

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

U.S. Bank National Association
[CHECK – BANK TO CONFIRM]

(Space Above This Line For Recorder's Use)

US Bank – Eden Freedom Investors, L.P.
1482 Freedom Boulevard, Watsonville, CA
(APN: 019-226-41)

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR RIGHTS UNDER CERTAIN AGREEMENTS RELATING TO CERTAIN REAL PROPERTY BECOMING SUBJECT TO, AND OF LOWER PRIORITY THAN, THE LIEN OF A SECURITY INTEREST.

THIS SUBORDINATION AGREEMENT (this "Agreement"), made as of the [] day of [], 2024, by and between CITY OF WATSONVILLE, a municipal corporation and charter law city ("Subordinating Party"), whose address is 250 Main Street, Watsonville, CA 95076, Attn: City Manager, and U.S. BANK NATIONAL ASSOCIATION, successor-in-interest to MUFG Union Bank, N.A. ("Bank"), whose address is [] [CHECK], is made with reference to the following facts:

A. Unless expressly defined herein, all capitalized terms used herein shall have the meanings ascribed to them in Appendix I or Exhibit "B" attached hereto and made a part hereof.

B. Borrower is the owner (or, concurrently with the recording of this Agreement, will be the owner) of the Property, which Property is more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Property").

C. Borrower and Subordinating Party have heretofore entered into or, concurrently herewith, are entering into, those certain loan documents more particularly described in Exhibit "B" attached hereto ("Subordinating Party's Loan Documents"), pursuant to the terms of which Subordinating Party shall make a loan to Borrower of One Million Dollars (\$1,000,000) ("Subordinating Party's Loan") which Subordinating Party's Loan is secured by that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (PLHA Loan) ("Subordinating Party's Deed of Trust") dated [], executed by Borrower for the benefit of Subordinating Party, and recorded substantially concurrently herewith in the Official Records of Santa Cruz County, California ("Official Records"), and encumbering the Property and all Improvements to be constructed thereon. As a condition of Subordinating Party's Loan, the Property is also being encumbered with that certain Affordable Housing Regulatory Agreement (PLHA Loan) ("Subordinating Party's Restrictions") dated [], and recorded substantially concurrently herewith in the Official Records, pursuant which Borrower agreed, among other things, for itself and its successors and assigns, to operate the Project as a low income apartment complex in accordance with the terms and conditions set forth therein. Subordinating Party's Deed of Trust and the Subordinating Party's Restrictions are sometimes hereinafter collectively referred to as "Subordinating Party's Security Documents".

D. Borrower and Bank, as successor-in-interest to MUFG Union Bank, N.A., have entered into the Loan Agreement, pursuant to the terms of which Bank has made the Loan to Borrower to pay a portion of the cost of constructing the Improvements and certain other costs related thereto, which Loan is evidenced by the Note, made by Borrower to the order of Bank, as successor-in-interest to MUFG Union Bank, N.A., and secured by, among other things, the Deed of Trust, executed by Borrower for the benefit of Bank, as successor-in-interest to MUFG Union Bank, N.A., dated as of March 1, 2022 and recorded on

March 24, 2022 in the Official Records as Document No. 2022-0009669, and encumbering the Property and all Improvements to be constructed thereon. The Loan Agreement, the Note, the Deed of Trust and all other documents evidencing, securing or pertaining to the Loan are sometimes hereinafter collectively referred to as the "Loan Documents."

E. Bank requires that the Deed of Trust shall unconditionally be and remain at all times a lien or charge upon the Project, which is prior and superior to the liens or charges of Subordinating Party's Security Documents.

