

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

152



FROM: Economic Development Agency

SUBMITTAL DATE:

December 30, 2010

SUBJECT: Subordination, Non-Disturbance and Attornment Agreement

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Subordination, Non-Disturbance, and Attornment Agreement; and
2. Authorize the Chairman of the Board to execute same on behalf of the County.

BACKGROUND:

The County of Riverside and MEF Realty LLC, a Delaware Limited Liability Company, as successor in interest to Market Street Corporate, LLC, entered into a lease agreement for the purpose of providing office space for the Fire Department in the facility located at 2300 Market Street, Suite 150, Riverside, California.

(Continued)

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	No
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2010/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE
BY

County Executive Office Signature Jennifer L. Sargent

- Dept't Recomm.: Consent Policy
- Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: 3.36 of 8/29/06; 3.24 of 6/30/09

District: 2

Agenda Number:

3.31

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

By:
 Diane Sinclair, Dep. Dir. Admin.
 Riverside County Fire
 Department
 Concurrently
 11/10/10
 BY:
 CYNTHIA M. GUNZEL
 FORM APPROVED COUNTY COUNSEL

BACKGROUND: (continued)

To facilitate the financing of this property, the lender has requested the execution of this agreement by the County and lessor. By execution of this agreement, the County agrees to subordinate its leasehold Estate to the liens in favor of the lender which shall have no effect on prospective rights and obligations of the County or the lender as set forth in the lease. In addition, in the event the lender or its successor becomes the landlord, the County will recognize (attorn) the lender or its successor as landlord and the County's rights and obligations shall remain the same (not disturbed) as set forth in the lease for the remainder of the lease term.

County Counsel has reviewed and approved the attached documents as to legal form.

RECORDED AT REQUEST OF AND WHEN
RECORDED RETURN TO:

ATC REALTY SIXTEEN, INC
333 South Grand Avenue, 9th Floor
Los Angeles, CA 90071

Attention: James Follis
Loan No. 104891

13.482\092710\RV345\MT\CE\jg

SUBORDINATION, NON-DISTURBANCE, AND ATTORNMENT AGREEMENT

(Lease to Deeds of Trust)

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

This Subordination, Non-disturbance, and Attornment Agreement ("Agreement") is made as of June 14, 2010 by and among MEF Realty LLC, a Delaware limited liability company ("Lessor"), and ATC Realty Sixteen, Inc., a California corporation, as successor-in-interest to Wells Fargo Bank, N.A., "Administrative Agent" on behalf of and for the benefit of certain lenders ("Lender"), having an office at 333 S. Grand Avenue, 9th Floor, Los Angeles, California 90071 and the County of Riverside ("County"), by its authorized representative the Economic Development Agency having its address for notification at 3403 Tenth Street, Suite 500, Riverside, California 92501.

Recitals:

A. Lender made a loan to MEF Realty LLC, a Delaware limited liability company ("Lessor"), secured by a deed of trust dated July 30, 2007, recorded as of August 16, 2007, in the Official Records of Riverside County, California (together with all amendments, increases, renewals, modifications, consolidations, replacements, substitutions, and extensions, either current or future, referred to hereafter as the "Mortgage") encumbering Lessor's ownership interest in real property located in the County of Riverside, State of California. The legal description of the encumbered real property (the "Mortgage Premises") is set forth in Exhibit A, attached to this Agreement. The Mortgage, together with the promissory note or notes, the loan agreement(s), and other documents executed in connection with it are hereafter collectively referred to as the "Loan Documents".

B. On August 29, 2006, County and Lessor entered into a lease for the Mortgage Premises (the "Lease"). The Lease creates a leasehold estate in favor of County for space (the "Premises") located on the Mortgage Premises.

To confirm their understanding concerning the legal effect of the Mortgage and the Lease, in consideration of the mutual covenants and agreements contained in this Agreement and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lender and County, intending to be legally bound, agree and covenant as follows:

1. **Representations and Warranties.** County warrants and represents that the Lease is in full force and effect and that, as of the date of this Agreement and to the best of County's knowledge, there is no default under the Lease by Lessor or County.

