

This instrument Prepared By  
and after Recording Returned to:

Greenberg Traurig, LLP  
1717 Arch Street, Suite 400  
Philadelphia, PA 19103  
Attention: Dianne Coady Fisher

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**SUBORDINATION AGREEMENT**

**among**

**WILMINGTON TRUST COMPANY, NATIONAL ASSOCIATION, as trustee,**

**CITY OF LAKE ELSINORE**

**and**

**MISSION COTTAGES LP**

**Dated as of April 1, 2019**

**Relating to:**

**\$12,450,000**

**California Statewide Communities Development Authority  
Multifamily Housing Revenue Bonds  
(Cottages at Mission Trail) 2019 Series G-1**

**and**

**\$8,650,000**

**California Statewide Communities Development Authority  
Multifamily Housing Revenue Bonds  
(Cottages at Mission Trail) 2019 Series G-2**

**and**

**\$3,170,000**

**California Statewide Communities Development Authority  
Taxable Multifamily Housing Revenue Bonds  
(Cottages at Mission Trail) 2019 Series G-3**

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## **SUBORDINATION AGREEMENT**

THIS SUBORDINATION AGREEMENT dated as of April 1, 2019 (as amended, modified, supplemented or assigned from time to time, this "Agreement") by and among WILMINGTON TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association duly organized and validly existing under the laws of the United States of America, as trustee (together with its permitted successors and assigns, "Senior Lender"), CITY OF LAKE ELSINORE, a municipal corporation organized and existing under the laws of the State of California (together with its permitted successors and assigns, "Subordinate Lender"), and MISSION COTTAGES LP, a limited partnership duly organized and validly existing under the laws of the State of California (together with its permitted successors and assigns, the "Borrower"),

### **WITNESSETH:**

WHEREAS, the Borrower is the owner of certain property located in the City of Lake Elsinore, California, more particularly described on Exhibit A attached hereto, on which the Borrower intends to construct certain improvements consisting of a 143-unit multifamily apartment facility, together with related amenities, to be known as "Cottages at Mission Trail" (such property and the improvements described above are collectively referred to herein as the "Property");

WHEREAS, the Property is being acquired and constructed, in part, with the proceeds of those certain Multifamily Housing Revenue Bonds (Cottages at Mission Trail) 2019 Series G-1 issued in the original aggregate principal amount of \$12,450,000 and those certain Multifamily Housing Revenue Bonds (Cottages at Mission Trail) 2019 Series G-2 issued in the original aggregate principal amount of \$8,650,000 (the "Tax-Exempt Bonds") and those certain Taxable Multifamily Housing Revenue Bonds (Cottages at Mission Trail) 2019 Series G-3 issued in the original aggregate principal amount of \$3,170,000 (the "Taxable Bonds" and, together with the Tax-Exempt Bonds, the "Bonds"), issued by California Statewide Communities Development Authority, a joint powers authority organized and existing under the laws of the State of California (together with its successors and assigns, the "Issuer");

WHEREAS, the proceeds of the Bonds are being loaned to the Borrower pursuant to the terms of a Loan Agreement dated as of the date hereof between Issuer and the Borrower (as amended, modified or supplemented from time to time, the "Loan Agreement");

WHEREAS, the Borrower's obligations under the Loan Agreement are evidenced by a promissory note dated as of the date of issuance of the Bonds (as amended, modified or supplemented from time to time, the "Note"), and are secured by, among other things, a first- priority mortgage lien on the Property granted pursuant to a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (with Power of Sale) dated as of the date hereof (as amended, modified or supplemented from time to time, the "Senior Mortgage"), and an Assignment of Leases, Rents and Other Income dated as of the date hereof (as amended, modified or supplemented from time to time, the "Senior Assignment" and together with the Senior Mortgage, the "Senior Mortgage Documents", which, together with the Loan Agreement, the Note and all other agreements contemplated therein or evidencing or securing the Borrower's obligations under the Loan Agreement are hereinafter collectively referred to as the "Senior Loan Documents" and the indebtedness evidenced and secured by the Senior Loan Documents is hereinafter collectively referred to as the "Senior Indebtedness");