NOW, THEREFORE, in consideration of the foregoing, which are incorporated herein by reference, Bank's making the Loan to Borrower, and in consideration of the mutual promises and agreements hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Subordinating Party and the Bank (collectively, the "Parties") do hereby agree as follows:

1. SUBORDINATION OF SUBORDINATING PARTY'S SECURITY DOCUMENTS. Subject to the terms and conditions of this Agreement, the Deed of Trust, and any and all renewals or extensions thereof and all amendments and modifications hereafter made thereto, and any and all disbursements made by Bank to or for the account or benefit of Borrower the repayment of which is secured thereunder, shall unconditionally be and remain at all times a lien or charge against the Project that is prior and superior to the liens or charges of Subordinating Party's Security Documents, to the same extent and purpose as though Subordinating Party's Security Documents had been executed and recorded subsequent to the recording of the Deed of Trust and the making of each disbursement or advance made by Bank to Borrower the repayment of which is secured by the Deed of Trust, regardless of whether Borrower, at the time of any such disbursement or advance, may have been in default under the Loan Agreement, the Deed of Trust, or any of the other the Loan Documents and regardless of whether Bank was obligated to make any such disbursement or advance. Notwithstanding the foregoing, Bank shall not amend or modify the terms of the Loan and/or the Loan Documents without the prior written consent of the Subordinating Party if such amendment or modification has the effect of: (i) increasing or decreasing the amount of the Loan, except in the case of sums advanced by Bank in exercising its rights and remedies under the Loan Documents or as otherwise provided in Paragraph 2 of this Agreement; (ii) increasing the annual interest rate(s), including the default rate, above the rate(s) described in the Note; or (iii) modifying the maturity date to be sooner than the stated maturity date of the Note.

2. ALL DISBURSEMENTS UNDER THE LOAN SECURED BY THE DEED OF TRUST. Notwithstanding anything to the contrary set forth in the Loan Agreement or any other agreement between Bank and Borrower with respect to the disbursement of all or any portions of the proceeds of the Loan, any and all disbursements made by Bank to or for the account or benefit of Borrower or the Project in connection with the following, whether or not Bank is obligated to make such disbursements pursuant to the Loan Documents: (a) any costs or expenses incurred in complying with any laws, rules, regulations, or statutes or any directives of any governmental agencies or authorities having or exercising jurisdiction over the Project; (b) any sums advanced to pay for the cost of completing the construction of the Project, Project cost overruns and/or to lease-up and stabilize the Project made by Bank; and (c) any sums advanced by Bank for the payment of real estate taxes or assessments or insurance premiums, or any other sums advanced or obligations incurred by Bank in connection with the protection or preservation of any security given to Bank with respect to the Loan, including, without limitation, interest thereon shall be deemed to be, and in all events shall be, secured by the Deed of Trust and, as so secured, and regardless of whether Borrower at the time of any such disbursements may have been in default under the Loan Documents and regardless of whether Bank was obligated to make any such disbursements, shall be and remain a lien or charge against the Project that is unconditionally prior and superior to the lien and effect of Subordinating Party's Security Documents.

3. APPLICATION OF PAYMENTS UNDER SUBORDINATING PARTY'S LOAN. Until such time as all amounts outstanding under the Loan have been indefeasibly paid in full, prior to the occurrence of an Event of Default (as such term is defined in the Loan Documents), Subordinating Party shall be entitled to receive and retain payments made pursuant to and in accordance with Subordinating Party's Loan

documents; provided, however, that no such payment is made more than ninety (90) days in advance of its scheduled due date. Upon the occurrence of an Event of Default under the Loan Documents which remains uncured, all amounts (including, without limitation, all insurance proceeds and condemnation awards) received by Subordinating Party from, or for the account of, Borrower under Subordinating Party's Loan after written notice of such fact from Bank to Subordinating Party shall be immediately remitted to Bank at the address set forth above to be applied by Bank in reduction of amounts outstanding under the Loan, in such amounts and in such order as Bank shall determine. In the event that any payment is made to Subordinating Party which is not permitted under this Agreement, such payment shall be held by Subordinating Party in trust for the benefit of Bank and shall be paid immediately to Bank for application to the payment of all of indebtedness and obligations remaining unpaid under the Loan. Without limiting the complete subordination of Subordinating Party's Loan to the payment in full of the Loan, in any bankruptcy, insolvency, receivership or similar proceeding, upon any payment or distribution to creditors, the Loan shall be paid in full first in cash before Subordinating Party shall be entitled to receive any payment or other distribution on account of or in respect to Subordinating Party's Loan and, until the entire Loan is paid in full in cash, any payment or distribution to which Subordinating Party will be entitled but for this Agreement (whether in cash, property or other assets) shall be paid to Bank.