2. **County Subordination.**

2.1 The Loan Documents shall constitute a lien or charge on the Mortgage Premises that is prior and superior to the Lease, to the leasehold estate created by it, and to all rights and privileges of County under it; by this Agreement, the Lease, the leasehold estate created by it, together with all rights and privileges of County under it, is subordinated, at all times, to the lien or charge of the Loan Documents in favor of Lender.

2.2 By executing this Agreement, County subordinates the Lease and County's interest under it to the lien right and security title, and terms of the Loan Documents, and to all advances or payments made, or to be made, under any Loan Document.

3. **Non-disturbance.**

3.1 Lender consents to the Lease.

3.2 Despite County's subordination under Section 2, County's peaceful and quiet possession of the Premises shall not be disturbed and County's rights and privileges under the Lease, including its right to early termination, its right to extend the term of the Lease, its right of first refusal to lease the property after expiration of the original term and any extensions thereof, shall not be diminished by Lender's exercise of its rights or remedies under the Loan Documents, provided that (i) County has not canceled or terminated the Lease, (ii) County has not surrendered, or abandoned the Premises, (iii) County is not in default under the Lease after any applicable grace or notice and cure period, (iv) the Lease has not terminated by its terms, (iv) neither Lessor nor Lender, as successor in interest to Lessor, has canceled or terminated the Lease pursuant to the terms thereof.

3.3 If (a) Lender shall acquire title to, and possession of, the Premises on foreclosure in an action in which Lender shall have been required to name County as a party defendant, and (b) County is not in default under the Lease beyond any applicable cure or grace periods, has not canceled or terminated the Lease, nor surrendered, vacated or abandoned the Premises and remains in actual possession of the Premises at the time Lender shall so acquire title to, and possession of, the Premises, Lender and County shall enter into a new lease on the same terms and conditions as were contained in the Lease, except that:

(a) The obligations and liabilities of Lender under a new lease shall be subject to the terms and conditions of this Agreement (including the provisions of Sections 5-7);

(b) Lender shall have no obligations or liabilities to County under any such new lease beyond those of Lessor as were contained in the Lease; and

(c) The expiration date of any new lease shall coincide with the original expiration date of the Lease.

3.4 County shall not be named or joined in any foreclosure, trustee's sale, or other proceeding to enforce the Loan Documents unless such joinder shall be legally required to perfect the foreclosure, trustee's sale, or other proceeding.

4. Attornment.

4.1 If Lender shall succeed to Lessor's interest in the Mortgage Premises by foreclosure of the Mortgage, by deed in lieu of foreclosure, or in any other manner, County shall be bound to Lender under all the terms, covenants and conditions of the Lease for the balance of its term with the same force and effect as if Lender were the Lessor under the Lease. County shall be deemed to have full and complete attornment to, and to have established direct privity between County and:

- (a) Lender when in possession of the Mortgage Premises;
- (b) a receiver appointed in any action or proceeding to foreclose the Mortgage;
- (c) any party acquiring title to the Mortgage Premises; or
- (d) any successor to Lessor.

4.2 County's attornment is self-operating, and it shall continue to be effective without execution of any further instrument by any of the parties to this Agreement or the Lease. Lender agrees to give County written notice if Lender has succeeded to the interest of the Lessor under the Lease. The terms of the Lease are incorporated into this Agreement by reference.

4.3 If the interests of Lessor under the Lease are transferred by foreclosure of the Mortgage, deed in lieu of foreclosure, or otherwise, to a party other than Lender or any affiliate of Lender ("Transferee"), in consideration of, and as condition precedent to, County's agreement to attorn to any such Transferee, Transferee shall be deemed to have assumed all terms, covenants, and conditions of the Lease to be observed or performed by Lessor from the date on which the Transferee succeeds to Lessor's interests under the Lease.