WHEREAS, the Property has been financed, in part, with the proceeds of certain subordinate loans (collectively, the "Subordinate Indebtedness") to the Borrower made by Subordinate Lender, pursuant to a Disposition, Development and Loan Agreement (Cottages at Mission Trail) dated as of

\_\_\_\_\_, 2019 (the “Subordinate Loan Agreement”), and evidenced and secured by the City Documents (as defined in the Subordinate Loan Agreement);

WHEREAS, it is a requirement of the Senior Loan Documents that the Senior Mortgage Documents shall be and remain liens or charges upon the Property prior and superior to the lien or charge of the City Documents, that the Subordinate Indebtedness be subordinated in right of payment to the Senior Indebtedness and that the Subordinate Indebtedness be payable solely from cash available after payment of operating expenses of the Property and amounts due and owing in respect of the Senior Indebtedness.

NOW, THEREFORE, in consideration of the foregoing and the mutual benefits accruing to the parties hereto and for other good and valuable consideration, the receipt and sufficiency of which consideration are hereby acknowledged and intending to be legally bound hereby, it is hereby declared, understood and agreed by the parties as follows:

1. Use of Proceeds; Estoppel.

(a) Subordinate Lender agree that the proceeds of the Subordinate Indebtedness will be disbursed to Borrower for the purpose of repaying the predevelopment loan, acquiring the Property and paying the costs of construction and equipping of the Property at the times and in the amounts set forth in the approved budget for the Property (the “Budget”), subject to compliance by Borrower with the procedures and satisfaction by Borrower of the conditions to disbursement set forth in the City Documents. Borrower hereby agrees to cause the conditions to disbursement of loan proceeds under the City Documents to be satisfied and to request disbursement of the proceeds of the Subordinate Indebtedness at the times, in the amounts and for the purposes set forth in the Budget.

(b) As of the execution hereof, Subordinate Lender represents, acknowledges and confirms for the benefit of Borrower and Senior Lender that, as of the date of this Agreement (i) the outstanding principal amount of the Subordinate Indebtedness is [\$\_0], the interest rate thereon is three percent (3%) per annum and all payments thereon are payable solely from and to the extent of cash available to the Borrower after payment of debt service on the Bonds and all other amounts then due and payable under the Senior Loan Documents, (ii) to the knowledge of Subordinate Lender, Borrower has performed all obligations on its part under the City Documents, (iii) to the knowledge of Subordinate Lender, there exists no breach, condition, state of facts or event that constitutes, or with the passing of time or the giving of notice, or both, would constitute a default by either Subordinate Lender or Borrower under the City Documents, (iv), and (v) Subordinate Lender is the owner of the Subordinate Indebtedness and has not sold, assigned or hypothecated its rights therein.

2. Subordination of City Documents. Subordinate Lender declares, agrees and acknowledges that the Senior Mortgage Documents, and any renewals or extensions thereof, and any modifications thereof or substitutions therefor which do not increase the principal balance secured thereby (except increases by reason of protective advances or payment of Senior Lender’s costs) and all advances made pursuant to the Senior Mortgage Documents, all costs and expenses secured thereby and interest on the foregoing, shall unconditionally be and remain at all times liens or charges on the Property prior and superior to the lien or charge of the City Documents or any restrictions contained therein, provided that any such modifications are made with the prior written consent of Subordinate Lender if required in accordance with Section 10 hereof.

3. Subordination of Subordinate Indebtedness; Remitting Subordinate Loan Payments to Senior Lender; Reinstatement.

(a) The Subordinate Indebtedness is hereby subordinated in right of payment to any and all of the Senior Indebtedness and shall be payable only from and to the extent of revenues of the Property available after payment of all amounts then due and owing under the Senior Loan Documents and all current operating expenses of the Property. Notwithstanding the foregoing, unless and until the Senior Lender gives Subordinate Lender notice of the occurrence of a default under the Senior Loan Documents, Subordinate Lender may receive and accept payments on account of principal and interest payable under the City Documents to the extent of cash flow of the Borrower available after payment of current operating expenses of the Property and amounts then due and owing under the Senior Loan Documents.