4. SUBORDINATION TO MODIFICATION OF LOAN. If Bank extends or otherwise modifies the terms of the Loan (including any amendment or modification which requires the Subordinating Party's prior written consent pursuant to Paragraph 1 and for which Subordinating Party has granted such consent), as soon as practicable but in no event more than forty-five (45) days after Subordinating Party's receipt of written notice thereof from Bank, Subordinating Party shall execute a new subordination agreement, in the form of this Agreement, confirming Subordinating Party's subordination of the effect of Subordinating Party's Security Documents against the Project to the lien or charge of the Deed of Trust. The execution of such new subordination agreement, however, shall not be a condition to the effectiveness of the subordination of Subordinating Party's Security Documents against the Project to the lien or charge of the Deed of Trust, which subordination shall be automatic.

5. SUBORDINATING PARTY'S RIGHT TO CURE DEFAULTS. Upon the occurrence of an Event of Default, Bank shall: (a) concurrently with notifying Borrower of the occurrence of such event of default, notify Subordinating Party at its address set forth above of the occurrence of such event of default; (b) permit Subordinating Party to cure or correct (provided that such event of default is curable) any such event of default within thirty (30) calendar days after receipt of such notice, except where such cure cannot reasonably be completed within thirty (30) days in which event Subordinating Party shall have an additional thirty (30) days to cure, so long as it promptly commences the cure and diligently proceeds with such cure until completion ("Subordinating Party Cure Period"); provided, however, that Bank has the continuing right to commence to pursue its remedies under the Loan Documents on account of such default during the Subordinating Party Cure Period, including but not limited to the right to accelerate the Loan, record a notice of default and to obtain a receiver; provided further, that if the cure is completed during the Subordinating Party Cure Period, Bank will rescind any notice of default after reimbursement of all of its costs incurred in connection with the default, including, without limitation, attorneys' fees and court costs; and (c) accept all payments and all acts done by Subordinating Party on behalf of Borrower within the Subordinating Party's Cure Period as though the same had been timely done and performed by Borrower, so that such acts and payments shall fully and totally cure and correct all such defaults, breaches, failures or refusals for all purposes. Subordinating Party shall not be subrogated to the rights of Bank under the Loan Documents by reason of Subordinating Party having cured any default under the Loan Documents; however, Bank acknowledges that, to the extent so provided in the Subordinating Party's Security Documents, amounts advanced or expended by Subordinating Party to cure an event in default under the Loan Documents may be added to and become a party of the Subordinating Party's Loan. In the event that an Event of Default occurs and Bank has recorded a notice of default, then for the period from the date of recordation of the notice of default, until the date of recordation of a notice of sale, so long as the noticed default continues, Subordinating Party shall have the right, but not the obligation, in lieu of curing any default under the Loan Documents, to purchase the Loan. Such purchase will be accomplished by Subordinating Party paying to Bank the outstanding principal amount of the Loan, plus all accrued and unpaid interest thereon and any prepayment premium, together with reasonable expenses incurred by Bank in connection therewith (including reasonable attorneys' fees and costs), in exchange for the assignments of the Loan Documents

without recourse or warranty except that Bank will warrant that it owns and has all requisite authority to transfer the Loan at the time of the transfer. Borrower acknowledges and agrees, by executing the joinder attached hereto, that after the Loan has been assigned to Subordinating Party or its nominee, Bank shall be relieved from all liability to Borrower under or in connection with the Loan Documents.

