RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

Junior Lender Corp
456 anystreet
anytown, CA 09876

Space Above for Recorder's Use

SUBORDINATION AGREEMENT

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

This SUBORDINATION AGREEMENT ("**Agreement**") is made as of **March 14, 2026**, by and among **CRE SAMPLE** ("**Borrower**"), JUNIOR LENDER CORP, a California corporation ("**Junior Lien Holder**"), and **SAMPLE BANK LENDER**, **a California corporation** ("**Senior Lien Holder**").

RECITALS

A. Borrower holds or will hold title to that certain real estate more particularly described on Exhibit "A" ("**Mortgaged Property**").

B. Pursuant to the terms and conditions of that certain promissory note in the principal sum of **TWENTY-FIVE THOUSAND AND 00/100 DOLLARS (US $25,000.00)** ("**Junior Note**") given by Borrower to Junior Lien Holder, Borrower has agreed to pay to Junior Lien Holder certain sums and/or perform certain obligations, all of which are to be secured by that certain deed of trust ("**Junior Mortgage**") to be recorded substantially concurrently herewith.

C. The Junior Note and all of the other related documents and materials shall be referred to collectively as the "Junior Loan Documents." The security interests granted by Borrower to Junior Lien Holder under the Junior Mortgage and all of the other Junior Loan Documents shall be referred to as the "Junior Lien."

D. As used herein, the term "Junior Obligations" means any and all indebtedness, claims, debts, liabilities or other obligations from Borrower to Junior Lien Holder under the Junior Loan Documents, together with all costs and expenses, including attorneys' fees, of collection thereof, whether the same accrues or is incurred before or after the commencement of any bankruptcy case by or against Borrower.

E. Senior Lien Holder will make a loan to Borrower up to the maximum sum of **ONE MILLION AND 00/100 DOLLARS (US $1,000,000.00)** ("**Senior Loan**"), which loan is evidenced by a Loan Agreement of even date herewith ("**Senior Loan Agreement**") and a promissory note of even date herewith executed by Borrower in favor of Senior Lien Holder ("**Senior Note**") in the maximum aggregate principal sum of the Senior Loan. The Senior Note is secured in part by a

Deed of Trust, Assignment of Leases and Rents and Security Agreement of even date herewith ("**Senior Mortgage**"), to be recorded substantially concurrently herewith in favor of Senior Lien Holder.

F. The Senior Loan Agreement, Senior Note and all of the other related documents and materials shall be referred to collectively as the "Senior Loan Documents." The security interests granted by Borrower to Senior Lien Holder under the Senior Mortgage and the other Senior Loan Documents shall be referred to as the "Senior Lien."

G. As used herein, the term "Senior Lien Holder Indebtedness" means any and all indebtedness, claims, debts, liabilities or other obligations from Borrower to Senior Lien Holder under the Senior Loan Documents, together with all interest accruing thereon and all costs and expenses, including attorneys' fees, of collection thereof, whether the same accrues or is incurred before or after the commencement of any bankruptcy case by or against Borrower.

H. Pursuant to the Senior Lien and the other Senior Loan Documents, Borrower is not entitled to further encumber the Mortgaged Property without the prior written consent of Senior Lien Holder, which consent may be withheld in Senior Lien Holder's sole discretion.

I. It is a condition precedent to Senior Lien Holder permitting the recordation of the Junior Mortgage that the Senior Lien shall be and remain at all times prior and superior to the Junior Lien.

J. Senior Lien Holder is willing to permit the recordation of the Junior Lien, provided that (a) the Senior Lien is prior and superior to the Junior Lien, and (b) Junior Lien Holder will specifically subordinate the Junior Lien to the Senior Lien.

K. Junior Lien Holder is willing to agree that the Senior Lien securing the Senior Lien Holder Indebtedness shall be prior and superior to the Junior Lien securing the Junior Obligations.

L. Any capitalized terms not specifically defined herein shall have the same meanings as given to such terms in the Senior Loan Documents.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Lien Holder to make the loan above referred to, it is hereby declared, understood, and agreed as follows:

A. **SUBORDINATION OF THE JUNIOR LIEN.** The Senior Lien in favor of Senior Lien Holder, and any renewals, modifications or extensions thereof (including those which increase the loan amount or interest rate, extend the maturity date, eliminate any interest reserve requirements, or change any of the terms and conditions of the Senior Loan Documents), shall unconditionally be and remain at all times prior and superior to the Junior Lien. In making disbursements pursuant to any of the Senior Loan Documents, Senior Lien Holder is under no obligation or duty to, nor has Senior Lien Holder represented that it will, see to the application of such proceeds by the person or persons to whom Senior Lien Holder disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such Senior Loan Document(s) shall not defeat the subordination herein made in whole or in part.