5. **Lender as Lessor.** If Lender shall succeed to the interest of Lessor under the Lease, Lender shall be bound to County under all the terms, covenants and conditions of the Lease, and County shall, from the date of Lender's succession to the Lessor's interest under the Lease, have the same remedies against Lender for breach of the Lease that County would have had under the Lease against Lessor; provided, however, that despite anything to the contrary in this Agreement or the Lease, Lender, as successor to the Lessor's interest, shall not be:

(a) liable for any act or omission of the Lessor; provided that the Lender may elect either to perform the pre-existing obligation or to permit the County to perform it and to recover the cost out of Rent;

(b) subject to any offsets or defenses expressly permitted under the Lease, including abatement rights which County might have had against Lessor;

(c) bound by any rent or additional rent that County might have paid for more than one month in advance to Lessor; or

(d) bound by an amendment or modification of the Lease even though made without Lender's written consent and whether or not the amendment or modification materially adversely affect any right of Lessor under the Lease.

(e) subject to the County's right to assert continuing claims, such as material interference with the County's use and enjoyment of the premises, against the Lender.

6. **Right To Cure.** County agrees that, before County exercises any of its rights or remedies under the Lease, Lender shall have the right, but not the obligation, to cure the default within the same time given Lessor in the lease to cure the default, plus an additional thirty (30) days or ten (10) days in the case of defaults in the payment of money from Lessor to County. County agrees that the cure period shall be extended by the time necessary for Lender to commence foreclosure proceedings and to obtain possession of the Mortgage Premises, provided that:

(a) Lender shall notify County of Lender's intent to effect its remedy;

(b) Lender initiates immediate steps to foreclose on or to recover possession of the Mortgage Premises;

(c) Lender initiates immediate legal proceedings to appoint a receiver for the Mortgage Premises or to foreclose on or recover possession of the Mortgage Premises within the thirty (30) day period; and

(d) Lender prosecutes such proceedings and remedies with due diligence and continuity to completion.

7. **Assignment of Rents.** If Lessor defaults in its performance of the terms of the Loan Documents, County agrees to recognize the assignment of rents made by Lessor to Lender under the Mortgage and shall pay to Lender, as assignee, from the time Lender gives County notice that Lessor is in default under the terms of the Loan Documents, the rents under the Lease, but only those rents that are due or that become due under the terms of the Lease after notice by Lender or any delinquent rents. Payments of rents to Lender by County under the assignment of rents and Lessor's default shall continue until the first of the following occurs:

(a) No further rent is due or payable under the Lease;

(b) Lender gives County notice that the Lessor's default under the Loan Documents has been cured and instructs County that the rents shall thereafter be payable to Lessor;

(c) The lien of the Mortgage has been foreclosed and the purchaser at the foreclosure sale (whether Lender or a Transferee) gives County notice of the foreclosure sale. On giving notice, the purchaser shall succeed to Lessor's interests under the Lease, after which time the rents and other benefits due Lessor under the Lease shall be payable to the purchaser as the owner of the Mortgage Premises.

8. **County's Reliance.** When complying with the provisions of Section 7, County shall be entitled to rely on the notices given by Lender under Section 7, and Lessor agrees to release, relieve, and protect County from and against any and all loss, claim, damage, or liability (including reasonable attorney's fees) arising out of County's compliance with such notice.

County shall be entitled to full credit under the Lease for any rents paid to Lender in accordance with Section 7 to the same extent as if such rents were paid directly to Lessor. Any dispute between Lender (or Lender's Transferee) and Lessor as to the existence of a default by Lessor under the terms of the Mortgage, the extent or nature of such default, or Lender's right to foreclosure of the Mortgage, shall be dealt with and adjusted solely between Lender (or Transferee) and Lessor, and County shall not be made a party to any such dispute (unless required by law).