6. BANK'S RIGHT TO CURE DEFAULT UNDER SUBORDINATING PARTY'S LOAN. Upon the occurrence of a default under Subordinating Party's Loan, Subordinating Party shall: (a) concurrently with notifying Borrower of the occurrence of such event of default, notify Bank at its address set forth above of the occurrence of such default or event of default; (b) permit Bank to cure or correct (provided that such event of default is curable) any such event of default within thirty (30) calendar days after receipt of such notice ("Bank Cure Period"); provided, however, that Subordinating Party has the continuing right to commence to pursue its remedies under the Subordinating Party's Loan Documents on account of such default during the Bank Cure Period, including but not limited to the right to accelerate the Subordinating Party's Loan, record a notice of default and to obtain a receiver; provided further, that if the cure is completed during the Bank Cure Period, Subordinating Party will rescind any notice of default after reimbursement of all of its costs incurred in connection with the default, including, without limitation, attorneys fees and court costs; and (c) accept all payments and all acts done by Bank on behalf of Borrower within the Bank Cure Period as though the same had been timely done and performed by Borrower, so that such acts and payments shall fully and totally cure and correct all such defaults, breaches, failures or refusals for all purposes.

7. INTENTIONALLY OMITTED.

8. RECEIPT AND APPLICATION OF INSURANCE PROCEEDS AND CONDEMNATION AWARDS; RECEIPT AND APPLICATION OF PROCEEDS FROM BONDS.

(a) Receipt and Application of Insurance Proceeds and Condemnation Awards. Notwithstanding anything stated to the contrary in any of Subordinating Party's Security Documents, so long as the Deed of Trust continues to encumber all or portions of the Project, all insurance proceeds that may become available from time to time as a result of damage or destruction to all or portions of the Improvements and all condemnation awards that may become available from time to time as a result of the condemnation of all or portions of the Project shall be held by Bank, disbursed by Bank and applied by Bank in accordance with the terms and conditions of the Deed of Trust and the other Loan Documents and, until the outstanding balance of the Loan has been repaid in full, Subordinating Party shall have no right to hold, disburse or apply any of such proceeds and/or awards; provided if the Loan is fully repaid, any remaining proceeds and/or awards may be applied to repayment of Subordinating Party's Loan. Without limiting the generality of the foregoing, so long as the Deed of Trust continues to encumber all or any portion of the Project, the Bank shall have all approval, consent and oversight rights in connection with any insurance claims or condemnation proceedings related to the Property and any decision regarding the use of insurance proceeds after a casualty loss or condemnation awards and, until the outstanding balance of the Loan has been repaid in full, Subordinating Party shall have no right to object to any such action or approval taken by Bank and shall consent thereto and be bound thereby.

(b) Receipt and Application of Proceeds from Bonds. With respect to all labor and material bonds and/or completion bonds that are issued from time to time to assure payment and completion of the Improvements and which name Bank and Subordinating Party (or any other party) as dual obligees, all proceeds that may become available from time to time under such bonds shall be held by Bank and disbursed by Bank and Subordinating Party shall have no right to hold or disburse any of such proceeds; provided that if the Loan is fully repaid, any remaining proceeds under such bonds may be applied to repayment of Subordinating Party's Loan.

9. NOTICES. Any notice, demand or request required or permitted to be delivered hereunder shall be deemed to have been duly and properly given at the time of such delivery if personally delivered (which shall include delivery by means of professional overnight courier service which confirms receipt in writing or refusal of delivery (or attempted delivery if undeliverable) or if mailed, forty-eight (48) hours after

deposit in United States registered or certified mail, postage prepaid, return receipt requested, addressed to Subordinating Party or Bank, as the case may be, at their addresses set forth above.

