

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



ITEM: 3.39
(ID # 27961)

MEETING DATE:
Tuesday, June 10, 2025

FROM : HOUSING AND WORKFORCE SOLUTIONS

SUBJECT: HOUSING AND WORKFORCE SOLUTIONS (HWS): Approve the Form of the Subordination Agreement for the benefit of Wilmington Trust, National Association, Subordinating the County's Loan Agreement and Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents to Wilmington Trust's Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (with Power of Sale) Securing a Construction and Permanent Loan for Phase I of the Palm Villas at Millennium Housing Project, and Authorize the Director of HWS to Execute a Form of the Subordination Agreement; District 4. [\$0] (No Further Actions Required Pursuant to CEQA)

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Subordination Agreement (Government Entity) for the benefit of Wilmington Trust, National Association, subordinating the County's Loan Agreement for the Use of American Rescue Plan Act (ARPA) Funds and Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents to Wilmington Trust's Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (with Power of Sale), securing a construction and permanent loan for Phase I of the Palm Villas at Millennium Housing Project, each for a not to exceed amount of \$65,000,000 approved as to form by County Counsel;

Continued on Page 2


ACTION:Policy

Michael J. Weber, Deputy Director of Housing Authority 5/23/2025

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Gutierrez, seconded by Supervisor Washington and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Medina, Spiegel, Washington, Perez and Gutierrez
Nays: None
Absent: None
Date: June 10, 2025
xc: HWS

Kimberly A. Rector
Clerk of the Board
By: 
Deputy

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

RECOMMENDED MOTION: That the Board of Supervisors:

2. Authorize the Director of Housing and Workforce Solutions (HWS), or designee, to execute a Subordination Agreement, conforming substantially in form and substance to the attached Subordination Agreement, subject to approval as to form by County Counsel; and
3. Authorize the Director of HWS, or designee, to take all necessary steps to implement the Subordination Agreement, including but not limited to, signing subsequent necessary and relevant documents, subject to approval as to form by County Counsel.

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: 24/25	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

On November 5, 2024 (Minute Order 3.48), the Board of Supervisors (Board) approved a loan of \$6,700,000 in American Rescue Plan Act (ARPA) funds to PD Millennium Partners LP, a California limited partnership (Borrower) to pay a portion of the costs to develop and construct Phase I of the Palm Villas at Millennium Housing Project, a two phase, 241-unit affordable multifamily low-income housing project located in the City of Palm Desert (Project). The Board approved and executed the Loan Agreement for the Use of ARPA funds, including all attachments thereto, the ARPA Promissory Note, the ARPA Deed of Trust, Security Agreement and Fixture Filing with Assignment of Rents, ARPA Covenant Agreement and Environmental Indemnity (ARPA loan documents). In addition, the Board authorized the Director of Housing and Workforce Solutions (HWS), or designee, to negotiate and execute a subordination agreement subordinating the ARPA Deed of Trust for the benefit of a construction and/or permanent senior lender(s) securing a loan for the Project for a not to exceed amount of \$40,000,000, subject to approval as to form by County Counsel.

Subsequent to approval and execution of the ARPA loan documents, Wilmington Trust, National Association, a national banking association, was selected by Borrower to provide a construction loan and permanent loan for the Project. Due to increased development costs driven by higher material and labor expenses, higher interest carrying costs, and elevated reserves, the construction loan is estimated at \$59,000,000 and exceeds the Board-approved loan amount of \$40,000,000 that the County's ARPA loan documents can subordinate to.

In order to proceed with closing for construction financing for the Project, Staff recommends approving the attached Subordination Agreement for the benefit of Wilmington Trust, National

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STATE OF CALIFORNIA**

Association securing a construction loan and permanent loan, each loan not to exceed \$65,000,000.

County Counsel has reviewed and approved as to form the attached Subordination Agreement. Staff recommends that the Board approve and authorizes the Director of HWS, or designee, to execute the attached Subordination Agreement, subject to approval as to form by County Counsel.

Impact on Residents and Businesses

The development and construction of Palm Villas at Millennium Apartments in the City of Palm Desert will have a positive impact on residents and businesses through the creation of jobs and affordable housing in the Coachella Valley.

Additional Fiscal Information

There is no impact on the County's General Fund. The County's contribution to the Project will be fully funded through ARPA funds, a total of \$6,700,000, which was previously approved by the Board on November 5, 2024 (Minute Order 3.48).

ATTACHMENT:

- Form of the Subordination Agreement


Brianna Lontajo, Principal Management Analyst 6/3/2025


Aaron Gettis, Chief of Deputy County Counsel 5/29/2025

Prepared by, and after recording
return to:

Katten Muchin Rosenman LLP
1919 Pennsylvania Ave. NW.
Suite 800
Washington, DC 20006
Attn: Michael P. Murphy, Esq.

SUBORDINATION AGREEMENT
GOVERNMENTAL ENTITY – TEL (Forward)
(Revised 2-25-2025)

Freddie Mac Loan Number: 510569455
Property Name: Palm Villas at Millenium

**SUBORDINATION AGREEMENT
GOVERNMENTAL ENTITY – TEL (Forward)**

(Revised 2-25-2025)

THIS SUBORDINATION AGREEMENT (“**Agreement**”) is entered into this ___ day of _____, 2025, by and between (i) **WILMINGTON TRUST, NATIONAL ASSOCIATION**, a national banking association (“**Senior Lender**”) and (ii) **COUNTY OF RIVERSIDE**, a political subdivision of the State of California (“**Subordinate Lender**”).