(b) If Subordinate Lender shall receive any payments or other rights in any property of the Borrower after the Senior Lender has given Subordinate Lender notice of a default under the Senior Loan Documents, such payment or property shall be received by Subordinate Lender in trust for Senior Lender and shall immediately be delivered and transferred to Senior Lender.

(c) If at any time payment of all or any part of the Senior Indebtedness is rescinded or must otherwise be restored or returned by Senior Lender in connection with any bankruptcy, reorganization, arrangement, insolvency, liquidation or similar proceedings (a "Proceeding") in respect of Borrower, the Managing General Partner or the Administrative General Partner, and Subordinate Lender has received payment of all or any part of the Subordinate Indebtedness, Subordinate Lender shall forthwith turn over the same to, and for the account of, Senior Lender, until Senior Lender has received indefeasible payment in full of any such payments on the Senior Indebtedness that have been so rescinded, restored or returned.

#### 4. Exercise of Remedies.

(a) Subordinate Lender declares, agrees, and acknowledges that it will not, without the prior written consent of Senior Lender: (i) sue the Borrower under any of the City Documents; (ii) accelerate or accept a prepayment in full of the Subordinate Indebtedness; (iii) complete any action to foreclose or exercise any power of sale under the City Documents; (iv) accept a deed or assignment in lieu of foreclosure for the Property or any part or portion thereof; (v) seek or obtain a receiver for the Property or any part or portion thereof; (vi) take possession or control of the Property, or collect or accept any rents from the Property; (vii) take any action that would terminate any leases or other rights held by or granted to or by third parties with respect to the Property; (viii) initiate or join any other creditor in commencing any Proceeding with respect to the Borrower; (ix) incur any obligation to the Borrower other than as provided in the Subordinate Loan Agreement, (x) exercise any other remedies under the City Documents; or (xi) take any other enforcement action against the Property or any part or portion thereof except for an action for specific performance under the Affordable Housing Regulatory Agreement between Subordinate Lender and Borrower.

(b) Subordinate Lender agrees that Senior Lender shall have, as determined in accordance with and subject to the terms of the Senior Loan Documents, upon the occurrence of an Event of Default under and as defined in the Senior Loan Documents, the right to (i) accelerate the Senior Indebtedness; (ii) commence any action to foreclose or exercise any power of sale under the Senior Mortgage; (iii) accept a deed or assignment in lieu of foreclosure for the Property or any part or portion thereof; (iv) seek or obtain a receiver for the Property or any part or portion thereof; (v) take possession or control of the Property, and collect and accept rents from the Property; (vi) sue the Borrower under any of the Senior Loan Documents; (vii) exercise any rights of set-off or recoupment that Senior Lender may have against the Borrower; or (viii) take any other reasonable enforcement action against the Property or any part or portion thereof, all without any responsibility or liability to Subordinate Lender with respect to the Property.

(c) Subordinate Lender agrees that Senior Lender shall have absolute power and discretion, without notice to Subordinate Lender, to deal in any manner with the Senior Indebtedness, including interest, costs and expenses payable by the Borrower to Senior Lender, and any security and guaranties therefor, including, but not by way of limitation, release, surrender, extension, renewal, acceleration, compromise or substitution; provided that Senior Lender shall not increase the principal amount of the indebtedness to which the City Documents are subordinate (other than increases resulting from protective advances or payment of Senior Lender's costs) without the prior written consent of Subordinate Lender, which consent shall not be unreasonably withheld or delayed.

(d) Subordinate Lender further agrees that if at any time Subordinate Lender should commence any foreclosure proceeding, or commence any action to execute on any lien obtained by way of attachment or otherwise on the Property, or otherwise take any action prohibited under Paragraph 3(a), Senior Lender shall (unless Senior Lender has consented to such action or remedy) be entitled to have the same vacated, dissolved and set aside by such proceedings at law or otherwise as Senior Lender may deem proper, and this Agreement shall be and constitute full and sufficient grounds therefor and shall entitle Senior Lender to become a party to any proceedings at law or otherwise in or by which Senior Lender may deem it proper to protect its interests hereunder.

