

FREE RECORDING REQUESTED)
PURSUANT TO GOVERNMENT)
CODE SECTION 27383 and 27388.1)
)
Recording Requested By and)
When Recorded Please Return To:)
)
Lake County Housing Commission)
255 N. Forbes Street)
Lakeport, CA 95453)
Attn: Administrator)
)
)
APN: 031-053-220-000)

(Space above this line for Recorder's Use)

SUBORDINATION AGREEMENT

(Lake County Housing Commission-Sponsor – Collier Avenue Apartments)

NOTICE

THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN(S) OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS SUBORDINATION AGREEMENT dated as of _____, 20__ for informational purposes, is entered into by and between the Lake County Housing Commission, a public body, corporate and politic (the "**Senior Lender**"), Collier Avenue Associates LP, a California limited partnership ("**Borrower**"), Rural Communities Housing Development Corporation, a California nonprofit public benefit corporation ("**Junior Lender**") in connection with the loans by the Junior Lender to Borrower to finance a multifamily residential rental housing project on real property located 6835 Collier Avenue in the unincorporated area of Nice in the County of Lake, California and more particularly described on **Exhibit A** attached hereto and incorporated herein by this reference ("**Project**"). Unless otherwise noted, references to instruments recorded in "**Official Records**" refer to instruments recorded in the Office of the County Recorder of the County of Lake.

R E C I T A L S

A. WHEREAS, Borrower and the Senior Lender have or will encumber the Project with the following documents related to the financing and/or development of the Project:

1. The Senior Lender is providing two loans to the Borrower in connection with the Development. The Senior Lender and Borrower have entered into that certain Construction Loan Agreement (PLHA Loan-Collier Avenue) (the "**PLHA Loan Agreement**") dated as of substantially concurrently herewith, pursuant to which the Senior Lender agreed to provide a loan to Borrower in

the amount of Six Hundred Two Thousand Four Hundred Sixty-Nine Dollars (\$602,469) (the "**PLHA Loan**"). The PLHA Loan is evidenced by a promissory note (the "**PLHA Note**"), which is secured by a deed of trust, between the Senior Lender, as beneficiary, and the Borrower, dated as of substantially concurrently herewith and recorded substantially concurrently herewith (the "**PLHA Deed of Trust**"). In connection with the PLHA Loan, the Senior Lender and Borrower also executed a Regulatory Agreement and Declaration of Restrictive Covenants (the "**Senior Lender Regulatory Agreement**") dated as of substantially concurrently herewith.

2. The Senior Lender and Borrower have entered into that certain Construction Loan Agreement (MHSA/HHAP Loan-Collier Avenue) (the "**MHSA/HHAP Loan Agreement**", and collectively with the PLHA Loan Agreement, the "**Senior Lender Loan Agreements**") dated as of substantially concurrently herewith, pursuant to which the Senior Lender agreed to provide a loan to Borrower in the amount of One Million Four Hundred Forty-Nine Thousand One Hundred Forty-Four Dollars and Thirteen Cents (\$1,449,144.13) (the "**MHSA/HHAP Loan**", and collectively with the PLHA Loan, the "**Senior Lender Loans**"). The MHSA/HHAP Loan is evidenced by a promissory note (the "**MHSA/HHAP Note**", and collectively with the PLHA Note, the "**Senior Lender Notes**"), which is secured by a deed of trust, between the Senior Lender, as beneficiary, and the Borrower, dated as of substantially concurrently herewith and recorded substantially concurrently herewith (the "**MHSA/HHAP Deed of Trust**", and collectively with the PLHA Deed of Trust, the "**Senior Lender Deeds of Trust**").

The Senior Lender Loan Agreements, Senior Lender Notes and the Senior Lender Deeds of Trust, the Senior Lender Regulatory Agreement and any other documents, recorded or unrecorded pertaining to the Project and the Senior Lender Loans are collectively referred to herein as the "**Senior Lender Documents**."

B. WHEREAS, Borrower and the Junior Lender have or will encumber the Project with the following documents related to the financing and/or development of the Project:

1. The Junior Lender is providing two loans to the Borrower in connection with the Development. Junior Lender is making a loan to Borrower to partially finance construction of the Development in the amount of Five Hundred Eighty-Five Thousand Dollars (\$585,000) (the "**AHP Loan**"). The AHP Loan is evidenced by a Promissory Note (the "**AHP Note**") in the amount of the AHP Loan dated as of substantially concurrently herewith and secured by a Short Form Deed of Trust and Assignment of Rents (the "**AHP Deed of Trust**") dated as of substantially concurrently herewith, naming Borrower as trustor, the Junior Lender as beneficiary, and Fidelity National Title Company of California as trustee, to be recorded against the Property in the Official Records concurrently herewith.

2. Junior Lender is also making a loan to Borrower in connection with the Development in the amount of Three Million Five Hundred Fifty-Six Thousand Nine Hundred Thirteen Dollars (\$3,556,913) (the "**NPLH COSR Loan**", and collectively with the AHP Loan, the "**Junior Lender Loans**"). The NPLH COSR Loan is evidenced by a Promissory Note (the "**NPLH COSR Note**") in the amount of the NPLH COSR Loan dated as of substantially concurrently herewith and secured by a Short Form Deed of Trust and Assignment of Rents (the "**NPLH COSR Deed of Trust**") dated as of substantially concurrently herewith, naming Borrower as trustor, the Junior Lender as beneficiary, and Fidelity National Title Company of California as trustee, to be recorded against the Property in the Official Records concurrently herewith.

