

SUBORDINATION AND INTERCREDITOR AGREEMENT

THIS SUBORDINATION AND INTERCREDITOR AGREEMENT (this “**Agreement**”) is entered into as of _____, 2016, by and among (i) MUFG UNION BANK, N.A., a national banking association, in its capacity as trustee under the Senior Indenture (defined below) (“**Senior Mortgagee**”), (ii) MUFG UNION BANK, N.A., a national banking association, in its capacity as trustee under the Subordinate Indenture (defined below) (“**Subordinate Mortgagee**”), and (iii) the INDEPENDENT CITIES FINANCE AUTHORITY (formerly the Independent Cities Lease Finance Authority) (“**Authority**”).

RECITALS

A. Millennium Housing of California, a nonprofit public benefit corporation duly organized under the laws of the State of California (“**Borrower**”) is the owner of certain land located in the City of Santa Rosa, County of Sonoma, California, described in Exhibit A hereto (the “**Land**”). The Land is improved with a mobile home park project and related facilities (the “**Improvements**” and together with the Land, the “**Project**”).

B. Authority previously issued its Mobile Home Park Revenue Bonds (Santa Rosa Leisure Mobilehome Park) Series 2007A (the “**2007 Series A Bonds**”), its Mobile Home Park Revenue Bonds (Santa Rosa Leisure Mobilehome Park) Series 2007B (the “**2007 Series B Bonds**”), its Mobile Home Park Subordinate Revenue Bonds (Santa Rosa Leisure Mobilehome Park) Series 2007C (the “**2007 Series C Bonds**”), and its Mobile Home Park Subordinate Revenue Bonds (Santa Rosa Leisure Mobilehome Park) Taxable Series 2007D (the “**2007 Series D Bonds**,” and collectively with the 2007 Series A Bonds, the 2007 Series B Bonds, and the 2007 Series C Bonds, the “**2007 Bonds**”) pursuant to an Indenture of Trust, dated as of November 1, 2007 (the “**Subordinate Indenture**”), between Authority and Subordinate Mortgagee, as trustee thereunder. Proceeds of the 2007 Bonds were loaned by Authority to Borrower in the original principal amount of \$19,510,000 (the “**Subordinate Loan**”) upon the terms and conditions of a certain Loan Agreement, dated as of November 1, 2007 (the “**Subordinate Loan Agreement**”), among Authority, Subordinate Mortgagee, and Borrower in order to provide financing with respect to the acquisition and improvement of the Project. The Subordinate Loan is further evidenced by a Note from Borrower to Authority dated November 14, 2007 (the “**Subordinate Note**”). The Subordinate Loan is secured by a Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of November 1, 2007 (“**Subordinate Mortgage**”) encumbering all or a portion of the Mortgaged Property (defined below).

C. Authority has issued and sold its \$ _____ Mobile Home Park Revenue Refunding Bonds (Santa Rosa Leisure Mobile Home Park) Series 2016 (the “**Bonds**”) pursuant to an Indenture of Trust dated as of _____ 1, 2016 (the “**Senior Indenture**”) between Authority and Senior Mortgagee, as trustee thereunder. Proceeds of the Bonds are being loaned (the “**Senior Loan**”) by Authority to Borrower upon the terms and conditions of a certain Loan Agreement dated as of _____ 1, 2016 among Authority, Senior Mortgagee and Borrower (the “**Senior Loan Agreement**”) for the purpose of refinancing the Subordinate Loan in part and refunding the 2007 Bonds in part, and funding certain funds and accounts in the Senior

Indenture, all as described therein. The Senior Loan is further evidenced by a Note from Borrower dated _____, 2016 (the “**Senior Note**”).

D. The obligations of Borrower under the Senior Loan Agreement and the Senior Note will be secured by a Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of _____ 1, 2016 (the “**Senior Mortgage**”) encumbering the Project and other Collateral (as defined in the Senior Mortgage). The Project and Collateral are collectively referred to herein as the “**Mortgaged Property**”.

E. The Senior Mortgage is recorded in the Office of the Sonoma County Recorder (“**Recording Office**”) at [_____]. The Subordinate Mortgage is recorded in the Recording Office as Instrument No. 2007-122731.

F. The execution and delivery of this Agreement is a condition of the Authority’s issuing the Bonds.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. Definitions. The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), will have the following meanings.