(e) Upon the occurrence of an Event of Default, Senior Lender shall: (a) concurrently with notifying Borrower of the occurrence of such event of default, notify Subordinate Lender at its address set forth below of the occurrence of such event of default; (b) permit Subordinate Lender to cure or correct (provided that such event of default is curable) any such event of default within sixty (60) calendar days after receipt of such notice ("Subordinate Lender Cure Period"); provided, however, that Senior Lender shall have the continuing right to commence to pursue remedies under the Senior Loan Documents on account of such default during the Subordinate Lender Cure Period, including but not limited to the right to accelerate the Senior Loan, record a notice of default and to obtain a receiver; provided further, that if the cure is completed during the Subordinate Lender Cure Period, Senior Lender will rescind any notice of default after reimbursement of all of its costs incurred in connection with the default, including, without limitation, attorneys' fees and court costs; and (c) accept all payments and all acts done by Subordinate Lender on behalf of Borrower within the Subordinate Lender's Cure Period as though the same had been timely done and performed by Borrower, so that such acts and payments shall fully and totally cure and correct all such defaults, breaches, failures or refusals for all purposes. Subordinate Lender shall not be subrogated to the rights of Senior Lender under the Senior Loan Documents by reason of Subordinate Lender having cured any default under the Senior Loan Documents; however, Senior Lender acknowledges that, to the extent so provided in the Subordinate Lender's Documents, amounts advanced or expended by Subordinate Lender to cure an event in default under the Senior Loan Documents may be added to and become a party of the Subordinate Loan. In the event that an Event of Default occurs and Senior Lender has recorded a notice of default, then for the period from the date of recordation of the notice of default, until the date of recordation of a notice of sale, so long as the noticed default continues, Subordinate Lender shall have the right, but not the obligation, in lieu of curing any default under the Senior Loan Documents, to purchase the Note and Senior Lender's rights as agent thereunder. Such purchase will be accomplished by Subordinate Lender paying to Senior Lender the outstanding principal amount of the Senior Loan, plus all accrued and unpaid interest thereon and any prepayment premium or swap termination fees, together with reasonable expenses incurred by Senior Lender in connection therewith (including reasonable attorneys' fees and costs), in exchange for the assignment of the Note without recourse or warranty, except that Senior Lender will warrant that it owns and has all requisite authority to transfer the Note at the time of the transfer. Borrower acknowledges and agrees, that after the Note has been assigned to Subordinate Lender or its nominee, Senior Lender shall be relieved from all liability to Borrower under or in connection with the Senior Loan Documents.

(f) Subordinate Lender shall also have the right, but not the obligation, to purchase the Property from the Borrower after it has received a notice of a Senior Lender Default and prior to the filing of any foreclosure action by the Senior Lender, provided that (i) Subordinate Lender shall provide written notice of its intent to purchase the property to Senior Lender during the Subordinate Lender cure period, (ii) prior to or concurrently with the purchase of the Property, all defaults under the Senior Loan Documents are cured and any costs of Senior Lender are reimbursed, (iii) Subordinate Lender assumes all obligations of the Borrower under the Senior Loan Documents, and (iv) Subordinate Lender shall demonstrate, to Senior Lender's reasonable satisfaction, that subsequent to the acquisition of the Property by Subordinate Lender, the Project remains financially feasible.

(g) No act, omission, breach or other event under this Agreement shall defeat, invalidate or impair in any respect the absolute, unconditional and irrevocable subordination of the City Documents to the Senior Loan Documents as provided in this Agreement.

5. No Marshaling of Assets. Subordinate Lender specifically waives and renounces any right which it may have under any applicable statutes, whether at law or in equity, to require Senior Lender to marshal collateral or to otherwise seek satisfaction from any particular assets or properties of the Borrower or from any third party.