B. **ONLY AGREEMENT REGARDING SUBORDINATION.** Senior Lien Holder would not permit the recordation of the Junior Lien pursuant to the Senior Mortgage without this Agreement. This Agreement shall be the whole and only agreement with regard to the subordination of the Junior Lien to the Senior Lien and shall supersede and cancel, but only insofar as would affect the priority between said liens, any prior agreements as to such subordination, including, but not limited to, those provisions, if any, contained in the Junior Lien which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages. The parties acknowledge and agree that in the event of any default or breach of this Agreement, the right to seek and collect damages may not provide an adequate remedy for such default or breach, and therefore, each party shall have the right to bring an action seeking specific performance of the requirements of this Agreement and may take action to compel any party hereto, by ex parte application or otherwise, to perform its obligations hereunder.

C. **JUNIOR LIEN HOLDER CONSENT AND APPROVAL.** Junior Lien Holder consents to Borrower's execution and delivery to Senior Lien Holder of the Senior Loan Documents. Junior Lien Holder acknowledges that Borrower's performance under said Senior Loan Documents shall not constitute a default under the Junior Loan Documents. Junior Lien Holder will not, without Senior Lien Holder's prior written consent (which consent shall be at Senior Lien Holder's sole option and discretion), sell, assign, transfer, pledge or give a security interest in the Junior Obligations (except subject expressly to this Agreement).

D. **JUNIOR LIEN HOLDER COVENANTS.** Junior Lien Holder declares, agrees, and acknowledges that:

1. **Subordination of Junior Obligations.** Any and all Junior Obligations are hereby subordinated and subject to any and all Senior Lien Holder Indebtedness, as set forth herein.

2. **Permitted Payments.** Borrower may make payments under the Junior Loan Documents, if required, as long as all payments under the Senior Loan Documents are current and not delinquent or in arrears, and only so long as at the time of such payment:

(a) No Event of Default exists under the Senior Lien Holder Indebtedness of which Junior Lien Holder has received notice and an opportunity to cure as provided herein; and

(b) Such payment would not result in a violation of any of Borrower's financial covenants set forth in the Senior Loan Agreement ("**Permitted Payments**").

Notwithstanding anything to the contrary contained herein, it is the intention of the parties hereto that no provision of this Agreement shall excuse or release Borrower from any payments or obligations due Junior Lien Holder under the Junior Loan Documents.

E. **PRIORITY OF ALL OTHER PAYMENTS.** Except for any Permitted Payments:

(a) all of the Senior Lien Holder Indebtedness now or hereafter existing shall be first paid by Borrower before any payment shall be made by Borrower on the Junior Obligations,

(b) Junior Lien Holder will not, without Senior Lien Holder's prior written consent (which consent shall be at Senior Lien Holder's sole option and discretion), collect, enforce or receive payment upon, by setoff or in any other manner, all or any portion of the Junior Obligations now or hereafter existing, and

(c) this priority of payment shall always apply until all of the Senior Lien Holder Indebtedness has been repaid in full.

In the event of any assignment by Borrower for the benefit of Borrower's creditors, or any bankruptcy proceedings instituted by or against Borrower, or the appointment of any receiver for Borrower or Borrower's business or assets, or of any dissolution or other winding up of the affairs of Borrower or of Borrower's business, and in all such cases respectively, Borrower's officers and any assignee, trustee in bankruptcy, receiver and other person or persons in charge are hereby directed to pay to Senior Lien Holder the full amount of the Senior Lien Holder Indebtedness before making any payments to Junior Lien Holder due under the Junior Obligations.

F. **RETURN OF PROHIBITED PAYMENTS.** Except as otherwise expressly agreed to herein, if Junior Lien Holder shall receive any payments or other rights in any property of Borrower in connection with the Junior Obligations in violation of this Agreement, such payment or property shall immediately be delivered and transferred to Senior Lien Holder in the same form as received by Junior Lien Holder after notice is received by Junior Lien Holder.

G. **DEFAULT UNDER JUNIOR LOAN DOCUMENTS.** Junior Lien Holder may record a notice of default or otherwise commence foreclosure or other enforcement proceedings, whether judicial or non-judicial, under the Junior Lien only after Junior Lien Holder shall have given to Senior Lien Holder not less than thirty (30) days' prior written notice thereof, which notice shall constitute an "Event of Default" (as defined in the Senior Loan Agreement) under the Senior Loan Documents, and during which 30-day notice period Senior Lien Holder shall have the opportunity (without the obligation) to cure any default under the Junior Lien and/or to commence foreclosure proceedings under the Senior Lien. Notwithstanding any other provision of this Agreement to the contrary:

(a) Nothing herein shall be deemed a waiver by Senior Lien Holder of the "due-on-sale" provisions of the Senior Loan Documents, or of any other provision of any Senior Loan Document, or of any other right or remedy that Senior Lien Holder may have at law or in equity, and in the event any exercise of any right or remedy by Junior Lien Holder results in the occurrence of an Event of Default, or a default which continues beyond any applicable cure or grace period, under any Senior Loan Document, Senior Lien Holder may exercise all of its rights and remedies as a result thereof notwithstanding any provision of this Agreement;

(b) Senior Lien Holder shall have full right to participate and intervene in any receivership motion, and/or any other administrative, legal or equitable action Junior Lien Holder may commence against Borrower;