9. **Lender's Status.** Nothing in this Agreement shall be construed to be an agreement by Lender to perform any covenant of the Lessor under the Lease unless and until it obtains title to the Mortgage Premises by power of sale, judicial foreclosure, or deed in lieu of foreclosure, or obtains possession of the Mortgage Premises under the terms of the Loan Documents.

10. **Cancellation of Lease.** County agrees that it will not cancel, terminate, or surrender the Lease, except at the normal expiration of the Lease term or as provided in the Lease.

11. **Special Covenants.** Despite anything in this Agreement or the Lease to the contrary, if Lender or an affiliate acquires title to the Mortgage Premises, County agrees that: Lender or such affiliate shall have the right at any time in connection with the sale or other transfer of the Mortgage Premises to assign the Lease or Lender's or its affiliate's rights under it to any person or entity, and that Lender and any such affiliate, their respective officers, directors, shareholders, agents, and employees shall be released from any further liability under the Lease arising after the date of such transfer, provided that the assignee of Lender's or the affiliate's interest assumes Lender's or the affiliate's obligations under the Lease, in writing, from the date of such transfer.

12. **Transferee's Liability (Non Recourse).** If Lender or any other Transferee acquires title to the Mortgage Premises:

(a) County's recourse against Lender or such other Transferee for default under the Lease shall be limited to the Mortgage Premises or any sale, insurance, or condemnation proceeds from the Mortgage Premises;

(b) County shall look exclusively to Lender's or such other Transferee's interests described in (a) above for the payment and discharge of any obligations imposed on Lender or such other Transferee under this Agreement or the Lease ; and

- (i) Lender, or such other Transferee, its officers, directors, shareholders, agents, and employees are released and relieved of any personal liability under the Lease;
- (ii) County shall look solely to the interests of Lender or such other Transferee set forth in (a) above, and
- (iii) County shall not collect or attempt to collect any judgment out of any other assets, or from any general or limited partners or shareholders of Lender or such other Transferee.

13. **Transferee's Performance Obligations.** Subject to the limitations provided in Sections 11 and 12, if a Transferee acquires title to the Mortgage Premises, the Transferee shall perform and recognize all County improvement allowance provisions, all rent-free and rent rebate provisions, and all options and rights of offer, in addition to Lessor's other obligations under the Lease.

14. **Notice.** All notices required by this Agreement shall be given in writing and shall be deemed to have been duly given for all purposes when:

(a) deposited in the United States mail (by registered or certified mail, return receipt requested, postage prepaid); or

(b) deposited with a nationally recognized overnight delivery service such as Federal Express or Airborne.

Each notice must be directed to the party to receive it at its address stated below or at such other address as may be substituted by notice given as provided in this section.

The addresses are:

Lender: ATC REALTY SIXTEEN, INC
333 South Grand Avenue, 9th Floor
Los Angeles, California 90071

Attention: James Follis
Loan No. 104891

Owner: MEF Realty LLC
c/o The Muller Company
23521 Paseo de Valencia
Laguna Hills, California 92653

Attention: Mr. Jon M. Muller

County County of Riverside
Economic Development Agency
3403 Tenth Street, Suite 500
Riverside, California 92501

Attention: Real Estate Division

Copy to County of Riverside
Clerk of the Board
4080 Lemon Street
Riverside, California 92501

Attention: Clerk of the Board

Copies of notices sent to the parties' attorneys or other parties are courtesy copies, and failure to provide such copies shall not affect the effectiveness of a notice given hereunder.

15. Miscellaneous Provisions.

15.1 This Agreement may not be modified orally; it may be modified only by an agreement in writing signed by the parties or their successors-in-interest. This Agreement shall inure to the benefit of and bind the parties and their successors and assignees.

15.2 The captions contained in this Agreement are for convenience only and in no way limit or alter the terms and conditions of the Agreement.

15.3 This Agreement has been executed under and shall be construed, governed, and enforced, in accordance with the laws of the State of California except to the extent that California law is preempted by the U.S. federal law. The invalidity or unenforceability of one or more provisions of this Agreement does not affect the validity or enforceability of any other provisions.