6. Bankruptcy Matters.

(a) The subordination provided for in this Agreement shall apply, notwithstanding the availability of other collateral to Senior Lender or the actual date and time of execution, delivery, recordation, filing or perfection of the Senior Loan Documents or the City Documents and, insofar as Subordinate Lender is concerned, notwithstanding the fact that the Senior Indebtedness or any claim for the Senior Indebtedness may be subordinated, avoided or disallowed, in whole or in part, as against the Borrower under the Bankruptcy Code or other applicable federal or state law. In the event of any Proceeding, the Senior Indebtedness shall include all interest and fees accrued on the Senior Indebtedness, in accordance with and at the rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of such Proceeding, even if the claim for such interest and/or fees is not allowed as against the Borrower pursuant to applicable law.

(b) Without the prior written consent of Senior Lender, Subordinate Lender shall not, and Subordinate Lender waives any and all right: (1) to request adequate protection (as that term is defined in the Bankruptcy Code) (and in the event any such adequate protection is awarded to Subordinate Lender, Subordinate Lender hereby assigns any adequate protection in the form of cash to Senior Lender and any adequate protection in the form of a lien on or security interest in the Property or any other Collateral is hereby subordinated to all of Senior Lender's rights, liens or security interests in or to the Property and such other Collateral), (2) to file or support any motion for dismissal or relief from the automatic stay (as defined in the Bankruptcy Code), (3) to request any post-petition interest, (4) to request any sale of Borrower's assets, or (5) to file, propose, support, accept or reject any plan of reorganization of Borrower. Subordinate Lender further agrees that, with respect to any Proceeding: (1) it shall not make any election, give any consent, commence any action or file any motion, claim, obligation, notice or application or take any other action in any Proceeding by or against the Borrower or General Partner without the prior written consent of Senior Lender; (2) Senior Lender may vote in any such Proceeding any and all claims of Subordinate Lender against the Borrower or General Partner, and Subordinate Lender hereby appoints Senior Lender as its agent, and grants to Senior Lender an irrevocable power of attorney coupled with an interest, and its proxy, for the purpose of exercising any and all rights and taking any and all actions available to Subordinate Lender in connection with any case by or against the Borrower or General Partner in any Proceeding, including without limitation, the right to file and/or prosecute any claims, to vote to accept or reject a plan, and to make any election under

Section 1111(b) of the Bankruptcy Code; and (3) Subordinate Lender shall not challenge the validity or amount of any claim submitted in such Proceeding by Senior Lender in good faith or any valuations of the Property or any other Collateral, or any portion of the foregoing, or other Senior Indebtedness collateral submitted by Senior Lender in good faith, in such Proceeding or take any other action in such Proceeding, which is adverse to Senior Lender's enforcement of its claim or receipt of adequate protection (as that term is defined in the Bankruptcy Code).

(c) Subordinate Lender agrees that Senior Lender does not owe any fiduciary duty to Subordinate Lender in connection with the administration of the Senior Indebtedness and the Senior Loan Documents and Subordinate Lender agrees not to assert any such claim. Subordinate Lender acknowledges that Senior Lender shall have the sole discretion to reasonably exercise or not exercise the rights set forth in this Agreement from time to time; and that such rights may be reasonably exercised solely in the interest of Senior Lender in any action or proceeding, including in connection with any Proceeding.

7. Payment Set Aside. To the extent any payment under any of the Senior Loan Documents (whether by or on behalf of the Borrower, as proceeds of security or enforcement of any right of set-off, or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under the Bankruptcy Code or any federal or state bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Senior Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

8. Casualty and Condemnation Proceeds. Subordinate Lender shall have no right to participate in the adjustment of the proceeds of insurance payable as the result of any casualty to the Improvements, or to participate in any manner whatsoever in activities relating to restoration or reconstruction of the Improvements, and Senior Lender shall have the exclusive right to receive, administer and apply all such proceeds as set forth in the Senior Loan Documents. In the event Senior Lender shall release, for the purposes of restoration of all or any part of the Property, its right, title and interest in and to the proceeds under policies of insurance thereon, and/or its right, title and interest in and to any awards, or its right, title and interest in and to other compensation made for any damages, losses or compensation for other rights by reason of a taking in eminent domain, Subordinate Lender shall simultaneously release for such purpose all of Subordinate Lender's right, title and interest, if any, in and to all such insurance proceeds, awards or compensation. Subordinate Lender agrees that the balance of such proceeds remaining after such restoration, or all of such proceeds in the event such proceeds are not released for any such restoration pursuant to the Senior Loan Documents, shall be applied to the payment of amounts due under the Senior Loan Documents until all such amounts have been indefeasibly paid in full, prior to being applied to the payment of any amounts due under the City Documents. If Senior Lender holds such proceeds, awards or compensation and/or monitors the disbursement thereof, Subordinate Lender agrees that Senior Lender shall also hold and monitor the disbursement of such proceeds, awards and compensation to which Subordinate Lender is or may be entitled. Nothing contained in this Agreement shall be deemed to require Senior Lender, in any way whatsoever, to act for or on behalf of Subordinate Lender or to hold or monitor any proceeds, awards or compensation in trust for or on behalf of Subordinate Lender.