(c) Any receivership order issued with respect to the Mortgaged Property must in Senior Lien Holder's good-faith judgment adequately protect Senior Lien Holder's interests, which at a minimum shall mean that any proceeds of the Mortgaged Property collected by any receiver shall be held for the benefit of Senior Lien Holder as well as Junior Lien Holder and shall be paid to Senior Lien Holder to cure any default or delinquency then existing under the Senior Lien Holder Indebtedness (other than any amount due solely by reason of the acceleration of the Senior Lien Holder Indebtedness), and to be applied toward any deficiency judgment that Senior Lien Holder may obtain against Borrower in the event that Senior Lien Holder has then commenced and is then actively prosecuting a judicial foreclosure against Borrower, prior to being paid to Junior Lien Holder; and

(d) In the event that any guarantor of all or any part of the Junior Obligations is also a guarantor of all or any part of the Senior Lien Holder Indebtedness, any recovery that Junior Lien Holder may obtain from such guarantor shall be held for the benefit of Senior Lien Holder as well as Junior Lien Holder and shall be paid to Senior Lien Holder to cure any default or delinquency then existing under the Senior Lien Holder Indebtedness (other than any amount due solely by reason of the acceleration of the Senior Lien Holder Indebtedness), and to be applied toward any deficiency judgment that Senior Lien Holder may obtain against Borrower in the event that Senior Lien Holder has then commenced and is then actively prosecuting a judicial foreclosure against Borrower prior to being paid to Junior Lien Holder. Senior Lien Holder shall not be deemed to be actively prosecuting a judicial foreclosure against Borrower if Senior Lien Holder shall have commenced a judicial foreclosure against Borrower merely for the purpose of obtaining the appointment of a receiver for all or any portion of the Mortgaged Property.

Except as expressly provided herein, Junior Lien Holder agrees that it will not, without Senior Lien Holder's prior written consent (which consent shall be at Senior Lien Holder's sole option and discretion), commence, prosecute, or participate in any administrative, legal or equitable action against Borrower with respect to the Junior Obligations that might adversely affect Borrower or its interest or that might adversely affect Senior Lien Holder and its interest in the Mortgaged Property. In the event Junior Lien Holder records a notice of default or otherwise commences foreclosure proceedings without first giving notice to Senior Lien Holder as required above, Senior Lien Holder shall be entitled to have the same vacated, dissolved and set aside by such proceedings at law, and this Agreement shall be and constitute full and sufficient grounds therefor and shall entitle Senior Lien Holder to become a party to any proceedings at law or otherwise in or by which Senior Lien Holder may deem it proper to protect its interests hereunder.

Junior Lien Holder agrees that if Junior Lien Holder records a notice of default or otherwise commences foreclosure proceedings without first giving notice to Senior Lien Holder as required above, monetary damages shall not be sufficient compensation to Senior Lien Holder for the losses and damages that Senior Lien Holder may sustain by reason of such breach and, therefore, Senior Lien Holder shall be entitled to a court order, either by ex parte application or otherwise, granting specific performance in Senior Lien Holder's favor enforcing the provisions of this section.

H. **REPAYMENT OF SENIOR LIEN HOLDER INDEBTEDNESS.** This Agreement shall remain in full force and effect until all Senior Lien Holder Indebtedness is fully repaid in accordance with its terms and all of the terms of this Agreement have been complied with.

I. **SENIOR LIEN HOLDER ACQUIRES MORTGAGED PROPERTY.** If Senior Lien Holder or any other person or entity acquires title to all or any portions of the Mortgaged Property by foreclosure proceedings under, or exercise of the power of sale in, the Senior Lien, the Junior Mortgage shall not, unless Senior Lien Holder in its sole and absolute discretion otherwise elects in writing, constitute in any manner whatsoever a lien against the Mortgaged Property.

J. **DISCONTINUE SENIOR LOAN.** If at any time hereafter Senior Lien Holder shall in its own judgment determine to discontinue the extension of credit to or on behalf of Borrower, Senior Lien Holder may do so. This Agreement, the obligations of Junior Lien Holder hereunder owing to Senior Lien Holder and Senior Lien Holder's rights and privileges hereunder shall continue until payment in full of all of the Senior Lien Holder Indebtedness, and the termination of this Agreement pursuant to their terms, notwithstanding any action or nonaction by Senior Lien Holder with respect thereto or with respect to any collateral therefor or any guaranties of the Senior Lien Holder Indebtedness.

K. **EFFECT OF OTHER AGREEMENTS.**

1. **Other Relationships.** Junior Lien Holder declares, agrees, and acknowledges that Borrower and Junior Lien Holder have entered into certain agreements relating to the development of the Mortgaged Property, including without limitation the Junior Loan Documents, the Junior Note and the Junior Lien. Notwithstanding the foregoing, Junior Lien Holder hereby acknowledges and agrees that:

(a) Senior Lien Holder shall in no way be liable for any acts or omissions of Borrower (or any agent of Borrower) and Junior Lien Holder (or any agent of Junior Lien Holder) arising out of Borrower's and/or Junior Lien Holder's performance, lack of performance or breach of any of the above-described agreements between those parties and other third parties, including without limitation the Junior Loan Documents, the Junior Note and the Junior Lien.