10. ENTIRE AGREEMENT. This Agreement shall be the whole and only agreement with respect to the subordination of the effect of Subordinating Party's Security Documents to the lien or charge of the Deed of Trust and all disbursements and advances made thereunder, and shall supersede and cancel any prior agreements as to such subordination, including without limitation any provisions contained in Subordinating Party's Security Documents that provide for the subordination of the effect thereof to one or more deeds of trust.

11. SUBORDINATING PARTY'S REPRESENTATIONS, WARRANTIES, COVENANTS, CONSENTS, APPROVALS AND ACKNOWLEDGEMENTS. Subordinating Party hereby warrants, represents, declares, agrees and acknowledges as follows:

(a) For purposes of this Agreement, Subordinating Party acknowledges that Subordinating Party has been provided the opportunity to review the Loan Documents before executing this Agreement;

(b) Bank, in making disbursements pursuant to the Loan Agreement, is under no obligation or duty to insure, nor has Bank represented that it will insure, the proper application of such proceeds by the person(s) to whom Bank disburses such proceeds, and any application or use of such proceeds for purposes other than as provided in any such agreement shall not defeat or render invalid, in whole or in part, the subordination provided for in this Agreement;

(c) Bank has not made any warranty or representation of any kind or nature whatsoever to Subordinating Party with respect to (i) the application of the proceeds of the Loan being made by Bank to Borrower upon the security of the Deed of Trust, (ii) the value of the Property, the Improvements to be constructed thereon pursuant to the Loan Agreement, or the marketability or value thereof upon completion of such construction, or (iii) the ability of Borrower to honor its covenants and agreements with Bank or Subordinating Party;

(d) Bank's release of any security for the Loan, including, without limitation, the reconveyance of any portion(s) of the Project from the lien of the Deed of Trust shall not constitute a waiver or relinquishment of Subordinating Party's unconditional subordination of the liens or charges of Subordinating Party's Security Documents against the Project to the lien or charge of the Deed of Trust;

(e) Bank would not make the Loan to Borrower absent the execution of this Agreement by Subordinating Party;

(f) Bank has no duty to disclose to Subordinating Party any facts Bank may now know or hereafter know about Borrower or the partners or successors of Borrower, regardless of whether (i) Bank has reason to believe that any such facts may increase materially the risk beyond that which Subordinating Party intends to assume, (ii) Bank may have reason to believe that such facts are unknown to Subordinating Party, or (iii) Bank has a reasonable opportunity to communicate such facts to Subordinating Party, it being understood and agreed that Subordinating Party is fully responsible for being and keeping informed of the financial condition of Borrower and/or any partners or successors of Borrower and of all circumstances bearing on the risk of non-payment of any indebtedness of Borrower to Bank described in this Agreement;

(g) Subordinating Party has made such independent legal and factual inquiries and examinations as Subordinating Party deems necessary or desirable, and Subordinating Party has relied solely on said independent inquiries and examinations in entering into this Agreement;

(h) The Subordinating Party's Loan Documents as described in Exhibit "B" attached hereto are all of the documents evidencing, securing or pertaining to Subordinating Party's Loan, true,

correct and complete copies thereof have been delivered to Bank and the Subordinating Party's Loan Documents have not been amended or modified except as reflected thereon;

(i) As of the date set forth above, to the best of Subordinating Party's knowledge, Subordinating Party has no offset, defense, deduction or claim against Borrower under any of Subordinating Party's Loan Documents, Borrower is not in default under any of Subordinating Party's Loan Documents and Subordinating Party knows of no event that has occurred or is continuing which, with the passage of time or the giving of notice, or both would constitute a default under any of the Subordinating Party's Loan Documents;

(j) To the best of Subordinating Party's knowledge, each and every covenant, condition and obligation contained in the Subordinating Party's Loan Documents required to be performed or satisfied as of the date hereof, and each and every matter required to be approved by Subordinating Party as of the date hereof, has been satisfied and/or approved and/or waived as applicable, including, without limitation, all conditions precedent to Borrower's right to commence construction of the Improvements and those matters listed in Section 4.5 of Subordinating Party's Loan Agreement, all of which conditions have been satisfied and/or approved and/or waived, as applicable, as of the date set forth above;