9. Indemnification and Subrogation. If Subordinate Lender or any affiliate shall acquire, by indemnification, subrogation or otherwise, any lien, estate, right or other interest in the Property, that lien, estate, right or other interest shall be subordinate to the Senior Mortgage Documents and the other Senior Loan Documents as provided herein, and Subordinate Lender or such affiliate hereby waives, until all amounts owed under the Senior Loan Documents have been indefeasibly paid in full, the right to exercise any and all such rights it may acquire by indemnification, subrogation or otherwise.

10. Subordination Effective. This Agreement, the subordination effected hereby, and the respective rights and priorities of the parties hereto in and to the Property, shall be effective as stated herein, notwithstanding any modification or amendment of any Senior Loan Document (other than any modification or amendment of any Senior Loan Document that increases the amount of indebtedness to which the Subordinate Indebtedness is subordinate for reasons other than protective advances or costs of Senior Lender and provided that any such modifications are made with the prior written consent of Subordinate Lender if required in accordance with Section 10 hereof), or the obtaining by Senior Lender or Subordinate Lender of any additional document confirming, perfecting or otherwise affecting the Senior Loan Documents, or the City Documents, as the case may be.

10. Amendments of City Documents and Senior Loan Documents. The Borrower and Subordinate Lender agree that they will not enter into any amendment, modification or supplement to any of the City Documents without the express prior written consent of Senior Lender (which consent shall not be unreasonably withheld). No consent of Subordinate Lender shall be required for any amendment, modification or supplement to any of the Senior Loan Documents, provided that no amendment, modification or supplement to any of the Senior Loan Documents shall (i) increase the amount of indebtedness to which the City Documents are subordinate other than increases resulting from protective advances or costs of Senior Lender, (ii) increase the required payments due under the Senior Mortgage Documents, (iii) decrease the term of the Note, or (iv) increase the interest rate on the Senior Mortgage (other than a default rate of interest). Any unauthorized amendment of the Senior Mortgage Documents which requires prior written consent of the Subordinate Lender pursuant to this Section 10 shall be void ab initio and of no effect whatsoever.

11. Notice of Defaults. Subordinate Lender hereby agrees to give written notice to Senior Lender of any default (or event that, with the giving of notice or passage of time, or both, would constitute a default) under the City Documents.

12. Cross Default. The Borrower and Subordinate Lender agree that a default under the City Documents or Subordinate Lender's default hereunder shall, at the election of Senior Lender, constitute a default under the Senior Loan Documents and Senior Lender shall have the right to exercise all rights or remedies under the Senior Loan Documents in the same manner as in the case of any other default under the Senior Loan Documents. If Subordinate Lender notifies Senior Lender in writing that any default under the City Documents has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a foreclosure or exercised its rights with respect to the power of sale of the Property pursuant to its rights under the Senior Loan Documents, any default under the Senior Loan Documents arising solely from such default under the City Documents shall be deemed cured, and the Senior Indebtedness shall be reinstated.

13. Further Assurances. The parties hereto shall cooperate fully with each other in order to carry out promptly and fully the terms and provisions of this Agreement. Each party hereto shall from time to time execute and deliver such other agreements, documents or instruments and take such other actions as may be reasonably necessary or desirable to effectuate the terms of this Agreement.