(b) The relationship between Borrower and Senior Lien Holder under the Senior Loan Documents is, and shall at all times remain, solely that of Borrower and Senior Lien Holder. Based thereon, Junior Lien Holder acknowledges and agrees that Senior Lien Holder neither undertakes nor assumes any fiduciary responsibility or other responsibility or duty to Borrower or Junior Lien Holder to guarantee or assist in Borrower's or Junior Lien Holder's performance under any of the agreements between those parties and other third parties, including without limitation the Junior Loan Documents, the Junior Note and the Junior Lien.

2. **Senior Lien Holder's Acknowledgments.** Senior Lien Holder hereby acknowledges and agrees that:

(a) Junior Lien Holder shall in no way be liable for any acts or omissions of Borrower (or any agent of Borrower) and Senior Lien Holder (or any agent of Senior Lien Holder) arising out of Borrower's and/or Senior Lien Holder's performance, lack of performance or breach of any of the above-described agreements between those parties and other third parties, including without limitation the Senior Loan Documents, the Senior Note and the Senior Lien.

(b) The relationship between Borrower and Junior Lien Holder under the Junior Loan Documents is, and shall at all times remain, solely that of borrower and lender. Based thereon, Senior Lien Holder acknowledges and agrees that Junior Lien Holder neither undertakes nor assumes any fiduciary responsibility or other responsibility or duty to Borrower or Senior Lien Holder to guarantee or assist in Borrower's or Senior Lien Holder's performance under any of the agreements between those parties and other third parties, including without limitation the Senior Loan Documents, the Senior Note and the Senior Lien.

L. **DISBURSEMENTS BY LENDER.**

1. **Permitted Disbursements.** Subject to the provisions of the following subsection, any and all of the following disbursements made by Senior Lien Holder to or for the account or benefit of Borrower and the Mortgaged Property ("**Protective Senior Advances**") shall be prior and superior to the Junior Obligations:

(a) Any cost overruns incurred by Borrower in connection with the activities contemplated by the Senior Loan Agreement;

(b) Any sums advanced by Senior Lien Holder for the payment of 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 Mortgaged Property; and/or

(c) Any sums advanced by Senior Lien Holder for the payment of real estate taxes or assessments constituting a lien against the Mortgaged Property or insurance premiums relating to the Mortgaged Property, or any other sums advanced or obligations incurred by Senior Lien Holder in connection with the protection or preservation of any security given to Senior Lien Holder with respect to the Senior Loan.

2. **Limitations on Protective Senior Advances.** Any Protective Senior Advances made by Senior Lien Holder shall be secured by the Senior Lien (as the same may be amended from time to time), and shall unconditionally be and remain at all times prior and superior to the Junior Lien and the Junior Obligations, provided such Protective Senior Advances comply with the following requirements:

(a) The annual interest rate(s), including the default rate, shall not exceed the rate described in the Senior Note;

(b) The stated maturity date of any such Protective Senior Advance shall be not sooner than the stated maturity date (or the stated extended maturity date, as applicable) of the Senior Note;

(c) The proceeds of the Protective Senior Advances shall be used for any purpose permitted by the Senior Loan Agreement and this Agreement; and

(d) The loan-to-value requirements set forth in the Senior Loan Agreement need not be maintained if such Protective Senior Advances are made to pay cost overruns, taxes or assessments constituting a lien or liens against the Mortgaged Property, insurance premiums relating to the Mortgaged Property, or for other similar costs and expenses.

3. **Continuing Subordination.** If Senior Lien Holder makes Protective Senior Advances that conform to the terms and conditions set forth above or otherwise modifies the Senior Loan Documents as permitted in the Subordination of the Junior Lien section above, the execution of such new subordination agreement shall not be a condition to the effectiveness of the subordination of the Junior Obligations and the Junior Lien against the Mortgaged Property to Senior Lien, which subordination shall be automatic. Notwithstanding the foregoing, if Senior Lien Holder makes any additional disbursements to or for the account or benefit of Borrower which are not Protective Senior Advances and/or which do not comply with the limitations set forth above, such additional disbursement shall be junior in priority to the Junior Lien unless and until the parties hereto execute a new subordination agreement subordinating the Junior Obligations to said additional disbursement.

M. **NO IMPAIRMENT OF AGREEMENT.** This Agreement shall remain in full force and effect, and shall not be impaired or rendered invalid by any and all amendments or modifications to and/or renewals or extensions of the Senior Lien, or any Protective Advances or Additional Loans made by Senior Lien Holder thereunder, with the Senior Lien unconditionally remaining at all times prior and superior to the Junior Lien.