(k) Borrower has commenced construction of the Improvements, and construction of the Improvements need not be completed until June 30, 2024;

(l) As of the date set forth above, Subordinating Party's Loan has been fully funded and to the best of Subordinating Party's knowledge, Borrower's use of Subordinating Party's Loan funds complies with the provisions of the budget attached to the Subordinating Party's Loan Agreement;

(m) Notwithstanding anything stated to the contrary in the Subordinating Party's Loan Documents, (i) the limited partner in Borrower shall have the right at any time and from time to time, without the approval or consent of Subordinating Party, to assign, sell or otherwise transfer to any third party its limited partnership interest in Borrower, provided that Borrower provides notice to Subordinating Party of such assignment, sale or transfer concurrently with such assignment, sale or transfer, and (ii) the general partner in Borrower shall have the right, without the approval or consent of Subordinating Party, to pledge or otherwise encumber its partnership interest in Borrower to Bank and the foreclosure of such pledge by Bank shall not cause an event of default under the Subordinating Party's Loan Documents;

(n) Notwithstanding anything stated to the contrary in Subordinating Party's Loan Documents, Subordinating Party's interest in the plans and specifications and all data, drawings, contracts and agreements relating thereto and all contracts and agreements relating to the construction of the Improvements shall be subject and subordinate to Bank's interest in the same;

(o) Notwithstanding anything stated to the contrary in Subordinating Party's Loan Documents, Subordinating Party's rights in and to the leases and rents of the Property shall be subject and subordinate to the rights of Bank to same;

(p) Notwithstanding anything stated to the contrary in Subordinating Party's Loan Documents, the occurrence of an Event of Default under the Loan Documents shall not in and of itself constitute a default or an event of default under any of Subordinating Party's Loan Documents unless the occurrence of such event shall constitute a separate default under the Subordinating Party's Loan Documents;

(q) The subordination of Subordinating Party's Loan shall continue in the event that any payment with respect to any Loan Document (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, a receiver or other similar party under any bankruptcy, insolvency or receivership or similar law under any bankruptcy, insolvency, receivership or similar proceeding. In such event, the Loan or any part thereof originally

intended to be satisfied shall be deemed to be reinstated and outstanding to the extent of any repayment, return or other action, as if such payment on account of the Loan had not been made; and

(r) So long as the Deed of Trust continues to encumber all or portions of the Project, Subordinating Party shall not commence in or join with any other creditor in commencing any bankruptcy, insolvency, receivership or similar proceeding involving Borrower and Subordinating Party shall not initiate any action, motion or request in any such proceeding involving any other person or entity, which seeks the consolidation of some or all of the assets of Borrower into such proceeding. In the event of any such proceeding relating to Borrower or the Property or, in the event of any such proceeding relating to any other person or entity into which (notwithstanding the covenant in the first sentence of this clause) the assets or interests of Borrower are consolidated, then in either event, the Loan shall first be paid in full before Subordinating Party shall be entitled to receive or retain any payment or distribution with respect to the Subordinating Party's Loan received after commencement of such proceeding. Subordinating Party agrees that (i) Bank shall receive all payments and distributions of every kind or character in respect of Subordinating Party's Loan to which Subordinating Party would otherwise be entitled, before the subordination provisions of this Agreement (including, without limitation, any payments or distributions during the pendency of any bankruptcy, insolvency, receivership or similar proceeding involving Borrower or the Property) until the Loan is repaid in full, and (ii) the subordination of the Subordinating Party's Loan and Subordinating Party's Security Documents shall not be affected in any way by the Bank electing, under Section 1111(b) of the Federal Bankruptcy Code, to have its claim treated as being a fully secured claim. In addition, Subordinating Party hereby covenants and agrees that, in connection with such a proceeding involving Borrower, neither Subordinating Party nor any of its affiliates shall (i) make or participate in a loan facility to or for the benefit of Borrower on a basis that is senior to or pari passu with the liens and interests held by Bank pursuant to the Loan Documents and (ii) not contest the continued accrual of interest on the Loan, in accordance with and at the rate specified in the Loan Documents, both for periods before and for periods after commencement of such proceedings.