RECITALS

- A. **PD Millennium Partners LP**, a limited partnership organized under the laws of the State of California (“**Borrower**”) is the owner of certain land located in Riverside County, California, described in Exhibit A (“**Land**”). The Land is improved with a multifamily rental housing project (“**Improvements**”).
- B. California Statewide Communities Development Authority, a joint exercise of powers agency organized and existing under the laws of the State of California (“**Governmental Lender**”), the original holder of the Senior Note, has made a loan to Borrower in the original principal amount of \$ _____ (“**Senior Loan**”) upon the terms and conditions of a Project Loan Agreement dated as of _____ 1, 2025 (“**Project Loan Agreement**”) among Governmental Lender, Senior Lender (in its capacity as Fiscal Agent under the Funding Loan Agreement (defined below)) and Borrower in connection with the Mortgaged Property. The Senior Loan is secured by a Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing (with Power of Sale) dated as of _____, 2025 (“**Senior Mortgage**”) encumbering the Land, the Improvements and related personal and other property described and defined in the Senior Mortgage as the “**Mortgaged Property**.”
- C. Pursuant to a Loan Agreement for the Use of American Rescue Plan Act (ARPA) Funds dated as of November 5, 2024 between Subordinate Lender and Borrower (“**Subordinate Loan Agreement**”), Subordinate Lender has made or is making a loan to Borrower in the original principal amount of \$6,700,000.00 (“**Subordinate Loan**”). The Subordinate Loan is or will be secured by a Deed of Trust, Security Agreement and Fixture Filing (With Assignment of Rents) dated as of November 5, 2024 (“**Subordinate Mortgage**”) encumbering all or a portion of the Mortgaged Property.
- D. The Senior Mortgage [is] [will be] recorded in the Official Records of the County of Riverside (“**Recording Office**”). The Subordinate Mortgage [is] [will be] recorded in the Recording Office following the recording of the Senior Mortgage.

- E. The Senior Note was assigned by Governmental Lender to Senior Lender as security for the loan made by Initial Funding Lender (as defined below) to Governmental Lender pursuant to the Funding Loan Agreement (the “**Funding Loan**”). The Senior Mortgage was assigned by Governmental Lender to Senior Lender as security for the Funding Loan pursuant to an Assignment of Security Instrument dated as of the date hereof to be recorded in the Recording Office contemporaneously herewith.
- F. Subject to the terms and conditions of that certain Construction Phase Financing Agreement (the “**Construction Phase Financing Agreement**”) dated as of _____, 2025 between Borrower, Western Alliance Business Trust (“**Initial Funding Lender**”), Federal Home Loan Mortgage Corporation and Lument Real Estate Capital, LLC, a Delaware limited liability company organized under the laws of the State of California (“**Permanent Funding Lender**”), Initial Funding Lender will subsequently assign and deliver the documents comprising the Funding Loan to the Permanent Funding Lender and, in connection therewith, the Senior Note (as defined herein) and the Senior Mortgage will be amended and restated, and thereafter assigned to the Fiscal Agent (“**Conversion**”).
- G. Upon Conversion, the Funding Lender (defined below) will have the right to amend and restate the Senior Note and the Senior Mortgage, and the right to amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provision of any of the Senior Loan Documents (as defined herein), without notice to or the consent or joinder of the Subordinate Lender.
- H. The execution and delivery of this Agreement is a condition of Funding Lender’s consenting to Subordinate Lender’s making of the Subordinate Loan and Borrower’s granting of the Subordinate Mortgage.

AGREEMENT

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.

The terms “**Condemnation**,” “**Imposition Reserve Deposits**,” “**Impositions**,” “**Leases**,” “**Rents**” and “**Restoration**,” 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 Loan Agreement.

“**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.

“Borrower” means all persons or entities identified as “Borrower” in the first Recital 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 Lender or Funding Lender if Senior Lender or Funding Lender acquires title to the Mortgaged Property.

“Casualty” means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.

“Continuing Covenant Agreement” means the Continuing Covenant Agreement to be executed by Borrower and Permanent Funding Lender at Conversion.

“Enforcement Action” means any of the following actions taken by or at the direction of Subordinate Lender: 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.

“Enforcement Action Notice” means a Notice given from Subordinate Lender to Senior Lender and Funding Lender, following one or more Subordinate Mortgage Default(s) and the expiration of any applicable notice or cure periods, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Enforcement Actions proposed to be taken by Subordinate Lender.

“Funding Lender” means Initial Funding Lender prior to Conversion and Permanent Funding Lender from and after Conversion, and any successor holder of the Governmental Note.

“Funding Loan Agreement” means the Funding Loan Agreement dated as of _____, 1 2025 among Initial Funding Lender, Governmental Lender and Senior Lender.

“Governmental Note” means the [ISSUE DESIGNATION] delivered by the Governmental Lender evidencing the Funding Loan.

“Lien” means any lien, encumbrance, estate or other interest, recorded against or secured by the Mortgaged Property.

“**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.

“**Notice**” means all notices, requests, demands, consents, approvals or other communication pursuant to this Agreement provided in accordance with the provisions of Section 10.

“**Regulatory Agreement**” means the Covenant Agreement between Borrower and Subordinate Lender dated as of November 5, 2024 and recorded [contemporaneously herewith] in the Recording Office.

“**Senior Indebtedness**” means the “Indebtedness” of Borrower as evidenced by the Senior Loan Documents.

“**Senior Lender**” is defined above. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity will automatically become Senior Lender.

“**Senior Loan Agreement**” collectively means, prior to Conversion, the Project Loan Agreement and the Loan Agreement by and between Borrower and Initial Funding Lender (the “**Construction Loan Agreement**”); and from and after Conversion, the Project Loan Agreement and/or the Continuing Covenant Agreement.

“**Senior Loan Documents**” collectively means prior to Conversion, the “Project Loan Documents” as defined in the Construction Phase Financing Agreement together with the “Financing Documents” as defined in the Construction Loan Agreement. From and after Conversion, “Senior Loan Documents” will mean the “Financing Documents” as defined in the Continuing Covenant Agreement, as such documents may be amended.

“**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, an “Event of Default” as defined in the Senior Loan Documents.

“**Senior Note**” means, prior to Conversion, the Project Note from the Borrower in favor of the Senior Lender. From and after Conversion, “Senior Note” means the Project Note as defined in the Continuing Covenant Agreement.

“**Subordinate Environmental Indemnity**” means the Environmental Indemnity between Borrower and Subordinate Lender dated as of November 5, 2024.

“**Subordinate Indebtedness**” means all sums evidenced or secured or guaranteed by, or otherwise due and payable to Subordinate Lender pursuant to, the Subordinate Loan Documents.

“**Subordinate Lender**” 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.

“**Subordinate Loan Documents**” means the Subordinate Mortgage, the Subordinate Note, and the Subordinate Loan Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as such documents may be amended.

“**Subordinate Mortgage Default**” means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement) Subordinate Lender to take an Enforcement Action.

“**Subordinate Note**” means the promissory note or other evidence of the Subordinate Indebtedness and any replacement of the Subordinate Note.

“**Surplus Cash**” means, with respect to any period, any revenues of Borrower remaining after paying, or setting aside funds for paying, all the following:

- (a) All sums due or currently required to be paid under the Senior Loan Documents, including any reserves and Imposition Reserve Deposits.
- (b) 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).

2. Subordinate Lender’s Representations and Warranties.

- (a) Subordinate Lender represents and warrants that each of the following is true as of the date of this Agreement:
 - (i) Subordinate Lender is now the owner and holder of the Subordinate Loan Documents.
 - (ii) No Subordinate Mortgage Default has occurred and is continuing.
 - (iii) The current unpaid principal balance of the Subordinate Indebtedness is \$6,700,000.
 - (iv) No scheduled payments under the Subordinate Note have been prepaid.
- (b) Without the prior written consent of Senior Lender, Subordinate Lender will not do any of the following:

- (i) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.
- (ii) Take any action which has the effect of increasing the Subordinate Indebtedness, except to cure a Senior Mortgage Default as contemplated under Section 5(a) of this Agreement.
- (iii) Accept any prepayment of the Subordinate Indebtedness.

3. Terms of Subordination.

- (a) Agreement to Subordinate. 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. 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) Subordination of Subrogation Rights. If Subordinate Lender, by indemnification, subrogation or otherwise, acquires any Lien on any of the Mortgaged Property, then that Lien will be fully subject and subordinate to the receipt by Senior Lender 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.
- (c) Payments Before Senior Mortgage Default; Soft Subordinate Debt. Until the occurrence of a Senior Mortgage Default, Subordinate Lender will be entitled to retain for its own account all payments of the principal of and interest on the Subordinate Indebtedness pursuant to the Subordinate Loan Documents; provided that Subordinate Lender expressly agrees that it will not accept any such payment that is made more than 10 days in advance of its due date and provided further that Subordinate Lender will not accept any payment in an amount that exceeds 75% of then available Surplus Cash.
- (d) Payments After Senior Mortgage Default or Bankruptcy.
 - (i) Immediately upon Subordinate Lender's receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Lender will not accept any payments of the Subordinate Indebtedness, and the provisions of this Section 3(d) will apply.
 - (ii) If Subordinate Lender receives any of the following, whether voluntarily or by action of law, after a Senior Mortgage Default of which Subordinate Lender has actual knowledge (or is deemed to have actual knowledge as provided in Section 4(c)) or has been given Notice, such will be received and held in trust for Senior Lender:

- (A) Any payment, property, or asset of any kind or in any form in connection with the Subordinate Indebtedness.
 - (B) Any proceeds from any Enforcement Action.
 - (C) Any payment, property, or asset in or in connection with any Bankruptcy Proceeding.
- (iii) Subordinate Lender will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets described in Section 3(d)(ii) to Senior Lender. Senior Lender will apply any payment, asset, or property so received from Subordinate Lender to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Lender determines in its sole and absolute discretion.
- (e) Bankruptcy. Without the prior written consent of Senior Lender, Subordinate Lender will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Lender will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Lender has also voted affirmatively in favor of such plan.

4. Default Under Subordinate Loan Documents.

- (a) Notice of Subordinate Mortgage Default and Cure Rights.
- (i) Subordinate Lender will deliver to Senior Lender and Funding Lender a copy of each Notice delivered by Subordinate Lender pursuant to the Subordinate Loan Documents within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Senior Lender or Funding Lender pursuant to this Section 4(a) will affect the validity of any Notice given by Subordinate Lender to Borrower.
 - (ii) For a period of 90 days following delivery to Senior Lender of an Enforcement Action Notice, Senior Lender will have the right, but not the obligation, to cure any Subordinate Mortgage Default. However, if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Lender has commenced and is diligently pursuing such cure to completion, Senior Lender 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 Lender takes either of the following actions:
 - (A) Discontinues its pursuit of any cure.

- (B) Delivers to Subordinate Lender Senior Lender's written consent to the Enforcement Action described in the Enforcement Action Notice.
 - (iii) Senior Lender will not be subrogated to the rights of Subordinate Lender under the Subordinate Loan Documents as a result of Senior Lender having cured any Subordinate Mortgage Default.
 - (iv) Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender 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) Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.
- (i) In the event of a Subordinate Mortgage Default, Subordinate Lender will not commence any Enforcement Action until 90 days after Subordinate Lender has delivered to Senior Lender and Funding Lender an Enforcement Action Notice. During such 90-day period or such longer period as provided in Section 4(a), Subordinate Lender 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 Lender's right to cure a Subordinate Mortgage Default set forth in Section 4(a).
 - (ii) Subordinate Lender may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the earlier of:
 - (A) The expiration of such 90-day period or such longer period as provided in Section 4(a).
 - (B) The delivery by Senior Lender to Subordinate Lender of Senior Lender's written consent to such Enforcement Action by Subordinate Lender.
 - (iii) Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender's Enforcement Action in Senior Lender's sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 4(a) and, subject to Senior Lender's right to cure set forth in Section 4(a), Subordinate Lender may commence any Enforcement Action.
 - (iv) Senior Lender 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 Lender. No action or

failure to act on the part of Senior Lender in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action will constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

- (c) Cross Default. Subordinate Lender acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Lender will be deemed to have actual knowledge of a Senior Mortgage Default. If Subordinate Lender notifies Senior Lender and Funding Lender in writing that any Subordinate Mortgage Default of which Senior Lender has received Notice has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Mortgage Default under the Senior Loan Documents arising solely from such Subordinate Mortgage Default will be deemed cured, and the Senior Loan will be reinstated.

5. Default Under Senior Loan Documents.

- (a) Notice of Senior Mortgage Default and Cure Rights.
 - (i) Senior Lender or Funding Lender will deliver to Subordinate Lender a copy of any Notice sent by Senior Lender or Funding Lender to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Failure of Senior Lender or Funding Lender to send Notice to Subordinate Lender will not prevent the exercise of Senior Lender's rights and remedies under the Senior Loan Documents.
 - (ii) Subordinate Lender will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice. During such 30-day period Senior Lender will be entitled to continue to pursue its remedies under the Senior Loan Documents.
 - (iii) Subordinate Lender may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Lender keeps current all payments required under 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 Lender's secured position relative to the Mortgaged Property, as determined by Senior Lender in its sole discretion, then during such 90-day period Senior Lender 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.
 - (iv) All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate

Lender pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(a) to the contrary, Subordinate Lender's right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

(b) Release of Mortgaged Property.

- (i) Subordinate Lender consents to and authorizes any future release by Senior Lender of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Lender waives to the fullest extent permitted by law, all equitable or other rights it may have in connection with the release of all or any portion of the Mortgaged Property, including any right to require Senior Lender to do any of the following:
 - (A) To conduct a separate sale of any portion of the Mortgaged Property.
 - (B) 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.
 - (C) 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 Lender determines. Subordinate Lender waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850.
- (ii) Subordinate Lender consents to and authorizes, at the option of Senior Lender, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Lender acknowledges that without Notice to Subordinate Lender and without affecting any of the provisions of this Agreement, Senior Lender may do any of the following:
 - (A) Extend the time for or waive any payment or performance under the Senior Loan Documents.
 - (B) Modify or amend in any respect any provision of the Senior Loan Documents.
 - (C) Modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

- (c) Termination Upon Foreclosure. The lien of the Subordinate Loan Documents will automatically terminate upon the acquisition by Senior Lender 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.

6. Conflicts. 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. Borrower acknowledges that the terms and provisions of this Agreement will not, and will not be deemed to do any of the following:

- (a) Extend Borrower's time to cure any Senior Mortgage Default or Subordinate Mortgage Default.
- (b) Give Borrower the right to receive notice of any Senior Mortgage Default or Subordinate Mortgage Default, other than that, if any, provided, respectively under the Senior Loan Documents or the Subordinate Loan Documents.
- (c) Create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

7. Rights and Obligations of Subordinate Lender Under the Subordinate Loan Documents and of Senior Lender under the Senior Loan Documents.

- (a) Insurance.
 - (i) 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 Lender and Funding Lender.
 - (ii) All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Lender or Funding Lender.
 - (iii) Nothing in this Section 7(a) will preclude Subordinate Lender 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 Lender be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.
- (b) Condemnation or Casualty.

In the event of a Condemnation or a Casualty, the following provisions will apply:

- (i) The rights of Subordinate Lender (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 Lender's rights under the Senior Loan Documents, and Subordinate Lender will be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Lender.
 - (ii) All Loss Proceeds will be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by Senior Lender in its sole discretion; provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds. In the event of any disagreement between Senior Lender and Subordinate Lender over the application of Casualty proceeds, the decision of Senior Lender, in its sole discretion, will prevail.
 - (iii) If Senior Lender or Funding Lender holds Loss Proceeds, or monitors the disbursement of Loss Proceeds, Subordinate Lender will not do so. Nothing contained in this Agreement will be deemed to require Senior Lender to act for or on behalf of Subordinate Lender in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Lender, and all or any Loss Proceeds may be commingled with any funds of Senior Lender.
 - (iv) If Senior Lender 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 Lender will be paid to Subordinate Lender unless another party has asserted a claim to the remaining Loss Proceeds.
- (c) Modification of Subordinate Loan Documents. Subordinate Lender agrees that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of Senior Lender, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon Senior Lender or Funding Lender under the Senior Loan Documents. If Subordinate Lender either (i) amends the Subordinate Loan Documents in the manner set forth above or (ii) assigns the Subordinate Loan without Senior Lender's consent, then such amendment or assignment will be void ab initio and of no effect whatsoever.

- (d) Modification of Senior Loan Documents. Senior Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Lender, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Lender 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 Lender to protect the security or lien priority of Senior Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.
- (e) Commercial or Retail Leases. If requested, Subordinate Lender will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Lender has granted attornment and non-disturbance, on the same terms and conditions given by Senior Lender.
- (f) Consent Rights. Whenever the Subordinate Loan Documents give Subordinate Lender approval or consent rights with respect to any matter, and a right of approval or consent for the same or substantially the same matter is also granted to Senior Lender or Funding Lender pursuant to the Senior Loan Documents or otherwise, Senior Lender's or Funding Lender's approval or consent or failure to approve or consent will be binding on Subordinate Lender. None of the other provisions of Section 7 are intended to be in any way in limitation of the provisions of this Section 7(f).
- (g) Escrows. Except as provided in this Section 7(g), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Lender will not collect any escrows for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Senior Lender or Funding Lender is not collecting escrow payments for one or more Impositions, Subordinate Lender may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Lender will be held in trust by Subordinate Lender to be applied only to the payment of such Impositions.
- (h) Certification. Within 10 days after request by Senior Lender or Funding Lender, Subordinate Lender will furnish Senior Lender and Funding Lender 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 Lender may request.

8. Refinancing. Subordinate Lender agrees that its agreement to subordinate under this Agreement will extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Indebtedness (including reasonable and necessary costs associated with the closing and/or the refinancing, and any reasonable increase in proceeds

for rehabilitation in the context of a preservation transaction). All terms and covenants of this Agreement will inure to the benefit of any holder of any such refinanced debt, and all references to the Senior Loan Documents and Senior Lender will mean, respectively, the refinance loan documents and the holder of such refinanced debt.

9. Governmental Powers. Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Lender of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.

10. Notices.

(a) Any Notice 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:

Notices intended for Senior Lender will be addressed to:

U.S. Bank Trust Company, National Association
Global Corporate Trust
One California Street, Suite 1000
San Francisco, CA 94111)

Notices intended for Subordinate Lender will be addressed to:

County of Riverside
Director HWS
3403 10th Street, Suite 300
Riverside, CA 92501

Notices intended for Funding Lender will be addressed to:

Western Alliance Business Trust
One East Washington Street, Suite 2400
Phoenix, Arizona 85004
Attention: Philipp Smaczny
E-mail: psmaczny@westernalliancebank.com

Telephone: (602) 952-5492

Upon and following Conversion, Notices intended for Funding Lender will be addressed to:

Lument Real Estate Capital, LLC
1717 Main Street
Suite 900
Dallas, Texas 75201
Attention: Loan Administration

With a copy to:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive, MS B4P
McLean, Virginia 22102
Attention: Multifamily Operations - Loan Accounting
Email: mfla@freddiemac.com
Telephone: (703) 714-4177

And:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive, MS 210
McLean, Virginia 22102
Attention: Managing Associate General Counsel –
Multifamily Legal Division
Email: guy_nelson@freddiemac.com
Telephone: (703) 903 2000

- (b) Any party, by Notice given pursuant to this Section 10, 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 10.

11. Regulatory Agreement.

(a) Representations and Warranties.

- (i) Subordinate Lender represents and warrants that each of the following is true with respect to the Regulatory Agreement as of the date of this Agreement:

- (A) Subordinate Lender is the owner and holder of the Regulatory Agreement.

- (B) No Regulatory Agreement Default has occurred and is continuing.
- (ii) Without the prior written consent of Senior Lender, Subordinate Lender will not do any of the following:
 - (A) Pledge, assign, transfer, convey, or sell any interest in the Regulatory Agreement.
 - (B) Amend the Regulatory Agreement in any manner.
- (b) Agreement to Subordinate.
 - (i) The Senior Indebtedness is and will at all times continue to be subject and subordinate in priority to the Regulatory Agreement. Each of the Senior Loan Documents is, and will at all times remain, subject and subordinate in all respects to the lien of the Regulatory Agreement. Therefore, following a foreclosure under the Senior Mortgage, or the acceptance by Senior Lender of a deed to the Mortgaged Property in lieu of such a foreclosure (each, a "**Foreclosure Action**"), the Regulatory Agreement will survive and the successor owner of the Mortgaged Property will acquire the Mortgaged Property subject to the Regulatory Agreement, except that, notwithstanding anything to the contrary set forth in the Regulatory Agreement:
 - (A) Senior Lender (or its nominee) will have the right, without further consent of Subordinate Lender, to commence a Foreclosure Action and transfer (or cause the transfer of) the Mortgaged Property pursuant a Foreclosure Action and, following such Foreclosure Action, in the event Senior Lender (or its nominee) acquires title to the Mortgaged Property, transfer the Mortgaged Property to any third-party (the "**First Transfer**").
 - (B) No limitation on creation of indebtedness or creation of any lien securing indebtedness will apply to any third-party acquiring title to the Mortgaged Property in connection with a Foreclosure Action or the First Transfer.
 - (C) Any remedies in the Regulatory Agreement, other than specific performance or injunctive relief, will terminate after the Foreclosure Action.
 - (ii) Subordinate Lender agrees that:

- (A) Subordinate Lender will look to Senior Lender (or its nominee) and any third-party acquiring title to the Mortgaged Property in connection with a Foreclosure Action or the First Transfer to perform the obligations of owner of the Mortgaged Property accruing only from and after the date of foreclosure or possession. Subordinate Lender will not hold Senior Lender (or its nominee) or any third-party acquiring title to the Mortgaged Property in connection with a Foreclosure Action or the First Transfer responsible for the past actions or inactions of Borrower or any prior owner of the Mortgaged Property.
 - (B) Neither Senior Lender nor any third-party acquiring title to the Mortgaged Property in connection with a Foreclosure Action or the First Transfer will be obligated to pay, or otherwise have any liability for or in connection with, (1) any rents or other payments received by Borrower prior to foreclosure in excess of what Borrower is permitted to charge and receive under the Regulatory Agreement or (2) any claim by Subordinate Lender for liquidated damages, for indemnification or for damages in connection with any breach of any term or provision of the Regulatory Agreement first occurring prior to the date upon which Senior Lender or such third-party acquired title to the Mortgaged Property.
- (c) Notice of Regulatory Agreement Default and Cure Rights.
- (i) Subordinate Lender will deliver to Senior Lender a copy of each Notice of a Regulatory Agreement Default delivered by Subordinate Lender pursuant to the Regulatory Agreement within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Senior Lender pursuant to this Section 11(c) will affect the validity of any Notice given by Subordinate Lender to Borrower.
 - (ii) Senior Lender will have the right, but not the obligation, to cure any Regulatory Agreement Default, until such time, if ever, as Senior Lender delivers to Subordinate Lender written consent to proceed with the Regulatory Agreement Enforcement Action described in the Regulatory Agreement Enforcement Action Notice.
 - (iii) Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender in accordance with the Senior Loan Documents or to cure a Regulatory Agreement Default will be added

to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.

- (d) Exercise of Remedies following Notice of Regulatory Agreement Enforcement Action.
- (i) Subordinate Lender will not commence any Regulatory Agreement Enforcement Action until:
 - (A) Subordinate Lender has delivered to Senior Lender a Regulatory Agreement Enforcement Action Notice with respect to such Regulatory Agreement Enforcement Action.
 - (B) The delivery by Senior Lender to Subordinate Lender of Senior Lender's written consent to such Regulatory Agreement Enforcement Action by Subordinate Lender.
 - (ii) Senior Lender will advise Subordinate Lender whether Senior Lender consents to the Regulatory Agreement Enforcement Action by Subordinate Lender within 90 days following Senior Lender's receipt of the Regulatory Agreement Enforcement Action Notice. Failure of Senior Lender to provide written consent to the Regulatory Agreement Enforcement Action within such 90-day period constitutes Senior Lender's refusal of such consent. Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender's Regulatory Agreement Enforcement Action in Senior Lender's sole and absolute discretion.
 - (iii) Notwithstanding the forgoing, at all times following delivery to Senior Lender of a Regulatory Agreement Enforcement Action Notice, Subordinate Lender may exercise only the remedies of specific performance or injunctive relief subject to Senior Lender's right to cure a Regulatory Agreement Default set forth in this Section 11(d).
 - (iv) Senior Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Regulatory Agreement Enforcement Action Notice or Regulatory Agreement Enforcement Action by Subordinate Lender. No action or failure to act on the part of Senior Lender in the event of a Regulatory Agreement Default or commencement of any enforcement action with respect to such a default will constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

- (e) Operating Covenants. With respect to the operating covenants under the Regulatory Agreement, if any, Subordinate Lender acknowledges and agrees as follows:
- (i) Subordinate Lender will not require the removal of the property manager for the Mortgaged Property or changes to the management plan or management agreement in respect of the Mortgaged Property under the Regulatory Agreement, without the prior written consent of the Senior Lender; and such provisions of the Regulatory Agreement will be suspended at any time that a Senior Mortgage Default shall be continuing or at any time that the Senior Lender becomes or is the owner of the Mortgaged Property; and
 - (ii) that:
 - (A) reserve requirements imposed by the Regulatory Agreement, if any, will be deferred so long as adequate deposits to the same or similar reserves required by the Senior Loan Documents are made by Borrower;
 - (B) insurance requirements imposed by the Regulatory Agreement, if any, will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Lender and all Loss Proceeds will be paid to Senior Lender and applied in accordance with Section 7(b) of this Agreement; and
 - (C) Subordinate Lender will have no claim to or security interest in reserve funds or accounts as required under the Senior Loan Documents, which will be owned and controlled as set forth in the Senior Loan Documents; provided however that this section will not be construed to allow Borrower or its partners or members, as applicable, to distribute any amount remaining in such reserve funds or accounts as part of a sale or refinancing transaction prior to the expiration of the Regulatory Agreement.
- (f) Written Statement. Within 30 days after a written request by Senior Lender, Subordinate Lender will furnish Senior Lender with a statement confirming that no Regulatory Agreement Default exists (or describing any default that does exist).
- (g) Cross Default. Borrower and Subordinate Lender acknowledge that a Regulatory Agreement Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Regulatory Agreement Default, Subordinate Lender will be deemed to have actual knowledge of a Senior

Mortgage Default. If Subordinate Lender notifies Senior Lender in writing that a Regulatory Agreement Default of which Senior Lender has received Notice has been cured or waived, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Mortgage Default under the Senior Loan Documents arising solely from such Subordinate Mortgage Default will be deemed cured, and the Senior Loan will be reinstated.

12. Miscellaneous Provisions.

- (a) Assignments/Successors. This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties to this Agreement. Without prior notice to or the consent of the Subordinate Lender or the Borrower, the Senior Lender may freely transfer or assign the Senior Loan and the Senior Loan Documents, including this Agreement, in whole or in part, and the Subordinate Lender acknowledges and agrees that any future legal holder of the Senior Note will automatically be a legal successor and permitted assignee of Senior Lender hereunder, without the necessity of any further action or instrument. Except for Funding Lender, no other party will be entitled to any benefits under this Agreement, whether as a third-party beneficiary or otherwise.
- (b) No Partnership or Joint Venture. Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Lender or Funding Lender as a joint venturer or partner of Subordinate Lender.
- (c) Further Assurances. Upon Notice from Senior Lender or Funding Lender, Subordinate Lender will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Lender or Funding Lender to further evidence or implement the provisions and intent of this Agreement.
- (d) Amendment. This Agreement may be amended, changed, modified, altered or terminated only by a written instrument signed by the parties to this Agreement or their successors or assigns.
- (e) Governing Law. This Agreement will be governed by the laws of the State in which the Land is located.
- (f) Severable Provisions. 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.

- (g) Term. 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 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 Lender or Funding Lender.
 - (ii) The payment of all the Subordinate Indebtedness other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to this Agreement.
 - (iii) The acquisition by Senior Lender 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.
 - (iv) With the prior written consent of Senior Lender, without limiting the provisions of Section 4(b)(iv), the acquisition by Subordinate Lender 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.
- (h) Counterparts. 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.
- (i) Entire Agreement. This Agreement represents the entire understanding and agreement between the parties regarding the matters addressed in this Agreement, and will supersede and cancel any prior agreements regarding such matters.
- (j) Authority. Each person executing this Agreement on behalf of a party to this Agreement represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations under this Agreement.
- (k) No Waiver. 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.
- (l) Remedies. 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.

- (m) Funding Lender's Rights to Control. Notwithstanding anything herein to the contrary, pursuant to the Senior Mortgage and Section 6.03 of the Funding Loan Agreement, all acts, consents, approvals and undertakings of Senior Lender hereunder must be solely at the written direction of the Funding Lender. The parties hereto acknowledge and agree that Funding Lender is a third-party beneficiary of this Agreement, with full rights as such.

13. Attached Riders. The following Riders are attached to this Agreement:

Regulatory Agreement Primes Mortgage (8-28-2024)

14. Attached Exhibits. The following Exhibits, if marked with an "X" in the space provided, are attached to this Agreement:

- Exhibit A Description of the Land (required)
- Exhibit B Ground Lease Description (if applicable)

[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 LENDER:

WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association

By: form - do not sign

Name:

Title:

[Notary Block for recordation]

SUBORDINATE LENDER:

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

By: form - do not sign
Name: Heidi Marshall
Title: Director

APPROVED AS TO FORM:
Minh C. Tran, County Counsel



Amrit P. Dhillon, Deputy County Counsel

[Notary Block for recordation]

CONSENT OF BORROWER

Borrower acknowledges receipt of a copy of this Subordination Agreement, dated _____, 20__, by and between Wilmington Trust, National Association and County of Riverside and consents to the agreement of the parties set forth in this Agreement.

BORROWER:

PD MILLENNIUM PARTNERS LP, a California limited partnership

By: PC Gerald Ford Developers LLC, a California limited liability company,
Its administrative general partner

form - do not sign
By: Lauren Horn, Vice President

By: Kingdom AQ, LLC, a California limited liability company,
Its managing general partner

By: Kingdom Development, Inc, a California public benefit corporation, Its sole member
and manager

form - do not sign
By: William Leach, President

[Notary Block for recordation]

EXHIBIT A

LEGAL DESCRIPTION

The land referred to is situated in the City of Palm Desert, State of California, and is described as follows:

THOSE PORTIONS OF PARCEL 8 AND PARCEL 9 OF PARCEL MAP NO. 36792, IN THE CITY OF PALM DESERT, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 239 OF PARCEL MAPS, PAGES 9 THROUGH 15, INCLUSIVE, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF SAID PARCEL 8; THENCE ALONG THE SOUTH LINE OF SAID PARCEL 9, SOUTH 89°56'08" WEST 72.55 FEET TO A LINE THAT IS PARALLEL WITH AND DISTANT EASTERLY 138.45 FEET, MEASURED AT RIGHT ANGLES, FROM THE EAST RIGHT OF WAY LINE OF DINAH SHORE DRIVE, AS SHOWN ON SAID PARCEL MAP NO. 36792; THENCE LEAVING SAID SOUTH LINE AND ALONG SAID PARALLEL LINE, NORTH 0°00'00" EAST 317.11 FEET; THENCE NORTH 90°00'00" EAST 65.55 FEET TO A LINE THAT IS PARALLEL WITH AND DISTANT WESTERLY 7.00 FEET, MEASURED AT RIGHT ANGLES FROM THE WEST LINE OF SAID PARCEL 8; THENCE NORTH 0°00'00" EAST 102.00 FEET ALONG LAST SAID PARALLEL LINE TO A LINE THAT IS PARALLEL WITH AND DISTANT NORTHERLY 1.00 FEET; MEASURED AT RIGHT ANGLES, FROM THE NORTH LINE OF SAID PARCEL 8; THENCE NORTH 90°00'00" EAST 275.69 FEET ALONG LAST SAID PARALLEL LINE TO AN INTERSECTION WITH THE NORTHWESTERLY PROLONGATION OF THE NORTHEASTERLY LINE OF SAID PARCEL 8; THENCE SOUTH 68°15'29" EAST 409.78 FEET ALONG SAID NORTHWESTERLY PROLONGATION AND SAID NORTHEASTERLY LINE OF PARCEL 8 TO A TANGENT CURVE, CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 1445.00 FEET; THENCE SOUTHEASTERLY ALONG SAID CURVE AND SAID NORTHEASTERLY LINE OF PARCEL 8 AN ARC LENGTH OF 535.73 FEET, THROUGH A CENTRAL ANGLE OF 21°14'32" TO A NON-TANGENT LINE, SAID NON-TANGENT LINE BEING PARALLEL WITH AND DISTANT WESTERLY 36.00 FEET, MEASURED AT RIGHT ANGLES, FROM THE MOST EASTERLY LINE OF SAID PARCEL 8; THENCE LEAVING SAID NORTHEASTERLY LINE OF PARCEL 8, ALONG LAST SAID PARALLEL LINE, SOUTH 07°03'09" EAST 105.97 FEET TO A POINT ON THE SOUTHEASTERLY LINE OF SAID PARCEL 8, BEING A NON-TANGENT CURVE, CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 73.00 FEET, A RADIAL LINE TO SAID POINT BEARS NORTH 36°36'07" WEST; THENCE ALONG THE SOUTHEASTERLY LINE OF SAID PARCEL 8 THE FOLLOWING FIVE (5) COURSES, SOUTHERLY ALONG SAID NON-TANGENT CURVE AN ARC LENGTH OF 28.61 FEET, THROUGH A CENTRAL ANGLE OF 22°27'11" TO THE BEGINNING OF A REVERSE CURVE, CONCAVE NORTHWESTERLY HAVING A RADIUS OF 60.00 FEET; A LINE RADIAL TO SAID BEGINNING OF CURVE BEARS SOUTH 59°03'18" EAST; THENCE SOUTHWESTERLY LONG LAST SAID CURVE AN ARC LENGTH OF 38.39 FEET THROUGH A CENTRAL ANGLE OF 36°39'18" TO THE BEGINNING OF A REVERSE CURVE, CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 336.00 FEET; A LINE RADIAL TO LAST SAID BEGINNING OF CURVE BEARS NORTH 22°24'00" WEST, THENCE SOUTHEASTERLY ALONG LAST SAID CURVE AN ARC LENGTH OF 120.80 FEET; THROUGH A CENTRAL ANGLE OF 20°36'00"; THENCE SOUTH 47°00'00" WEST 102.69 FEET; THENCE NORTH 89°13'34" WEST 25.84 FEET TO THE BEGINNING OF A NON-TANGENT CURVE, CONCAVE SOUTHEASTERLY, HAVING A RADIUS OF 1075.00 FEET, A LINE RADIAL TO SAID BEGINNING OF CURVE BEARS NORTH 44°07'38" EAST; THENCE ALONG THE SOUTHERLY LINE OF SAID PARCEL 8 THE FOLLOWING TWO (2) COURSES NORTHWESTERLY ALONG LAST SAID CURVE AN ARC LENGTH OF 829.14 FEET; THROUGH A CENTRAL ANGLE OF 44°11'30"; THENCE SOUTH 89°56'08" WEST 112.85 FEET TO SAID SOUTHWEST CORNER OF PARCEL 8 AND THE POINT OF BEGINNING.

RIDER TO SUBORDINATION AGREEMENT – GOVERNMENTAL ENTITY

REGULATORY AGREEMENT PRIMES MORTGAGE

(Revised 8-28-2024)

The following changes are made to the Agreement which precedes this Rider:

A. Section 1 is modified as follows:

(A) The definition of Subordinate Loan Documents is modified to add the following:

“Subordinate Loan Documents” means the Subordinate Mortgage, the Subordinate Environmental Indemnity, the Subordinate Note, the Subordinate Loan Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as such documents may be amended; provided, however, that the Regulatory Agreement is specifically **excluded** from the definition of Subordinate Loan Documents.

(B) The following definitions are added:

“First Transfer” has the meaning set forth in Section 11 of this Agreement.

“Foreclosure Action” has the meaning set forth in Section 11 of this Agreement.

“Regulatory Agreement Default” means any act, failure to act, event, condition, or occurrence which (but for any contrary provision of this Agreement) is a default under the Regulatory Agreement, which continues beyond the giving of notice and expiration of any applicable cure period as provided in the Regulatory Agreement.

“Regulatory Agreement Enforcement Action” means the exercise of any rights or remedies under the Regulatory Agreement following a Regulatory Agreement Default.

“Regulatory Agreement Enforcement Action Notice” means a Notice given from Subordinate Lender to Senior Lender following one or more Regulatory Agreement Default(s), setting forth in reasonable detail the Regulatory Agreement Default(s) and the Regulatory Agreement Enforcement Actions proposed to be taken by Subordinate Lender.