- (a) The terms “**Impositions**,” “**Leases**,” and “**Rents**,” as well as any term used in this Agreement and not otherwise defined in this Agreement, will have the meanings given to those terms in the Senior Mortgage.
- (b) “**Bankruptcy Proceeding**” means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.
- (c) “**Borrower**” means all persons or entities identified as “Borrower” in the first paragraph of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term “Borrower” will not include Senior Mortgagee if Senior Mortgagee acquires title to the Mortgaged Property.
- (d) “**Casualty**” means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.
- (e) “**Condemnation**” means any proceeding or action commenced for the taking of the Mortgaged Property, or any part thereof or interest therein, for public or quasi public use under the power of eminent domain, condemnation or otherwise, or if the same be taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner.

- (f) **“Enforcement Action”** means any of the following actions taken by or at the direction of Subordinate Mortgagee: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee’s sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker’s lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.
- (g) **“Enforcement Action Notice”** means a written Notice from Subordinate Mortgagee to Senior Mortgagee, given following one or more Subordinate Mortgage Default(s) and the expiration of any Notice or cure periods provided for such Subordinate Mortgage Default(s) in the Subordinate Loan Documents, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Enforcement Actions proposed to be taken by Subordinate Mortgagee.
- (h) **“Loss Proceeds”** means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty.
- (i) **“Notice”** is defined in Section 6(d).
- (j) **“Senior Indebtedness”** means all sums evidenced or secured or guaranteed by, or otherwise due and payable under or pursuant to, the Senior Loan Documents (except sums, if any, due and payable to the Subordinate Mortgagee thereunder).
- (k) **“Senior Loan Documents”** means the Senior Indenture, the Senior Loan Agreement, the Senior Mortgage, the Senior Note, Senior Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Senior Indebtedness, as the same may be amended from time to time.
- (l) **“Senior Mortgage Default”** means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of notice or the passage of time, or both, would constitute, a “Default” as defined in the Senior Mortgage.
- (m) **“Senior Mortgagee”** means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Senior Note after the date of this Agreement.
- (n) **“Senior Note”** means the Note from Borrower to Authority dated _____, 2016 and any replacement of the Senior Note.

- (o) “**Senior Regulatory Agreement**” means the Regulatory Agreement and Declaration of Restrictive Covenants among Authority, Subordinate Mortgagee and Borrower dated as of _____, 2016 and recorded _____, 2016 as Instrument No. _____ in the Recording Office of Sonoma County, California.
- (p) “**Subordinate Indebtedness**” means all sums evidenced or secured or guaranteed by, or otherwise due and payable to Subordinate Mortgagee pursuant to, the Subordinate Loan Documents.
- (q) “**Subordinate Loan Documents**” means the Subordinate Mortgage, the Subordinate Note, the Subordinate Loan Agreement, the Subordinate Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as the same may be amended.
- (r) “**Subordinate Mortgage Default**” means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), or which with the giving of Notice or the passage of time, or both, would allow (but for any contrary provision of this Agreement), Subordinate Mortgagee to take an Enforcement Action.
- (s) “**Subordinate Mortgagee**” means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.
- (t) “**Subordinate Note**” means the Note from Borrower to Authority dated November 14, 2007 and any replacement of the Subordinate Note.
- (u) “**Subordinate Regulatory Agreement**” means the Regulatory Agreement and Declaration of Restrictive Covenants among Authority, Subordinate Mortgagee and Borrower dated as of November 1, 2007 and recorded November 15, 2007 as Instrument No. 2007-122730 in the Recording Office of Sonoma County, California.
- (v) “**Surplus Cash**” means, with respect to any period, any revenues of Borrower remaining after paying, or setting aside funds for paying, all of the following:
 - (i) All sums due or currently required to be paid under the Senior Loan Documents.
 - (ii) All deposits to any replacement reserve, completion/repair reserve or other reserve or escrow required by the Senior Loan Documents that are due or currently payable.
 - (iii) All reasonable operating expenses of the Mortgaged Property, including real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, payroll, administrative expenses,

legal expenses and audit expenses (excluding any developer fees payable with respect to the Mortgaged Property).

- (iv) All fees and expenses of the Senior Mortgagee and the Authority and their respective agents and advisors due under the Senior Loan Documents.