N. **NOTICES; CURE RIGHTS.**

1. **Delivery of Notice to Junior Lien Holder.** Senior Lien Holder agrees to give a copy to Junior Lien Holder concurrently with the delivery to Borrower of any notice of default delivered to Borrower under the Senior Loan Documents. Junior Lien Holder shall have the right (without the obligation) to cure any default or perform any obligation of Borrower under the Senior Loan Documents within the same period of time afforded to Borrower, and Senior Lien Holder shall accept such cure or performance from Junior Lien Holder. Junior Lien Holder has no right to assume or otherwise receive any of the rights, duties, obligations and benefits of Borrower under the Senior Loan Documents unless and until Senior Lien Holder approves of such assumption in Senior Lien Holder's reasonable discretion and pursuant to any terms or conditions required by Senior Lien Holder in its reasonable discretion.

2. **Delivery of Notice to Senior Lien Holder.** Junior Lien Holder agrees to give Senior Lien Holder a copy of any notice of default delivered to Borrower under the Junior Lien. Senior Lien Holder shall have the right (without the obligation) to cure any default or perform any obligation of Borrower under the Junior Obligations within the same period of time afforded to Borrower, and Junior Lien Holder shall accept such cure or performance from Senior Lien Holder.

3. **No Cross-Default or Cross-Collateralization.** Notwithstanding any other provision herein to the contrary, except as expressly provided in the Senior Loan Agreement, Senior Lien Holder agrees that it will not:

(a) cross-default the Senior Loan Documents with any other loan;

(b) modify any existing cross-default and/or cross-collateral provision(s) under the Senior Loan Agreement without the prior written consent of Junior Lien Holder; or

(c) cross-collateralize the Senior Loan with any other loan;

and notwithstanding any other provision herein to the contrary, Junior Lien Holder agrees that it will not:

(d) cross-default the Junior Loan Documents with any other loan;

(e) modify the Junior Loan Documents to add a cross-default and/or cross-collateral provision(s) without the prior written consent of Senior Lien Holder; or

(f) cross-collateralize the Junior Obligations with any other loan.

O. **COUNTERPARTS.** This Agreement may be executed in multiple counterparts and the signature page(s) and acknowledgment(s) assembled into one original document for recordation, and the validity hereof shall not be impaired by reason of such execution in multiple counterparts.

P. **GOVERNING LAW.** This Agreement is to be governed according to the laws of the Property Jurisdiction.

Q. **PAYMENT OF FEES AND COSTS.** In the event of action, suit, proceeding or arbitration to enforce any term of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party, as determined by the court or arbitrator, all of the prevailing party's costs and expenses, including without limitation reasonable attorneys' fees and expert witness fees, incurred by the prevailing party in connection therewith.

R. **INDEMNIFICATION OF LENDER.** Borrower hereby agrees to protect, indemnify, defend and hold Senior Lien Holder free and harmless from and against any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses (including reasonable attorneys' fees) to which Senior Lien Holder may become exposed or which Senior Lien Holder may incur in exercising any of Senior Lien Holder's rights under this Agreement, except where caused by the gross negligence or willful misconduct of Senior Lien Holder. Borrower shall not indemnify Senior Lien Holder from and against any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses arising (a) after Senior Lien Holder has exercised any of its rights hereunder, and (b) as a result of Senior Lien Holder's action or failure to act pursuant to such rights where such action or inaction was the result of Senior Lien Holder's gross negligence or willful misconduct.

S. **BANKRUPTCY PROVISIONS.**

1. Any liquidation or dissolution of Borrower, any execution sale, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization, or other similar proceeding relative to the Borrower or the Collateral shall be referred to as a "**Bankruptcy Event**." In connection with any Bankruptcy Event or any proceedings relating thereto (a "**Bankruptcy Proceeding**"), Junior Lien Holder agrees that, unless and until it has obtained Senior Lien Holder's prior written consent (which consent may be given or withheld in Senior Lien Holder's reasonable discretion), Junior Lien Holder shall take no action that may impair or otherwise adversely affect or alter in any way Senior Lien Holder's interests or claims in such Bankruptcy Proceeding, including, without limitation, in connection with any vote to accept or reject a plan of reorganization, any cash collateral or adequate protection issues, any trustee appointment issues, any plan exclusivity issues, any claim subordination issues (as between Senior Lien Holder and any of Borrower's creditors, including Junior Lien Holder), any motion to dismiss, any claim voting entitlements (excluding the Junior Lien Holder's claim), or any other matters pertaining to the extent, validity, or priority of Senior Lien Holder's lien, rights and entitlements. In order to enable Senior Lien Holder to enforce its rights hereunder upon the occurrence of any Bankruptcy Event, if Junior Lien Holder fails to timely file proofs of claim against Borrower on account of the Junior Obligations, Senior Lien Holder is hereby authorized and empowered in its discretion (but without any obligation on Senior Lien Holder's part) to make and present for and on behalf of Junior Lien Holder such proofs of claim against Borrower on account of Junior Obligations and/or Junior Lien as Senior Lien Holder may deem expedient or proper. Senior Lien Holder is hereby authorized and empowered to receive and collect any and all dividends or other payments or disbursements made upon the Junior Obligations in whatever form the same may be paid or issued and to apply same on account of the Senior Lien Holder Indebtedness. Junior Lien Holder shall retain the right to submit proofs of claim and to vote such proofs of claim; provided, however, that Junior Lien Holder shall not vote with respect to any plan of reorganization or liquidation in any way so as to contest (i) the validity of the Senior Lien Holder Indebtedness or the Senior Lien, or (ii) the relative rights and duties of any holders of the Senior Lien Holder Indebtedness and the Junior Obligations established in this Agreement or in the Senior Loan Documents.

