

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:**

The Metropolitan Water District
of Southern California
700 North Alameda Street
Los Angeles, California 90012
Attention: Chief Executive Officer

SPACE ABOVE RESERVED FOR COUNTY RECORDER'S USE

**SUBORDINATION OF [DEED OF TRUST;
OR OTHER ENCUMBRANCE] 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 ("**Subordination Agreement**") is made and entered into this ___ day of ___, 2004, by [NAME OF ENCUMBRANCE HOLDER] ("**Encumbrance Holder**") that is a party to, beneficiary, or holder of interest in the [deed of trust; or other encumbrance] ("**Encumbrance**") described below; [NAME OF LANDOWNER] ("**Landowner**"), The Metropolitan Water District of Southern California ("**Metropolitan**") and the Palo Verde Irrigation District ("**PVID**").

RECITALS:

A. Landowner owns certain land located within the PVID (the "**Land**"), which Land is more particularly described on Exhibit "A", attached hereto and incorporated herein by this reference.

B. Among other encumbrances on the Land, [DESCRIBE NATURE OF ENCUMBRANCE THIS AGREEMENT APPLIES TO]. The Encumbrance was entered into _____ and recorded _____, as Document No. _____ in the Official Records of the County of _____, State of California.

C. Landowner has entered into that certain Landowner Agreement for Fallowing in the PVID dated _____ ("**Landowner Agreement**") with PVID and Metropolitan pursuant to which Landowner has agreed to certain fallowing obligations on Landowner's lands within PVID. To provide for the enforcement of those fallowing obligations, Landowner has entered into that certain Fallowing Easement dated _____ with Metropolitan and PVID ("**Fallowing Easement**"), attached hereto as Exhibit "B" and incorporated herein by this reference, and recorded in the official records of the County of _____, State of California, concurrently with the recording of this Subordination Agreement. The Fallowing Easement

authorizes Metropolitan and PVID to enter upon the Land in the event of a default by Landowner in performance of Landowner's following obligations and to prevent the growing of any crops or vegetation on the Land, the application of water on the Land, the extraction of groundwater from or application of groundwater on the Land, and the use or collection of surface water on the Land.

D. It is a requirement of the Landowner Agreement that the Following Easement and all rights of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to Liens upon the Land. As used in this Subordination Agreement, "**Lien**" means any mortgage, lien, pledge, charge, attachment, levy, security interest or encumbrance of any kind in respect of the Land, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest with respect thereto and any filing of, or agreement to give, any financing statement under the Uniform Commercial Code (or equivalent statutes or successor code) of any jurisdiction.

E. It is to the mutual benefit of the parties hereto that Landowner enter into the Landowner Agreement and Following Easement, and Encumbrance Holder is willing that its Liens upon the Land be subordinated to the Following Easement and to the easement rights created thereby together with all rights and privileges of Metropolitan and PVID thereunder.

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce Metropolitan and PVID to enter into the Landowner Agreement, the parties hereto agree as follows:

1. **Subordination.** Encumbrance Holder hereby unconditionally subordinates any and all Liens, security interests, rights and/or claims of Encumbrance Holder in respect of the Land to the Following Easement and the rights of Metropolitan and PVID under the Following Easement and agrees that the Encumbrance Holder's Liens on the Land shall be subordinate to the Following Easement. Encumbrance Holder understands that in reliance upon, and in consideration of this subordination, specific contracts are or will be made and specific monetary obligations are being or will be entered into which would not be made or entered into but for said reliance upon this subordination and Encumbrance Holder further declares that the Following Easement and the easement rights created thereby, together with all rights and privileges of Metropolitan and PVID thereunder, shall unconditionally be and remain at all times prior and superior to the Liens of the Encumbrance Holder.

2. **Foreclosure.** Encumbrance Holder agrees that no foreclosure of, deed given in lieu of foreclosure of, or sale under the Liens of the Encumbrance Holder, and no steps or procedures taken under the Liens of the Encumbrance Holder, shall affect Metropolitan's and PVID's rights under the Following Easement nor under the Landowner Agreement.

3. **Counterparts.** This Subordination Agreement may be executed in counterparts and as executed shall constitute one agreement binding on the parties hereto, even though the parties do not sign the original or the same counterpart.

4. **Entire Agreement.** The Subordination Agreement shall be the whole and only agreement with regards to the subordination of the Liens of the Encumbrance Holder to the Following Easement, together with all rights and privileges of Metropolitan and PVID thereunder; and shall supersede and cancel, but only insofar as would affect the priority between the Liens of the Encumbrance Holder and the Following Easement, any prior agreements as to such subordination, including, but not limited to, the provisions, if any, contained in the Encumbrance which provide for the subordination of the Lien or charge thereof to an easement or other security instrument.

5. **California Law.** This Subordination Agreement is governed by California law, irrespective of its choice of law principles.

6. **Binding Effect.** This Subordination Agreement shall inure to the benefit of Metropolitan and PVID and their respective legal representatives, successors and assigns, and shall be binding on Encumbrance Holder and Landowner, and their respective heirs, legal representatives, successors and assigns.

7. **Severability; Waivers.** If any part of this Subordination Agreement is not enforceable, the rest of the Subordination Agreement may be enforced.

8. **Headings.** Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Subordination Agreement.

9. **Notices.** Any notice, request, tender, demand, delivery, approval or other communication provided for, required, or arising under this Subordination Agreement shall be in writing and, unless sooner actually received, shall be deemed delivered three (3) business days after deposit in the United States mail, certified with return receipt requested, postage prepaid, and addressed to the party as follows:

To Metropolitan:

The Metropolitan Water District of
Southern California
Attention: Chief Executive Officer
700 North Alameda Street
P.O. Box 54153
Los Angeles, California 90054-0153

To PVID:

Palo Verde Irrigation District
Attention: General Manager
180 West 14th Avenue
Blythe, California 92225

To Encumbrance Holder:

To Landowner : _____

IN WITNESS WHEREOF, this Subordination Agreement is executed by the undersigned as of the date stated on the first page.

ENCUMBRANCE HOLDER

By: _____
Name: _____
Title: _____

LANDOWNER:

By: _____
Name: _____
Title: _____

**THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA**

By: _____
Ronald R. Gastelum
Chief Executive Officer

APPROVED AS TO FORM:

By: _____
Jeffrey Kightlinger
General Counsel

PALO VERDE IRRIGATION DISTRICT

By: _____
Edward W. Smith
General Manager

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

EXHIBIT B

FOLLOWING EASEMENT DEED