2. Subordination of Subordinate Indebtedness.

- (a) The Subordinate Indebtedness is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness.
- (b) Until the occurrence of a Senior Mortgage Default, Subordinate Mortgagee will be entitled to retain for its own account all payments made on account of the principal of and interest on the Subordinate Indebtedness in accordance with the requirements of the Subordinate Loan Documents; provided no such payment is made more than 10 days in advance of its due date and provided further that no such payment exceeds then available Surplus Cash. However, immediately upon Subordinate Mortgagee's receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Mortgagee will not accept any payments on account of the Subordinate Indebtedness, and the provisions of Section 2(c) of this Agreement will apply. Subordinate Mortgagee acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Mortgagee will be deemed to have actual knowledge of a Senior Mortgage Default.
- (c) If (i) Subordinate Mortgagee receives any payment, property, or asset of any kind or in any form on account of the Subordinate Indebtedness (including any proceeds from any Enforcement Action) after a Senior Mortgage Default of which Subordinate Mortgagee has actual knowledge (or is deemed to have actual knowledge as provided in 2(b) above) or has been given Notice, or (ii) Subordinate Mortgagee receives, voluntarily or involuntarily, by operation of law or otherwise, any payment, property, or asset in or in connection with any Bankruptcy Proceeding, such payment, property, or asset will be received and held in trust for Senior Mortgagee. Subordinate Mortgagee will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets to Senior Mortgagee. Senior Mortgagee will apply any payment, asset, or property so received from Subordinate Mortgagee to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Mortgagee determines in its sole and absolute discretion.
- (d) Without limiting the complete subordination of the Subordinate Indebtedness to the payment in full of the Senior Indebtedness, in any Bankruptcy Proceeding, upon any payment or distribution (whether in cash, property, securities, or otherwise) to creditors (i) the Senior Indebtedness will first be paid in full in cash

before Subordinate Mortgagee will be entitled to receive any payment or other distribution on account of or in respect of the Subordinate Indebtedness, and (ii) until all of the Senior Indebtedness is paid in full in cash, any payment or distribution to which Subordinate Mortgagee would be entitled but for this Agreement (whether in cash, property, or other assets) will be made to Senior Mortgagee.

- (e) The subordination of the Subordinate Indebtedness will continue if any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In such event, any or all of the Senior Indebtedness originally intended to be satisfied will be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if such payment on account of the Senior Indebtedness had not been made.
- (f) In addition to the limitations set forth above, Subordinate Mortgagee agrees that the Subordinate Indebtedness will be payable solely from Surplus Cash while the Senior Indebtedness remains outstanding.

3. Subordination of Subordinate Loan Documents.

- (a) Each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.
- (b) The subordination of the Subordinate Loan Documents and of the Subordinate Indebtedness will apply and continue notwithstanding (i) the actual date and time of execution, delivery, recording, filing or perfection of each of the Senior Loan Documents and of each of the Subordinate Loan Documents, and (ii) the availability of any collateral to Senior Mortgagee, including the availability of any collateral other than the Mortgaged Property.
- (c) By reason of, and without in any way limiting, the full subordination of the Subordinate Indebtedness and the Subordinate Loan Documents provided for in this Agreement, all rights and claims of Subordinate Mortgagee under the Subordinate Loan Documents in or to all or any portion of the Mortgaged Property are expressly subject and subordinate in all respects to the rights and claims of Senior Mortgagee under the Senior Loan Documents in or to the Mortgaged Property.
- (d) If Subordinate Mortgagee, by indemnification, subrogation or otherwise, acquires any lien, estate, right or other interest in any of the Mortgaged Property, then that lien, estate, right or other interest will be fully subject and subordinate to the receipt by Senior Mortgagee of payment in full of the Senior Indebtedness, and to

the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

4. Additional Representations and Covenants.

- (a) Subordinate Mortgagee represents and warrants that each of the following is true:
- (i) Subordinate Mortgagee is now the owner and holder of the Subordinate Loan Documents.
 - (ii) The Subordinate Loan Documents are now in full force and effect.
 - (iii) The Subordinate Loan Documents have not been modified or amended.
 - (iv) No Subordinate Mortgage Default has occurred.
 - (v) The current unpaid principal balance of the Subordinate Indebtedness is \$_____.
 - (vi) No scheduled monthly payments under the Subordinate Note have been or will be prepaid.
 - (vii) None of the rights of Subordinate Mortgagee under any of the Subordinate Loan Documents are subject to the rights of any third parties, by way of subrogation, indemnification or otherwise.
- (b) Without the prior written consent of Senior Mortgagee in each instance, Subordinate Mortgagee will not do any of the following:
- (i) Amend, modify, waive, extend, renew, or replace any provision of any of the Subordinate Loan Documents.
 - (ii) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.
 - (iii) Accept any payment on account of the Subordinate Indebtedness other than a regularly scheduled payment of interest or principal and interest made not earlier than 10 days prior to its due date, or as expressly authorized in Section 4(i) below and not in excess of then available Surplus Cash.
 - (iv) Take any action which has the effect of increasing the Subordinate Indebtedness.
 - (v) Appear in, defend or bring any action to protect Subordinate Mortgagee's interest in the Mortgaged Property.