2. In the event of the occurrence of a Bankruptcy Event, any and all distributions, claims, awards or other amounts paid or payable by Borrower to Junior Lien Holder or on account of any claim or interest of Borrower shall

be paid first to Senior Lien Holder, and Senior Lien Holder shall apply such amounts to the full and prior payment of the Senior Loan; provided, however, that the balance of such amounts, after paying the Senior Loan in full, shall be paid to Junior Lien Holder for application against the Junior Loan. Junior Lien Holder further agrees to execute and deliver to Senior Lien Holder such assignments or other instruments as may be reasonably required by Senior Lien Holder in order to enable Senior Lien Holder to enforce any and all such claims and to collect any and all such payments or disbursements otherwise payable by Borrower to Junior Lien Holder or on account of any claim or interest of Borrower.

3. Junior Lien Holder agrees that it will not, without Senior Lien Holder's prior written consent (which consent shall be at Senior Lien Holder's sole option and discretion), join in any petition for bankruptcy, assignment for the benefit of creditors or creditor's agreement involving the assets of Borrower.

T. **PROCEEDS.**

1. **Rights to Proceeds.** Junior Lien Holder hereby subordinates all of its right, title, interest or claim in and to: (a) all proceeds of all policies of insurance covering the Mortgaged Property or insuring Borrower, and (b) all awards or other compensation made for any taking of all or any part of the Mortgaged Property, to the rights of Senior Lien Holder in and to such insurance proceeds and condemnation awards.

2. **Distribution of Proceeds.** So long as any Senior Lien Holder Indebtedness remains outstanding under the Senior Loan Documents, Senior Lien Holder shall be exclusively entitled to receive any and all insurance or condemnation awards or proceeds, either for application to such indebtedness or for such repair, reconstruction, or renewal of the Project as Senior Lien Holder shall direct in its sole discretion. If, following any such application or disposition of the insurance proceeds or condemnation awards and other compensation, any balance remains, then such excess shall be made payable to Junior Lien Holder, or if Junior Lien Holder's rights to receive such proceeds are disputed by the Borrower or other parties, then Senior Lien Holder may either make such excess payable to the joint order of Borrower and Junior Lien Holder as their interests may appear under the Junior Loan Documents, or Senior Lien Holder may interplead such excess into court for further disposition.

3. **Additional Documents.** Junior Lien Holder agrees at any time and from time to time to execute such documents as Senior Lien Holder or the insurer may reasonably require to confirm that any rights that Junior Lien Holder may have as a loss payee or additional insured are expressly subject and subordinate to the rights of Senior Lien Holder as an additional insured or loss payee. If any insurance or condemnation awards or proceeds are tendered or paid to Junior Lien Holder in violation of this section, Junior Lien Holder shall immediately transfer such awards or proceeds to Senior Lien Holder.

4. **Release of Proceeds.** In the event Senior Lien Holder shall release, for the purposes of restoration of all or any part of the Improvements, its right, title and interest in and to the proceeds under policies of insurance thereon, and/or its right, title and interest in and to any awards, or its right, title and interest in and to other compensation made for any damages, losses or compensation for other rights by reason of a taking in eminent domain, Junior Lien Holder shall simultaneously release (and hereby agrees that it shall be irrevocably and unconditionally deemed to have agreed to release) for such purpose all of Junior Lien Holder's right, title and interest, if any, in and to all such insurance proceeds, awards or compensation. Junior Lien Holder agrees that the balance of such proceeds remaining after such restoration, or all of such proceeds in the event Senior Lien Holder elects, in accordance with the governing law, not to release any such proceeds for any such restoration, shall be applied to the payment of amounts due under the Senior Loan Documents until all such amounts have been paid in full, prior to being applied to the payment of any amounts due under the Junior Loan Documents. If Senior Lien Holder holds such proceeds, awards or compensation and/or monitors the disbursement thereof, Junior Lien Holder agrees that Senior Lien Holder shall also hold and monitor the disbursement of such proceeds, awards and compensation to which Junior Lien Holder is or may be entitled until all amounts which are required to be paid under the Senior Loan Documents have been paid in full. Nothing contained in this Agreement shall be deemed to require Senior Lien Holder, in any way whatsoever, to act for or on behalf of Junior Lien Holder or to hold or monitor any proceeds, awards or compensation in trust for or on behalf of Junior Lien Holder.