15.4 This Agreement has been executed in duplicate. Lender and County agree that one (1) copy of the Agreement will be recorded.

15.5 This Agreement shall be the entire and only agreement concerning subordination of the Lease and the leasehold estate created by it, together with all rights and privileges of County under it, to the lien or charge of the Loan Documents and shall supersede and cancel, to the extent that it would affect priority between the Lease and the Loan Documents, any previous subordination agreements, including provisions, if any, contained in the Lease that

provide for the subordination of the Lease and the leasehold estate created by it to a deed of trust or mortgage. This Agreement supersedes any inconsistent provision of the Lease.

15.6 This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which copies, taken together, shall constitute but one and the same instrument. Signature and acknowledgment pages may be detached from the copies and attached to a single copy of this Agreement to physically form one original document, which may be recorded without an attached copy of the Lease.

15.7 If any legal action or proceeding is commenced to interpret or enforce the terms of this Agreement or obligations arising out of it, or to recover damages for the breach of the Agreement, the party prevailing in such action or proceeding shall be entitled to recover from the non-prevailing party or parties all reasonable attorneys' fees, costs, and expenses it has incurred.

15.8 Word Usage. Unless the context clearly requires otherwise, (a) the plural and singular numbers will each be deemed to include the other; (b) the masculine, feminine, and neuter genders will each be deemed to include the others; (c) "shall," "will," "must," "agrees," and "covenants" are each mandatory; (d) "may" is permissive; (e) "or" is not exclusive; and (f) "includes" and "including" are not limiting.

Executed on the date first above written.

LENDER

ATC REALTY SIXTEEN, INC.

By: _____
Name:
Its:

**COUNTY OF RIVERSIDE, a political
subdivision of the State of California**

FORM APPROVED COUNTY COUNSEL
BY: Synthia M. Gunzel 11/16/10
SYNTHIA M. GUNZEL DATE

By: _____
Marion Ashley, Chairman
Board of Supervisors

Accepted and Agreed To:

Lessor:

MEF REALTY, LLC,
a Delaware limited liability company

By: Muller Equity Fund, LLC,
a Delaware limited liability company,
Sole Member

By: MEF Partners LLC,
a California limited liability company,
Manager

By: [Signature] 12/17/10
Jon M. Muller
Managing Member

State of California)
County of Orange)

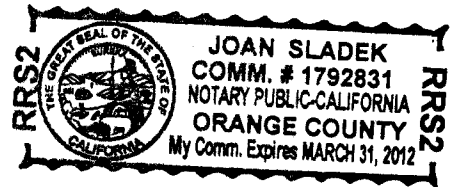
On December 17, 2010, before me, Joan Sladek, Notary Public
(insert name and title of officer)

personally appeared Jon Mueller 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 Joan Sladek (Seal)



[Exhibit A: Legal description of Mortgage Premises]

Legal Description

All that certain real property situated in the County of Riverside, State of California, described as follows:

PARCEL 1A:

Parcel 1 of Certificates of Compliance LL-P04-0596, recorded September 13, 2004 as Instrument No. 725424 of the Official Records of Riverside County, California, in the City of Riverside, being a portion of Lots D,E and F and vacated Crestmore Avenue as per Map of Rivera Tract recorded in Book 10, Page 4 of Maps, Records of Riverside County.

PARCEL 1B:

Parcel 2 of Certificate of Compliance LL-P04-0596, recorded September 13, 2004 as Instrument No. 725424 of Official Records of Riverside County, California, in the City of Riverside, and being a portion of Lots A and D and a portion of vacated Market Street as per Map of Rivera Tract, recorded in Book 10, Page 4 of Maps, Records of Riverside County.

PARCEL 1C:

Non-exclusive reciprocal access and parking easement as set forth in that certain "Reciprocal Access and Parking Declaration" recorded September 23, 2004 as Instrument No. 04-755396 of Official Records.