- (vi) Take any action concerning environmental matters affecting the Mortgaged Property.
- (c) Subordinate Mortgagee will deliver to Senior Mortgagee a copy of each Notice received or delivered by Subordinate Mortgagee pursuant to the Subordinate Loan Documents or in connection with the Subordinate Indebtedness, simultaneously with Subordinate Mortgagee's delivery or receipt of such Notice. Senior Mortgagee will deliver to Subordinate Mortgagee in the manner required in Section 5(b) a copy of each Notice of a Senior Mortgage Default delivered to Borrower by Senior Mortgagee. Neither giving nor failing to give a Notice to Senior Mortgagee or Subordinate Mortgagee pursuant to this Section 4(c) will affect the validity of any Notice given by Senior Mortgagee or Subordinate Mortgagee to Borrower, as between Borrower and such of Senior Mortgagee or Subordinate Mortgagee as provided the Notice to Borrower.
- (d) Without the prior written consent of Senior Mortgagee in each instance, Subordinate Mortgagee will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Mortgagee will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Mortgagee has also voted affirmatively in favor of such plan. In the event of any Bankruptcy Proceeding, Subordinate Mortgagee will not contest the continued accrual of interest 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 Bankruptcy Proceedings.
- (e) Whenever the Subordinate Loan Documents give Subordinate Mortgagee approval or consent rights with respect to any matter, and a right of approval or consent with regard to the same or substantially the same matter is also granted to Senior Mortgagee pursuant to the Senior Loan Documents or otherwise, Senior Mortgagee's approval or consent or failure to approve or consent, as the case may be, will be binding on Subordinate Mortgagee. None of the other provisions of this Section 4 are intended to be in any way in limitation of the provisions of this Section 4(e).
- (f) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Mortgagee. All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Mortgagee. Nothing in this Section 4(f) will preclude Subordinate Mortgagee from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Loss Proceeds, or that Subordinate Mortgagee be named as an additional

insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

- (g) In the event of a Condemnation or a Casualty, all of the following provisions will apply:
- (i) The rights of Subordinate Mortgagee (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Mortgagee's rights under the Senior Loan Documents with respect thereto, and Subordinate Mortgagee will be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Mortgagee.
 - (ii) All Loss Proceeds will be applied either to payment of the costs and expenses of restoration of the Mortgaged Property or to payment on account of the Senior Indebtedness, as and in the manner determined by Senior Mortgagee in its sole discretion.
 - (iii) If Senior Mortgagee applies or releases Loss Proceeds for the purposes of restoration of the Mortgaged Property, then Subordinate Mortgagee will release for such purpose all of its right, title and interest, if any, in and to such Loss Proceeds. If Senior Mortgagee holds Loss Proceeds, or monitors the disbursement thereof, Subordinate Mortgagee will not do so. Nothing contained in this Agreement will be deemed to require Senior Mortgagee to act for or on behalf of Subordinate Mortgagee in connection with any restoration of the Mortgaged Property or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Mortgagee, and all or any Loss Proceeds may be commingled with any funds of Senior Mortgagee.
 - (iv) If Senior Mortgagee elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by Senior Mortgagee will be paid to Subordinate Mortgagee unless another party has asserted a claim to the remaining Loss Proceeds.
- (h) Subordinate Mortgagee will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Mortgagee has granted attornment and non-disturbance, on the same terms and conditions given by Senior Mortgagee.
- (i) Except as provided in this Section 4(i), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Mortgagee will not collect

payments for the purpose of escrowing for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Senior Mortgagee is not collecting escrow payments for one or more Impositions, Subordinate Mortgagee may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Mortgagee will be held in trust by Subordinate Mortgagee to be applied only to the payment of such Impositions.