U. **ACQUISITION OF LIEN(S) AND/OR OTHER RIGHTS.** If Junior Lien Holder or any affiliate of Junior Lien Holder shall acquire, by indemnification, subrogation or otherwise, any lien, estate, right or other interest in the Mortgaged Property, that lien, estate, right or other interest shall be subordinate to the Senior Lien and the other Senior Loan

Documents as provided herein, and Junior Lien Holder hereby waives, on behalf of itself and such affiliate, until all amounts owed under the Senior Loan Documents have been indefeasibly paid in full and all Senior Lien Holder's obligations to extend credit under the Senior Loan Documents have terminated, the right to exercise any and all such rights it may acquire by indemnification, subrogation or otherwise.

V. **TERMINATION.** This Agreement shall automatically terminate, without need to record any other document or instrument, when all amounts owed under the Senior Loan Documents have been fully paid and satisfied, all of the obligations of Borrower to Senior Lien Holder under the Senior Loan Documents have been paid and performed in full, and Senior Lien Holder has no remaining obligations to extend credit under the Senior Loan Documents. Upon request of any party, or the successor or assign of any party, at any time thereafter, each party hereto, or its successor or assign, shall execute and deliver, in recordable form, an instrument confirming the termination of this Agreement, which instrument shall be recorded in the appropriate county records at the request of any party hereto or its successor or assign.

W. **WAIVER.** Junior Lien Holder specifically waives and renounces:

(a) Any rights under any applicable statutes which it may have, whether at law or in equity, to require Senior Lien Holder to marshal collateral for the Junior Lien Holder Indebtedness, or any portion thereof, or to otherwise seek satisfaction from any particular assets or properties of Borrower or from any third party;

(b) Any right to require Senior Lien Holder to proceed against Borrower or any other person or to proceed against or exhaust any security held by Senior Lien Holder at any time or to pursue any other remedy in Senior Lien Holder's power before exercising any right or remedy under the Senior Lien;

(c) Any defense that may arise by reason of the incapacity, lack of authority, death, or disability of, or attempted revocation hereof by, Borrower or by any other(s) having an interest in Borrower or the failure of Senior Lien Holder to file or enforce a claim against the estate or assets (either in administration, bankruptcy, or any other proceedings) of Borrower or any other(s) having an interest in Borrower;

(d) Demand, protest and notice of any kind, including without limitation notice of the evidence, creation, or incurring of any new or additional indebtedness in accordance with the provisions of this Agreement or the Senior Loan Documents or obligation of or any action or non-action on the part of Borrower or Senior Lien Holder in connection with any obligation or evidence of indebtedness held by Senior Lien Holder as collateral or in connection with any indebtedness of Borrower to Senior Lien Holder described in this Agreement;

(e) Any defense based upon an election of remedies by Senior Lien Holder (including without limitation an election by Senior Lien Holder to proceed by nonjudicial rather than judicial foreclosure) that destroys or otherwise impairs the subrogation or other rights, if any, of Junior Lien Holder, or the right of Junior Lien Holder to proceed against Borrower, or both; and

(f) Any duty on the party of Senior Lien Holder to disclose to Junior Lien Holder any facts Senior Lien Holder may now know or hereafter know about Borrower or the partners or successors of Borrower in connection with the ownership of the Mortgaged Property, regardless of whether:

(i) Senior Lien Holder has reason to believe that any such facts may increase materially the risk beyond that which Junior Lien Holder intends to assume,

(ii) Senior Lien Holder may have reason to believe that such facts are unknown to Junior Lien Holder, or

(iii) Senior Lien Holder has a reasonable opportunity to communicate such facts to Junior Lien Holder, it being understood and agreed that Junior Lien Holder is fully responsible for being and keeping informed of the financial condition of Borrower or any partners or successors of Borrower in connection with the ownership of the Mortgaged Property and of all circumstances bearing on the risk of non-payment of any indebtedness of Borrower to Senior Lien Holder described in this Agreement.

X. **NO THIRD-PARTY BENEFICIARIES.** The parties to this Agreement shall not be deemed to be in privity of contract with any other third party nor shall any provision of this Agreement be construed or deemed to create any third-party beneficiary status for any third party.

Y. **HEIRS, SUCCESSORS AND ASSIGNS.** The terms of this Agreement shall bind and benefit the heirs, legal representatives, successors and assigns of the parties; provided however, that neither Borrower nor Junior Lien Holder may assign or delegate any of its rights or obligations under this Agreement or under Junior Loan Documents without the prior written consent of Senior Lien Holder.

Z. **ASSIGNMENT OF JUNIOR LOAN DOCUMENTS.** Borrower hereby assigns, transfers and conveys to Senior Lien Holder, and Junior Lien Holder hereby consents to such assignment, transfer and conveyance, all of Borrower's right, title and interest in and to the Junior Loan Documents, Junior Note and Junior Mortgage (collectively "**Assigned Documents**"), and hereby creates in favor of Senior Lien Holder a security interest in the Assigned Documents under the Uniform Commercial Code of the Property Jurisdiction. Borrower irrevocably appoints Senior Lien Holder as its attorney in fact with full power of substitution and authority, which appointment is coupled with an interest, to receive, demand, exercise and enforce any and all of Borrower's rights with respect to the Assigned Documents and to perform any and all acts in the name of Borrower or at the option of Senior Lien Holder, in the name of Senior Lien Holder with the same force and effect as if performed by Borrower in the absence of this Agreement.