14. No Waiver. No failure or delay on the part of any party hereto in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

15. Equitable Remedies. Each party hereto acknowledges that, to the extent that no adequate remedy at law exists for breach of its obligations under this Agreement, in the event any party



fails to comply with its obligations hereunder, the aggrieved party shall have the right to obtain specific performance of the obligations of such defaulting party, injunctive relief, or such other equitable relief as may be available, other than consequential or punitive damages.

16. Notices. Any notice to be given under this Agreement shall be in writing and shall be deemed to be given when received by the party to whom it is addressed. Notwithstanding the foregoing, if any such notice is not received or cannot be delivered due to a change in the address of the receiving party of which notice was not previously given to the sending party or due to a refusal to accept by the receiving party, such notice shall be deemed received on the date delivery is attempted. Notices shall be in writing and sent by certified U.S. mail, hand delivery, or by special courier (in each case, return receipt requested). Notices to any other party hereto shall be sent to the parties at the following addresses or such other address or addresses as shall be designated by such party in a written notice to the other parties:

If to Trustee:

Wilmington Trust Company, National Association, as trustee

\_\_\_\_\_

Attention: \_\_\_\_\_

If to Subordinate Lender:

City of Lake Elsinore  
130 South Main Street  
Lake Elsinore, California 92530  
Attention: City Manager

If to Borrower:

Mission Cottages LP  
c/o \_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Each Notice shall be effective the day delivered if personally delivered, the next business day if sent by overnight courier or three (3) days after being deposited in the United States Mail as aforesaid. Rejection or other refusal to accept or the inability to deliver because of changed address for which no Notice was given shall be deemed to be receipt of the Notice sent. Each of the parties hereto shall have the right from time to time and at any time during the term of this Agreement to change its respective address and the right to specify as its address any other address within the United States of America.

17. No Third Party Beneficiaries. No person or entity other than the parties hereto and their respective successors and assigns shall have any rights under this Agreement.

18. Counterparts; Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. To the fullest extent permitted by applicable law, facsimile or electronic transmitted signatures shall constitute original signatures for all purposes under this Agreement.
20. Amendment, Supplement, Modification, Waiver and Termination. No amendment, supplement, modification, waiver or termination of this Agreement shall be effective against a party against whom the enforcement of such amendment, supplement, modification, waiver or termination would be asserted, unless such amendment, supplement, modification, waiver or termination was made in a writing signed by such party. All amendments shall be made in accordance with any applicable provisions of Article VIII of the Indenture.
21. Severability. In case any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and other application thereof, shall not in any way be affected or impaired thereby.
22. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California, without giving effect to its conflict of laws principles.
23. Captions. Captions and headings in this Agreement are for convenience of reference only and shall not define, expand or limit the provisions hereof.
24. Successors and Assigns. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.
25. Integration. This Agreement sets forth the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements, written or oral, relating thereto.
26. No Modification. This Agreement shall not be deemed or interpreted so as to expand or otherwise modify the rights and remedies of Senior Lender under the Senior Loan Documents or Subordinate Lender under the City Documents with respect to the Borrower, or to diminish or change the obligations of, the Borrower under any of the foregoing.
27. Definitions. Capitalized terms used herein and not defined shall have the meanings ascribed to such terms in the Indenture.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Subordination Agreement to be executed and delivered by their duly authorized representatives as of the date and year first above written.

**WILMINGTON TRUST COMPANY, NATIONAL  
ASSOCIATION**, as trustee

By: \_\_\_\_\_  
Name:  
Title:

**CITY OF LAKE ELSINORE**

By: \_\_\_\_\_  
Name:  
Title:

**MISSION COTTAGES, LP,**  
a California limited partnership

By: Cottages Management, LLC,  
a California limited liability company,  
its Administrative General Partner

By: \_\_\_\_\_  
Steven P. Semingson  
Managing Member

By: AOF Mission Trails LLC,  
a California limited liability company,  
its Managing General Partner

By: AOF/Pacific Affordable Housing  
Corporation, a California nonprofit public benefit  
corporation, its Sole Member and Manager

By: \_\_\_\_\_  
Philip J. Kennedy  
President

[California Notary Panels to be attached]

**EXHIBIT A**

**LEGAL DESCRIPTION OF REAL ESTATE**