- (j) Within 10 days after request by Senior Mortgagee, Subordinate Mortgagee will furnish Senior Mortgagee with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as Senior Mortgagee may request.
- (k) Senior Mortgagee may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provision of any of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Mortgagee, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Mortgagee may not modify any provision of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from advances made by Senior Mortgagee to protect the security or lien priority of Senior Mortgagee under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

5. Default Under Loan Documents.

- (a) For a period of 90 days following delivery to Senior Mortgagee of an Enforcement Action Notice, Senior Mortgagee will have the right, but not the obligation, to cure any Subordinate Mortgage Default, provided that if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Mortgagee has commenced and is diligently pursuing such cure to completion, Senior Mortgagee will have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as Senior Mortgagee (i) discontinues its pursuit of any cure and/or (ii) delivers to Subordinate Mortgagee Senior Mortgagee's written consent to the Enforcement Action described in the Enforcement Action Notice. Senior Mortgagee will not be subrogated to the rights of Subordinate Mortgagee under the Subordinate Loan Documents by reason of Senior Mortgagee having cured any Subordinate Mortgage Default. However, Subordinate Mortgagee acknowledges that all amounts advanced or expended by Senior Mortgagee in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default will be added to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.

- (b) Senior Mortgagee will deliver to Subordinate Mortgagee a copy of any Notice sent by Senior Mortgagee to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Failure of Senior Mortgagee to send Notice to Subordinate Mortgagee will not prevent the exercise of Senior Mortgagee's rights and remedies under the Senior Loan Documents. Subordinate Mortgagee will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice; provided, however, that Senior Mortgagee will be entitled during such 30-day period to continue to pursue its remedies under the Senior Loan Documents.

Subordinate Mortgagee may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Mortgagee keeps current all payments required by the Senior Loan Documents. If such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Mortgagee's secured position relative to the Mortgaged Property, as determined by Senior Mortgagee in its sole discretion, then during such 90-day period Senior Mortgagee may exercise all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property. Subordinate Mortgagee will not be subrogated to the rights of Senior Mortgagee under the Senior Loan Documents by reason of Subordinate Mortgagee having cured any Senior Mortgage Default. However, Senior Mortgagee acknowledges that all amounts paid by Subordinate Mortgagee to Senior Mortgagee to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate Mortgagee pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(b) to the contrary, Subordinate Mortgagee's right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

- (c) In the event of a Subordinate Mortgage Default, Subordinate Mortgagee will not commence any Enforcement Action until after Subordinate Mortgagee has delivered to Senior Mortgagee an Enforcement Action Notice with respect to such Enforcement Action and until the delivery by Senior Mortgagee to Subordinate Mortgagee of Senior Mortgagee's written consent to such Enforcement Action by Subordinate Mortgagee, provided that Subordinate Mortgagee will be entitled to seek specific performance to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to Senior Mortgagee's right to cure a Subordinate Mortgage Default set forth in Section 5(a). Subordinate Mortgagee may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the delivery by Senior Mortgagee to Subordinate Mortgagee of Senior Mortgagee's written consent to such Enforcement Action by Subordinate Mortgagee. Subordinate Mortgagee acknowledges that Senior Mortgagee may grant or refuse consent to Subordinate Mortgagee's Enforcement Action in Senior Mortgagee's sole and absolute discretion, and that such discretion may be exercised in an arbitrary manner. Any Enforcement Action on the part of Subordinate Mortgagee will be subject to the provisions of this

Agreement. Subordinate Mortgagee acknowledges that the provisions of this Section 5(c) are fair and reasonable under the circumstances, that Subordinate Mortgagee has received a substantial benefit from Senior Mortgagee having granted its consent to the Subordinate Mortgage, and that Senior Mortgagee would not have granted such consent without the inclusion of these provisions in this Agreement.

- (d) Senior Mortgagee may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by Subordinate Mortgagee. No action or failure to act on the part of Senior Mortgagee in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action will constitute a waiver on the part of Senior Mortgagee of any provision of the Senior Loan Documents or this Agreement.
- (e) If the Enforcement Action taken by Subordinate Mortgagee is the appointment of a receiver for any of the Mortgaged Property, all of the Rents, issues, profits and proceeds collected by the receiver will be paid and applied by the receiver solely to and for the benefit of Senior Mortgagee until the Senior Indebtedness will have been paid in full.
- (f) Subordinate Mortgagee consents to and authorizes the release by Senior Mortgagee of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Mortgagee waives to the fullest extent permitted by law, all equitable or other rights it may have (i) in connection with the release of all or any portion of the Mortgaged Property, (ii) to require the separate sale of any portion of the Mortgaged Property, (iii) to require Senior Mortgagee to exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness, or (iv) to require Senior Mortgagee to proceed against Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as Senior Mortgagee determines. Subordinate Mortgagee waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850. Subordinate Mortgagee consents to and authorizes, at the option of Senior Mortgagee, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Mortgagee acknowledges that without Notice to Subordinate Mortgagee and without affecting any of the provisions of this Agreement, Senior Mortgagee may (i) extend the time for or waive any payment or performance under the Senior Loan Documents; (ii) modify or amend in any respect any provision of the Senior Loan Documents; and (iii) modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