12. ATTORNEYS' FEES. If either Subordinating Party or Bank shall bring an action against the other by reason of the breach of any covenant, provision, or condition of this Agreement, or otherwise arising out of this Agreement, the unsuccessful party shall pay to the prevailing party reasonable attorneys' fees, which fees shall be payable whether or not any action is prosecuted to judgment. The term "prevailing party" shall include, without limitation, a party who brings an action against the other by reason of the other's breach or default and obtains substantially the relief sought, whether by compromise, settlement, or judgment.

13. ESTOPPEL CERTIFICATES. Either party shall, within twenty (20) days following the other party's written request therefor, execute and deliver to such requesting party an estoppel certificate in form and substance reasonably satisfactory to the requesting party provided such estoppel certificate does not change the terms of this Agreement, the Loan Documents, or Subordinating Party's Loan Documents.

14. GOVERNING JURISDICTION. This Agreement shall be governed by the laws of the State of California and shall be binding upon, and shall inure to the benefit of, the parties to this Agreement and their respective successors and assigns.

15. SEVERABILITY. In case one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein unless the effect thereof would materially alter the benefits or burdens hereof to the Parties hereto.

16. THIRD PARTIES. Subordinating Party recognizes that Bank may show copies of this Agreement to other institutional lenders who are interested in the matters covered in this Agreement and Subordinating Party agrees that such other institutional lenders may also materially rely upon the representations, warranties and agreements made by the Subordinating Party in this Agreement.

17. COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute but one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

WHEREAS, this Subordination Agreement has been executed by the Parties as of the date first written above.

BANK:

U.S. BANK NATIONAL ASSOCIATION,
a national banking association

By: _____
[]

“SUBORDINATING PARTY”

CITY OF WATSONVILLE,
a municipal corporation and charter law city

By: _____
Name: Rene Mendez
Title: City Manager

ATTEST:

By: _____
Name: Irwin Ortiz
Title: City Clerk

APPROVED AS TO FORM:

BURKE, WILLIAMS & SORENSON, LLP,
a California limited liability partnership

By: _____
Name: Samantha Zutler
Title: City Attorney

JOINDER

Unless expressly defined herein, all capitalized terms used herein shall have the same meanings ascribed to them in the Subordination Agreement (the "Subordination Agreement") to which this Joinder is attached.

The undersigned hereby acknowledges receipt of a copy of the Subordination Agreement and, as fee owner of the Property, hereby consents to, approves and agrees to be bound by all of the terms and conditions set forth in the Subordination Agreement.

EDEN FREEDOM INVESTORS, L.P.,
a California limited partnership

By: Eden Freedom LLC,
a California limited liability company,
its general partner

By: Eden Investments, Inc.,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Name: Andrea Osgood
Its: Chief of Real Estate Development

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

Real Property in the City of Watsonville, County of Santa Cruz, State of California, described as follows:

BEING A PART OF THE RANCHO BOLSA DEL PAJARO AND BEGINNING ON THE NORTHEASTERN SIDE OF THE WATSONVILLE SANTA CRUZ HIGHWAY AND ON THE BOUNDARY LINE BETWEEN THE SAID RANCHO BOLSA DEL PAJARO AND THE RANCHO CORRALITOS; SAID POINT OF BEGINNING BEING THE SOUTHWESTERN CORNER OF LANDS OF ONE GEORGE WHITE; AND RUNNING THENCE FROM SAID POINT OF BEGINNING ALONG THE SAID NORTHEASTERN SIDE OF SAID HIGHWAY 38° 18' EAST 168.00 FEET; THENCE LEAVING HIGHWAY NORTH 56° 38' EAST 466.70 FEET TO THE LANDS OF ONE HART; THENCE ALONG THE BOUNDARY OF SAID LANDS OF HART NORTH 25° 23' WEST 248.00 FEET TO THE AFORESAID RANCHO BOUNDARY; AND THENCE ALONG SAID RANCHO BOUNDARY SOUTH 48° WEST 521.40 FEET TO THE PLACE OF BEGINNING.

EXCEPTING THEREFROM THE LAND DEEDED TO THE COUNTY OF SANTA CRUZ PURSUANT TO DEED RECORDED IN VOLUME 341 OF OFFICIAL RECORDS OF THE COUNTY RECORDER OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA, AT PAGE 171 THEREOF.

ALSO EXCEPTING THEREFROM THE LANDS CONVEYED TO THE CITY OF WATSONVILLE BY DEED RECORDED JULY 29, 1980 IN VOLUME 3219 PAGE 211 OFFICIAL RECORDS COUNTY OF SANTA CRUZ.

ALSO EXCEPTING THEREFROM THE LANDS CONVEYED TO THE CITY OF WATSONVILLE BY DEED RECORDED MARCH 28, 2006 AS DOCUMENT NO. 2006-17265 OFFICIAL RECORDS, AND AS CORRECTED BY GRANT DEED RECORDED APRIL 10, 2017 AS DOCUMENT NO. 2017-0011836 OFFICIAL RECORDS COUNTY OF SANTA CRUZ.

APN: 019-226-41

EXHIBIT "B"

SUBORDINATING PARTY'S LOAN DOCUMENTS

1. Loan Agreement dated [____], by and between Subordinating Party and Borrower (the "Subordinating Party's Loan Agreement").
2. Secured Promissory Note (PLHA Loan) dated [____], in the principal amount of \$1,000,000, by Borrower in favor of Subordinating Party.
3. Subordinating Party's Deed of Trust.
4. Subordinating Party's Restrictions.

APPENDIX I

As used in the agreement to which this Appendix I is attached, and as used in this Appendix I, the following terms shall have the indicated meanings:

"Bank" shall mean U.S. Bank, National Association, as successor-in-interest to MUFG Union Bank, N.A.

"Borrower" shall mean Eden Freedom Investors, L.P., a California limited partnership.

"Deed of Trust" shall mean that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction and Permanent Trust Deed) of even date of the Note, executed by Borrower for the benefit of Bank, as successor-in-interest to MUFG Union Bank, N.A., dated March 1, 2022 and recorded on March 24, 2022 as Instrument No. 2022-0009669 in the Official Records, and encumbering the Property.

"Improvements" shall mean the fifty-three (53) unit apartment project building, including one (1) manager's unit, located at 1482 Freedom Boulevard, Watsonville, California.

"Loan" shall mean the \$30,827,222 construction and permanent loan made by Bank, as successor-in-interest to MUFG Union Bank, N.A. to Borrower.

"Loan Agreement" shall mean the Construction and Permanent Loan Agreement dated March 1, 2022, executed by Borrower and Bank, as successor-in-interest to MUFG Union Bank, N.A.

"Note" shall mean, collectively, the Promissory Note A-1 Secured by Deed of Trust (Construction Term Note) in the amount of \$16,687,222 dated March 1, 2022 and executed by Borrower in favor of Bank, as successor-in-interest to MUFG Union Bank, N.A., and the Promissory Note A-2 Secured by Deed of Trust (Construction and Permanent Term) in the amount of \$14,140,000 dated March 1, 2022 and executed by Borrower in favor of Bank, as successor-in-interest to MUFG Union Bank, N.A.

"Project" shall mean the Property and the Improvements.