The AHP Note, AHP Deed of Trust, NPLH COSR Note, and NPLH COSR Deed of Trust, and any other documents, recorded or unrecorded pertaining to the Project and the Junior Lender Loans are collectively referred to herein as the “**Junior Lender Documents.**”

C. WHEREAS, it is a condition precedent to the Senior Lender making the Senior Lender Loan that the Senior Lender Documents have priority over the Junior Lender Documents;

D. WHEREAS, it is beneficial to all parties that the Senior Lender make the Senior Lender Loan, and the parties are willing to subordinate the Junior Lender Documents in order that the Senior Lender Loan be made.

NOW THEREFORE, In consideration of the foregoing and other consideration the receipt and sufficiency of which are hereby acknowledged, and in order to induce the Senior Lender to make the Senior Lender Loan, the parties hereto agree as follows:

1. Subordination of Junior Lender Documents.

(a) The Junior Lender and Borrower hereby unconditionally subordinate the Junior Lender Documents to the Senior Lender Documents, including all extensions, modifications, incremental disbursements of the original amount of the Senior Lender Loan if made during construction, or additional advances made thereunder. Hereafter, the Senior Lender Documents shall unconditionally be liens and encumbrances on the Project prior and superior to the encumbrances of the Junior Lender Documents and to all rights and privileges of the parties thereunder, and the liens and encumbrances of the Junior Lender Documents together with all rights and privileges of the parties thereunder shall hereby be subject to and made subordinate to the liens and encumbrances of the Senior Lender Documents. In the event of a judicial or non-judicial foreclosure of the Senior Lender Documents, the lien of the Junior Lender Documents shall be extinguished.

(b) The Senior Lender agrees that it shall use its best efforts to provide Junior Lender with a copy of all initial notices of default provided to Borrower under the Senior Lender Documents, provided, the Senior Lender shall have no liability to Junior Lender and/or Borrower for its failure to do so, nor shall failure to do so constitute grounds for any restraining order, injunction, or other prohibition against or delay in the Senior Lender's exercise of its remedies under the Senior Lender Documents. The Senior Lender shall not record a Notice of Default related to such initial notice during the period ninety (90) days after the date of such initial notice if such notice relates to a nonmonetary default or defaults under the Senior Lender Documents. During the term of such period Junior Lender shall have the right, but not the obligation, to cure any nonmonetary default under such initial notice. Notwithstanding the foregoing, if at any time following the date of the initial notice, there shall occur or be continuing a default in the payment of any amount due to the Senior Lender under the Senior Lender Documents, the Senior Lender shall have the right to, and in its sole discretion may, record a Notice of Default and proceed to foreclosure based upon any such nonpayment regardless of any extended cure period with respect to nonmonetary defaults. The Senior Lender agrees that it shall use its best efforts to provide the Junior Lender with a copy of the recorded Notice of Default within two (2) business days after Senior Lender mails the Notice of Default to the Borrower. The Senior Lender may, but is not obligated to, use the statutory Notice of Default form under Civil Code §2924c as the Notice of Default to comply with this section. The Junior Lender shall have the right but not the obligation to cure any monetary defaults.

(c) The Junior Lender has read, understands and approves the Senior Lender Documents and agrees to be bound thereby in the event of its foreclosure or acquisition of the Project.

2. Representations. The Junior Lender hereby represents and warrants to the Senior Lender that at the time of execution of this Subordination Agreement, the Borrower is in substantial compliance with its obligations to the Junior Lender under the terms of the Junior Lender Documents.

3. Attorney Fees & Costs. If any party shall take any action to enforce or otherwise relating to this Subordination Agreement, the prevailing party or parties shall be entitled to recover reasonable attorney's fees and costs from the other party or parties.

4. Amendments. Amendments to this Subordination Agreement shall be in writing and signed by all the parties hereto.

5. Governing Law. This Subordination Agreement shall be construed in accordance with and be governed by the laws of California.

6. Counterparts. This Subordination Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

7. Severability. In the event any provision of this Subordination Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, it shall not invalidate or render unenforceable any other part of this Subordination Agreement.

NOTICE

THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN, A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IN WITNESS WHEREOF, the parties hereto have executed this Subordination Agreement as of the date first above written.

SENIOR LENDER:

LAKE COUNTY HOUSING COMMISSION, a public body,
corporate and politic

By: _____
Name: _____
Its: _____

APPROVED AS TO FORM:

Senior Lender Counsel

By: _____

[Signatures Continue on Following Page]

BORROWER:

COLLIER AVENUE ASSOCIATES LP, a California limited partnership

By: Collier Avenue Associates LLC, a California limited liability company, its general partner

By: Rural Communities Housing Development Corporation, a California nonprofit public benefit corporation, its sole member and manager

By: _____
Ryan LaRue
Chief Executive Officer

[Signatures Continue on Following Page]

JUNIOR LENDER:

RURAL COMMUNITIES HOUSING DEVELOPMENT
CORPORATION, a California nonprofit public benefit
corporation

By: _____
Ryan LaRue
Chief Executive Officer

EXHIBIT A

Legal Description

ACKNOWLEDGEMENT

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)
) ss.
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 (Seal)