- (g) If any party other than Borrower (including Senior Mortgagee) acquires title to any of the Mortgaged Property pursuant to a foreclosure of, or trustee's sale or other exercise of any power of sale under, the Senior Mortgage conducted in accordance with applicable law, the lien, operation, and effect of the Subordinate Mortgage and other Subordinate Loan Documents automatically will terminate with respect to such Mortgaged Property.

6. Standstill Agreement. Notwithstanding anything to the contrary contained herein, the Subordinate Mortgagee hereby agrees not to exercise or attempt to exercise any remedy whatsoever under the Subordinate Loan Documents due to or as a remedy for any breach of, or default or event of default thereunder, unless, prior to such exercise or attempted exercise, a breach of, or a default or event of default under the terms of the Senior Loan Documents shall have occurred and be continuing and the Senior Mortgagee or the holders of the Bonds shall have commended exercising remedies with respect to the Bonds.

7. Amendments to Subordinate Loan Documents. [To follow]

8. Miscellaneous Provisions.

- (a) If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will control.
- (b) This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties hereto. No other party will be entitled to any benefits hereunder, whether as a third-party beneficiary or otherwise.
- (c) This Agreement does not constitute an approval by Senior Mortgagee of the terms of the Subordinate Loan Documents.
- (d) Each Notice, request, demand, consent, approval or other communication (collectively, "**Notices**," and singly, a "**Notice**") which is required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) 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 will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:
 - (i) Notices intended for Authority will be addressed to:

Independent Cities Finance Authority
Post Office Box 6740
Lancaster, California 93539-6740
Attention: Executive Director

- (ii) Notices intended for Senior Mortgagee will be addressed to:

MUFG Union Bank, N.A.
120 S. San Pedro Street, 4th Floor
Los Angeles, California 90012
Attention: Corporate Trust
Fax: (213) 972-5694
Email: Timothy.Miller@unionbank.com

- (iii) Notices intended for Subordinate Mortgagee will be addressed to:

MUFG Union Bank, N.A.
120 S. San Pedro Street, 4th Floor
Los Angeles, California 90012
Attention: Corporate Trust
Fax: (213) 972-5694
Email: Timothy.Miller@unionbank.com

- (iii) Notices intended for Borrower will be addressed to:

Millennium Housing of California
20 Pacifica, Suite 1470
Irvine, California 92618
Attention: George Turk

Any party, by Notice given pursuant to this Section, may 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 will only be effective upon receipt. Neither party will refuse or reject delivery of any Notice given in accordance with this Section.

- (e) Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Mortgagee as a joint venturer or partner of Subordinate Mortgagee.
- (f) Upon Notice from Senior Mortgagee, Subordinate Mortgagee will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Mortgagee in order to further evidence or implement the provisions and intent of this Agreement.
- (g) This Agreement will be governed by the laws of the State in which the Project is located.

- (h) If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.
- (i) The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events: (i) the payment of all of the Senior Indebtedness; provided that this Agreement will be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by Senior Mortgagee as described in Section 2(e) of this Agreement, (ii) the payment of all of the Subordinate Indebtedness other than by reason of payments which Subordinate Mortgagee is obligated to remit to Senior Mortgagee pursuant to this Agreement, (iii) the acquisition by Senior Mortgagee or by a third party purchaser of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under the Senior Mortgage; or (iv) with the prior written consent of Senior Mortgagee, without limiting the provisions of Section 5(d), the acquisition by Subordinate Mortgagee of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.
- (j) No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.
- (k) Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.
- (l) This Agreement shall inure to the benefit of any subsequent holder of the Senior Indebtedness.
- (m) This Agreement may be amended, changed, modified, altered or terminated only by a written instrument or written instruments signed by the parties to this Agreement.
- (n) This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

[Signature and acknowledgment pages follow]

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

SENIOR MORTGAGEE:

MUFG UNION BANK, N.A., as Senior Mortgagee

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 whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person 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)

SUBORDINATE MORTGAGEE:

MUFG UNION BANK, N.A., as Subordinate Mortgagee

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 _____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION

The real property is situated in the City of Santa Rosa, County of Sonoma, State of California, and is described as follows:

