) the provisions of the consent to judicial reference set forth in this paragraph above shall have no application to any non-judicial foreclosure and/or private (i.e., non-judicial) sale under the California Commercial Code, California Civil Code or California Code of Civil Procedure or other applicable law as to all or any portion of the Property whether pursuant to the provisions of the Loan Documents or applicable law; provided, however, in the event Borrower contests the same, then the provisions of the consent to judicial reference set forth in the paragraph above shall apply to any Dispute arising therefrom (but not the non-judicial foreclosure proceeding, which may remain pending), and (ii) the provisions of the consent to judicial reference set forth in this paragraph above shall not be deemed to be a waiver by, or a limitation upon, the rights of Lender to proceed with a non-judicial foreclosure or private sale under said Commercial Code, California Civil Code or California Code of Civil Procedure or other applicable law as a permitted remedy hereunder or under applicable law. THE PARTIES ACKNOWLEDGE THAT JUDICIAL REFERENCE PROCEEDINGS CONDUCTED IN ACCORDANCE WITH THIS SECTION 14(c) WOULD BE CONDUCTED BY A PRIVATE JUDGE ONLY, SITTING WITHOUT A JURY.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

SENIOR LENDER:

RABOBANK, N.A.

By:

Sevag Jierian
Vice President

COUNTY:

THE COUNTY OF MONTEREY,
a political subdivision of the State of California

By: _____
Name: David L. Spaur
Title Economic Development Director

APPROVED AS TO FORM:

By: _____
Name: Brian Briggs
Title Deputy County Counsel

SELLER:

MONTEREY COUNTY HOUSING AUTHORITY
DEVELOPMENT CORPORATION,
a California nonprofit public benefit corporation

By: _____
Starla Warren
President/CEO

HACM:

HOUSING AUTHORITY OF THE COUNTY OF
MONTEREY,
a political subdivision of the State of California

By: _____
Jean Goebel
Executive Director

BORROWER:

CASTROVILLE FLC, LP,
a California limited partnership

By: Housing Authority Limited Liability Company,
a California limited liability company,
its General Partner

By: Monterey Housing Authority
Development Corporation,
a California nonprofit public benefit
corporation,
its Managing Member

By: _____
Starla Warren
President/CEO

CCRC:

CALIFORNIA COMMUNITY REINVESTMENT
CORPORATION,
a California nonprofit public benefit corporation

By: _____
Name: _____
Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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State of California)
County of _____)

On _____, before me, _____, a Notary Public, personally appeared _____, who proved to me 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

Exhibit A

Legal Description

ALL THAT CERTAIN REAL PROPERTY LOCATED IN THE CITY OF CASTROVILLE, COUNTY OF MONTEREY, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS: