

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
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This document is recorded for the benefit of the City of San Marcos, and the recording is fee-exempt under Section 27383 of the Government Code.

SUBORDINATION AGREEMENT

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 AGREEMENT (the "Agreement") is made as of _____, 2015, by MILLENNIUM HOUSING CORPORATION, a California nonprofit public benefit corporation, owner of the real property hereinafter described (the "Owner"), the CITY OF SAN MARCOS (the "City") and MUFG UNION BANK, N.A., as trustee under the Indenture, as hereinafter defined (the "Indenture Trustee").

RECITALS

A. Reference is made to the following documents (the "Subordinate Documents") which were previously executed by the Owner, and which encumber the property described in Exhibit A attached hereto (which property, together with all improvements now or hereafter located on the property, is hereinafter referred to as the "Property"):

(a) Supplemental Regulatory Agreement and Declaration of Restrictive Covenants dated as of March 1, 2003, by and between the Owner and the City filed in the records of San Diego County, California on the 17th day of March, 2003 as Instrument No. 2003-0293721.

(b) First Amendment to Supplemental Regulatory Agreement and Declaration of Restrictive Covenants dated as of July 16, 2009, by and between the Owner and the City filed in the records of San Diego County, California on the 21st day of July, 2009 as Instrument No. 2009-0402320.

B. The Owner has executed, or proposes to execute, a Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing (the "Bond Deed of Trust"), dated as of _____ 1, 2015, naming the Indenture Trustee as beneficiary and First American Title Insurance Company as trustee. The Bond Deed of Trust secures, among other things, the obligations of the Owner under a promissory note (the "Note") made by the Owner to the order of the Independent Cities Finance Authority (the "Authority"),

as issuer of certain mobilehome park revenue refunding bonds, in the aggregate principal sum of _____ (\$_____). The loan evidenced by the Note (the "Loan") is being made pursuant to a Loan Agreement (the "Loan Agreement") executed as of _____ 1, 2015, and a Regulatory Agreement and Declaration of Restrictive Covenants (the "Bond Regulatory Agreement") executed as of _____ 1, 2015, among the Owner, the Indenture Trustee and the Authority. The Loan Agreement is being executed in connection with that certain Indenture of Trust (the "Indenture") executed as of _____ 1, 2015, between the Authority and the Indenture Trustee, relating to \$_____ Mobile Home Park Revenue Refunding Bonds (Palomar Estates East and West) Series 2015. (The Loan Agreement, the Note, the Bond Deed of Trust, and the other instruments and documents which relate to or secure the obligations under the Loan shall be referred to collectively as the "Bond Loan Documents"). The Bond Deed of Trust and the Bond Regulatory Agreement are to be recorded concurrently herewith.

E. As a condition to funding of the Loan, the Indenture Trustee, at the direction of the Authority, requires that the Bond Deed of Trust and the Bond Regulatory Agreement be unconditionally and at all times remain a lien or charge upon the Property, prior and superior to the lien or charge of the Subordinate Documents and that the City specifically and unconditionally subordinate the Subordinate Documents to the lien or charge of the Bond Deed of Trust and the Bond Regulatory Agreement.

F. The City and the Owner both agree to the subordination of the Subordinate Documents in favor of the Bond Deed of Trust and the Bond Regulatory Agreement.

G. The Authority has requested and directed that the Indenture Trustee execute and deliver this Agreement.

THEREFORE, for valuable consideration and to induce the Authority and the Indenture Trustee to make the Loan, the Owner, the City and the Indenture Trustee hereby agree for the benefit of the Indenture Trustee as follows:

1. The Bond Deed of Trust and the Bond Regulatory Agreement and any modifications, renewals or extensions thereof, shall unconditionally be and at all times remain a lien or charge on the Property prior and superior to the Subordinate Documents.

2. This Agreement shall be the whole agreement with regard to the subordination of the Subordinate Documents and shall supersede and cancel, but only insofar as would affect the priority of the Bond Deed of Trust and the Bond Regulatory Agreement, any prior agreements as to such subordination, including, without limitation, those provisions, if any, contained in the Subordinate Documents which provide for the subordination of the Subordinate Documents to a deed or deeds of trust or to a mortgage or mortgages.

3. The parties hereto agree to cooperate with each other and perform any acts and execute, acknowledge and deliver any additional agreements, documents or instruments that may be reasonably necessary or desirable to carry out the provisions or to effectuate the purpose of this Agreement, including, without limitation, execution, acknowledgment, delivery and recordation of any document necessary to clear title to the Property and Improvements after a

foreclosure under the Bond Deed of Trust, or a transfer of the Property and Improvements by an assignment or a deed in lieu of foreclosure under the Bond Deed of Trust.

The City further declares, agrees and acknowledges for the benefit of the Indenture Trustee, that:

4. The City intentionally and unconditionally subordinates the lien or charge upon the Property of the Subordinate Documents to the lien or charge of the Bond Deed of Trust and the Bond Regulatory Agreement upon the Property and understands that in reliance upon, and in consideration of, this subordination, specific loans and advances are being and will be made by the Indenture Trustee and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this subordination.

5. The City hereby agrees not to exercise or attempt to exercise any remedy under the Subordinate 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 Bond Loan Documents shall have occurred and be continuing and the Indenture Trustee or the Bondowners (as defined below) shall have commenced exercising remedies under the Bond Loan Documents.

The Indenture Trustee covenants and agrees that:

6. In the event that the Indenture Trustee delivers to the Owner a notice of default under the Bond Loan Documents, the Indenture Trustee shall deliver to the City a copy of said notice concurrently with delivery to the Owner, and the City shall have the right (but not the obligation) to cure any or all defaults specified in said notice for a period of ninety (90) days after the date of such notice.

7. If, prior to any foreclosure sale of the Property under the Bond Deed of Trust, the City takes title to or possession of the Property and cures the outstanding defaults under the Loan, if any, the Indenture Trustee hereby agrees not to exercise any rights it may have to declare a default and accelerate its Loan by reason of the transfer of title or possession to the City, or if acceleration has already occurred, the Trustee hereby agrees that it will reinstate the Loan at that time; and agrees that it will recognize the City as borrower under the Loan under the same terms and conditions of said Loan, if the City agrees to assume and perform the Owner's obligations under said Loan, subject to the written approval of the owners of a majority of the aggregate principal amount of the Outstanding Bonds (the "Bondowners").

8. If the City takes title to the Property and cures the outstanding defaults under the Bond Loan Documents, if any, the City shall have the right to transfer the Property to another nonprofit 501(c)(3) tax-exempt housing developer reasonably approved in writing by the Indenture Trustee, the Authority and the Bondowners. In connection with any such transfer approved by the Indenture Trustee, the Bondowners and the Authority, the Indenture Trustee agrees that such transfer shall not constitute a default under the Bond Loan Documents and the Indenture Trustee shall not exercise any rights it may have to accelerate the Loan as a result of such transfer. This Agreement may be executed in one or more counterparts, each of which shall

be deemed an original and all of which together shall constitute and be construed as one and the same instrument.

Exhibit A is attached hereto and incorporated herein by this reference.

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

MILLENNIUM HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: _____
Lorraine M. Carraway, Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2015, before me, _____, a Notary Public, personally appeared Lorraine M. Carraway, 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 she executed the same in her authorized capacity, and that by 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)

MUFG UNION BANK, N.A., as Trustee

By: _____
Authorized Officer

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2015, 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 of Land