1. So long as no Event of Default under any of the Senior Loan Documents has occurred, Borrower shall have the right to enjoy all of the rights arising out of the Assigned Documents.

2. Upon or at any time after an Event of Default has occurred, Senior Lien Holder shall have the right to enforce Borrower's rights and interest with respect to the Assigned Documents. Upon the occurrence of any Event of Default by Borrower, Senior Lien Holder may, without affecting any of Senior Lien Holder's rights and remedies against Borrower under any other Loan Document, exercise Senior Lien Holder's rights under this Agreement as Borrower's attorney in fact or in any other manner permitted by law. In addition, Senior Lien Holder shall have and possess, without limitation, any and all rights and remedies of a secured party under applicable law.

3. Borrower and Junior Lien Holder hereby represent and warrant to Senior Lien Holder that:

   (a) No previous assignment of Borrower's interest in and to or rights under the Assigned Documents has been made;

   (b) All covenants, agreements and conditions required to be performed or occur under the Assigned Documents as of the date hereof by Borrower and Junior Lien Holder have been performed or occurred; and

   (c) Borrower and Junior Lien Holder agree not to amend, assign, sell, pledge or otherwise transfer or encumber in any manner their interests in or rights under and to the Assigned Documents without the prior written consent of Senior Lien Holder so long as this Agreement remains in effect.

4. Borrower hereby agrees to protect, indemnify, defend and hold Senior Lien Holder free and harmless from and against any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses (including reasonable attorneys' fees) to which Senior Lien Holder may become exposed or which Senior Lien Holder may incur in exercising any of Senior Lien Holder's rights under this Agreement, except where caused by the gross negligence or willful misconduct of Senior Lien Holder. Borrower hereby expressly agrees that Senior Lien Holder shall not be liable for any loss sustained by Borrower resulting from Senior Lien Holder's exercise of the rights herein assigned to Senior Lien Holder after default by Borrower; provided, however, that Borrower shall not indemnify Senior Lien Holder from and against any and all claims, causes of action, demands, damages, liens, liabilities, losses, costs and expenses arising (a) after Senior Lien Holder has exercised its rights hereunder, and (b) as a result of Senior Lien Holder's action or failure to act pursuant to such rights.

5. Upon payment in full of the principal sum, interest and indebtedness secured by the Senior Loan Documents, this Agreement shall become void and of no further force or effect, but the affidavit, certificate, letter or statement of any officer, agent or attorney of Senior Lien Holder showing any part of said principal, interest or indebtedness to remain unpaid shall be and constitute conclusive evidence absent a contrary court order of the validity, effectiveness and continuing force of this Agreement and any person may, and is hereby authorized to, rely thereon.

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

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH MAY ALLOW 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 PROPERTY.

JUNIOR LIEN HOLDER:

JUNIOR LENDER CORP,
a California corporation

By: ___________________________________
JANE JUNIOR,
CEO

BORROWER:

CRE SAMPLE,
an Alabama limited liability company

By: ___________________________________
DREW SMITH,
Manager

SENIOR LIEN HOLDER:

SAMPLE BANK LENDER,
a California corporation

By: ___________________________________
Name: ___________________________________
Title: ___________________________________

ALL-PURPOSE ACKNOWLEDGMENT

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 ____________________)
COUNTY OF ___________________)

On ______________________, 20__, before me, ________________________________,
(Here Insert Name and Title of the Officer)

personally appeared ________________________________,
(Name(s) of Signer(s))

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 ____________________ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ________________________________
Signature of Notary Public

(Place Notary Seal Above)
Acknowledgment for: Junior Lien Holder

ALL-PURPOSE ACKNOWLEDGMENT

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 ____________________)
COUNTY OF ___________________)

On ______________________, 20__, before me, ________________________________,
(Here Insert Name and Title of the Officer)

personally appeared _________________________________,
(Name(s) of Signer(s))

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 ____________________ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _________________________________
Signature of Notary Public

(Place Notary Seal Above)
Acknowledgment for: Borrower

ALL-PURPOSE ACKNOWLEDGMENT

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 ____________________)
COUNTY OF ___________________)

On ______________________, 20__, before me, ________________________________,
(Here Insert Name and Title of the Officer)

personally appeared ________________________________,
(Name(s) of Signer(s))

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 ____________________ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature ________________________________
Signature of Notary Public

(Place Notary Seal Above)
Acknowledgment for: Senior Lien Holder

EXHIBIT "A"
Legal Description

THE LAND REFERRED TO HEREIN IS IN THE STATE OF CA, Los Angeles COUNTY, AND IS DESCRIBED AS FOLLOWS:

<p>EXHIBIT A</p>