PARCEL ONE:

BEING A PORTION OF THE LANDS OF LIONEL V. OTT, ET UX, AS RECORDED IN BOOK 1510 OF OFFICIAL RECORDS, PAGE 309, UNDER RECORDER'S SERIAL NO. F-8901, SONOMA COUNTY RECORDS, LYING IN THE COUNTY OF SONOMA, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID LANDS OF OTT; THENCE SOUTH 58° 33' EAST, ALONG THE EASTERLY LINE OF SAID LAND OF OTT, 185.70 FEET; THENCE SOUTH 84° 46' WEST, 200.00 FEET TO THE WESTERLY LINE OF SAID LAND OF OTT; THENCE NORTH 5° 33' WEST, 185.70 FEET TO THE NORTHWESTERLY CORNER OF SAID LAND OF OTT; THENCE NORTH 84° 46' EAST, 200.00 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

A RIGHT OF WAY FOR ROAD PURPOSES OVER AND ALONG THAT CERTAIN 30 FOOT STRIP OF LAND AS ESTABLISHED BY DECREE OF THE SUPERIOR COURT OF THE STATE OF CALIFORNIA IN AND FOR SONOMA COUNTY ENTERED OCTOBER 5, 1893 AND RECORDED IN JUDGMENT BOOK F, PAGE 387, SONOMA COUNTY RECORDS.

EXCEPTING THEREFROM THAT PORTION CONVEYED BY A. JOHN GEORGEDES, ET AL, TO THE CITY OF SANTA ROSA, A MUNICIPAL CORPORATION, DATED OCTOBER 28, 1970 AND RECORDED NOVEMBER 17, 1970 IN BOOK 2497 OF OFFICIAL RECORDS, PAGE 94, UNDER RECORDER'S SERIAL NO. L-87031, SONOMA COUNTY RECORDS.

PARCEL THREE:

BEING A PORTION OF THE LANDS OF JOAQUIN P. HAWLEY AND DONNA J. HAWLEY, HIS WIFE, AS RECORDED FEBRUARY 17, 1956 IN BOOK 1416 OF OFFICIAL RECORDS, PAGE 480, SONOMA COUNTY RECORDS, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF THE LAND ACQUIRED BY THE STATE OF CALIFORNIA FROM JOAQUIN P. HAWLEY BY DEED RECORDED IN BOOK 1907 OF OFFICIAL RECORDS, PAGE 861, SONOMA COUNTY RECORDS; THENCE NORTH 5° 33' WEST ALONG THE EASTERLY LINE OF SAID LANDS OF JOAQUIN P. HAWLEY, 245.12 FEET, MORE OR LESS, TO A POINT THAT IS SOUTH 5° 33' EAST,

120.00 FEET FROM THE SOUTHEAST CORNER OF THE LANDS DEEDED TO LIONEL V. OTT AND PLEASIE L. OTT, HIS WIFE, BY DEED RECORDED MARCH 22, 1957 IN BOOK 1510 OF OFFICIAL RECORDS, PAGE 309, SONOMA COUNTY RECORDS; THENCE SOUTH 84° 46' WEST AND PARALLEL WITH THE SOUTHERLY LINE OF THE SAID LIONEL V. OTT, ET UX, PARCEL, 200.00 FEET; THENCE NORTH 5° 33' WEST, 120.00 FEET TO THE SOUTHWEST CORNER OF THE SAID LIONEL V. OTT, ET UX, PARCEL; THENCE CONTINUING NORTH 5° 33' WEST, 326.50 FEET TO THE NORTHWEST CORNER OF SAID LANDS OF LIONEL V. OTT; THENCE NORTH 84° 46' EAST, 200.00 FEET TO THE EASTERLY LINE OF SAID LANDS OF JOAQUIN P. HAWLEY; THENCE NORTH 5° 33' WEST, 161.37 FEET TO THE NORTHEASTERLY CORNER OF SAID LAND OF JOAQUIN P. HAWLEY; THENCE SOUTH 84° 46' WEST, 681.12 FEET TO THE NORTHWESTERLY CORNER OF SAID LAND OF JOAQUIN P. HAWLEY; THENCE SOUTH 5° 40' EAST, 857.30 FEET TO THE NORTHWEST CORNER OF AFORESAID LAND OF THE STATE OF CALIFORNIA; THENCE NORTH 84° 46' EAST, 463.74 FEET AND NORTH 83° 37' 18" EAST, 215.63 FEET ALONG THE NORTHERLY LINE OF SAID LANDS OF THE STATE OF CALIFORNIA TO THE POINT OF BEGINNING.

EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

BEING A PORTION OF THAT PARCEL OF LAND, HAWLEY TO A. JOHN GEORGEDES AND LARRY BORGIA, AS RECORDED SEPTEMBER 11, 1968 IN BOOK 2350 OF OFFICIAL RECORDS, PAGE 880, SONOMA COUNTY RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A STRIP OF LAND 25.00 FEET WIDE, THE WESTERLY LINE OF WHICH IS PARALLEL TO AND 25.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID PARCEL, MEASURED AT RIGHT ANGLES TO SAID EASTERLY LINE, SAID STRIP OF LAND EXTENDING FROM THE NORTHERLY LINE OF THE AFOREMENTIONED PARCEL OF LAND OF GEORGEDES AND BORGIA, TO THE NORTHERLY LINE OF THAT TRACT OF LAND, OTT TO A. JOHN GEORGEDES AND LARRY BORGIA, AS RECORDED OCTOBER 10, 1969 IN BOOK 2422 OF OFFICIAL RECORDS, PAGE 236, SONOMA COUNTY RECORDS.

ALSO EXCEPTING THEREFROM THAT PORTION DESCRIBED AS FOLLOWS:

BEING A PORTION OF THAT PARCEL OF LAND, HAWLEY TO A. JOHN GEORGEDES AND LARRY BORGIA, AS RECORDED SEPTEMBER 11, 1968 IN BOOK 2350 OF OFFICIAL RECORDS, PAGE 880, SONOMA COUNTY RECORDS, SAID PORTION BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A STRIP OF LAND 25.00 FEET WIDE, THE WESTERLY LINE OF WHICH IS PARALLEL TO AND 25.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID PARCEL, MEASURED AT RIGHT ANGLES TO SAID EASTERLY LINE, SAID STRIP OF LAND EXTENDING FROM THE SOUTHERLY LINE OF THE AFOREMENTIONED PARCEL OF LAND OF GEORGEDES AND BORGIA, TO THE SOUTHERLY LINE OF THAT TRACT

OF LAND, HAWLEY TO HAWLEY, AS RECORDED MAY 25, 1966 IN BOOK 2210 OF OFFICIAL RECORDS, PAGE 952, SONOMA COUNTY RECORDS.

PARCEL FOUR:

BEING A PORTION OF THE LANDS OF KENNETH M. AND ALMA M. ADAMS, RECORDED IN BOOK 1398 OF OFFICIAL RECORDS, PAGE 125, SONOMA COUNTY RECORDS, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT IN THE NORTHERLY LINE OF SAID LAND OF ADAMS, SAID POINT BEPNG 20.00 FEET EASTERLY OF THE CENTERLINE OF BRITAIN LANE; THENCE SOUTH 6° 17' EAST, AND PARALLEL TO THE SAID CENTERLINE OF BRITAIN LANE, 120.00 FEET TO THE TRUE POINT OF BEGINNING OF THE PARCEL BEING HEREIN DESCRIBED; THENCE SOUTH 6° 17' EAST, 804.86 FEET TO THE NORTHERLY LINE OF OCCIDENTAL ROAD; THENCE ALONG SAID NORTHERLY LINE OF OCCIDENTAL ROAD, NORTH 84° 46' EAST, 641.08 FEET TO THE SOUTHEASTERLY CORNER OF SAID LANDS OF ADAMS; THENCE NORTH 5° 40' WEST, ALONG THE EASTERLY LINE OF SAID LANDS OF ADAMS, 925.55 FEET TO THE NORTHEASTERLY CORNER OF SAID LANDS OF ADAMS; THENCE SOUTH 84° 41' 50" WEST, ALONG THE NORTHERLY LINE OF SAID LANDS OF ADAMS, 466.04 FEET; THENCE SOUTH 6° 17' EAST, 120.00 FEET; THENCE SOUTH 84° 41' 50" WEST, 185.00 FEET TO THE TRUE POINT OF BEGINNING.

EXCEPTING THEREFROM A 10.00 FOOT STRIP ALONG THE WESTERLY LINE OF THE ABOVE DESCRIBED PARCEL AS CONTAINED IN DEED TO THE CITY OF SANTA ROSA, RECORDED AUGUST 29, 1969, UNDER RECORDER'S SERIAL NO. L-33164, SONOMA COUNTY RECORDS.

APN: 035-031-055