

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 22, 2016

**APOLLO MEDICAL HOLDINGS, INC.**  
(Exact name of registrant as specified in its charter)

Delaware  
(State or Other Jurisdiction  
of Incorporation)

001-37392  
(Commission File  
Number)

46-3837784  
(I.R.S. Employer  
Identification Number)

700 N. Brand Blvd., Suite 1400, Glendale, CA 91203  
(Address of principal executive offices) (zip code)

(818) 396-8050  
(Registrant's telephone number, including area code)

N/A  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

**Item 1.01 Entry into a Material Definitive Agreement.**

On November 22, 2016, Apollo Medical Management, Inc. (“AMM”), a wholly-owned subsidiary of Apollo Medical Holdings, Inc. (the “Company”), entered into an Intercompany Revolving Loan Agreement (the “Loan Agreement”) with Maverick Medical Group, Inc. (“MMG”), another affiliate of the Company, pursuant to which AMM has agreed to lend MMG up to \$2,000,000 (the “Commitment Amount”) in one or more advances (collectively, “Advances”) that MMG may request from time to time during the term of the Loan Agreement. Interest on outstanding Advance shall accrue interest at a rate equal to the greater of 10% per annum or the LIBOR rate then in effect, and is payable monthly on the first business day of each month.

In an Event of Default (as defined in the Loan Agreement), interest on Advances shall accrue interest at a default rate equal to 3% per annum above the interest rate then in effect. Additionally, in an Event of Default, MMG may, among other things, accelerate all payments due under the Loan Agreement.

The Loan Agreement also contains other provisions typical of an agreement of this nature, including without limitation, representation and warranties, a right of set-off and governing law.

The Loan Agreement replaces substantially similar loan agreements between the parties (other than with respect to the Commitment Amount), including without limitation that certain Intercompany Revolving Loan Agreement dated as of February 1, 2013, that certain Amendment No. 1 to Intercompany Revolving Loan Agreement dated as of March 28, 2014, that certain Intercompany Revolving Loan Agreement dated as of June 27, 2014, and that certain Amendment No. 2 to Intercompany Revolving Loan Agreement dated as of March 30, 2016, all of which were terminated. See Item 1.02, “Termination of a Material Definitive Agreement”.

The Loan Agreement was entered into in response to a request of the California Department of Managed Health Care (“DMHC”), in order to comply with DMHC requirements in connection with its review of a pending Corrective Action Plan (“CAP”) for MMG.

Also on November 22, 2016, and also at the request of the DMHC in connection with its review of the pending CAP for MMG, AMM and MMG entered into a Subordination Agreement (the “Subordination Agreement”), pursuant to which AMM has agreed to irrevocably and fully subordinate its right to repayment of Advances, together with interest thereon, under the Loan Agreement, to all other present and future creditors of MMG.

AMM also agreed that the payment by MMG of principal and interest of Advances under the Loan Agreement will be suspended and will not mature when, excluding the liability of MMG to pay AMM principal and interest under the Loan Agreement, if after giving effect to the payment, MMG would not be in compliance with the financial solvency requirements, as defined in and calculated under the Knox-Keene Health Care Service Plan Act of 1975, as amended, and the rules promulgated thereunder.

AMM further agreed that, in the event of the liquidation or dissolution of MMG, the payment by MMG of principal and interest to AMM under the Loan Agreement shall be fully subordinated and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of MMG.

Upon the written consent of the director of the DMHC, all previous subordination agreements between AMM and MMG, including without limitation that certain Subordination Agreement dated June 27, 2014 between AMM and MMG and that certain Amended and Restated Subordination Agreement between AMM and MMG dated as of March, 30, 2016, shall be terminated. Once consented to by the director of the DMHC and executed by the parties, the Subordination Agreement may not be cancelled, terminated, rescinded or amended by mutual consent or otherwise, without the prior written consent of the director of the DMHC. See Item 1.02, “Termination of a Material Definitive Agreement”.

The Subordination Agreement also contains other provisions typical of an agreement of this nature.

**Item 1.02 Termination of a Material Definitive Agreement.**

As reported under Item 1.01 above, on November 22, 2016, at the request of the DMHC in connection with its review of the pending CAP for MMG, AMM and MMG terminated that certain Intercompany Revolving Loan Agreement dated as of February 1, 2013, that certain Amendment No. 1 to Intercompany Revolving Loan Agreement dated as of March 28, 2014, that certain Intercompany Revolving Loan Agreement dated as of June 27, 2014, and that certain Amendment No. 2 to Intercompany Revolving Loan Agreement dated as of March 30, 2016.

Upon the written consent of the director of the DMHC, all previous subordination agreements between AMM and MMG, including without limitation that certain Subordination Agreement dated June 27, 2014 between AMM and MMG and that certain Amended and Restated Subordination Agreement between AMM and MMG dated as of March, 30, 2016, shall be terminated. Such consent is pending.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Intercompany Revolving Loan Agreement dated as of November 22, 2016 by and between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.
10.2	Subordination Agreement dated as of November 22, 2016 by and between Apollo Medical Management, Inc. and Maverick Medical Group, Inc.

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**APOLLO MEDICAL HOLDINGS, INC.**

Dated: November 29, 2016

By: /s/ Warren Hosseinion

Name: Warren Hosseinion

Title: Chief Executive Officer

## INTERCOMPANY REVOLVING LOAN AGREEMENT

This INTERCOMPANY REVOLVING LOAN AGREEMENT ("Loan Agreement"), dated as of November 22, 2016, is entered into by and between:

- (1) Apollo Medical Management, Inc. ("Lender"); and
- (2) Maverick Medical Group, Inc. ("Borrower").

In consideration of the covenants, conditions and agreements set forth herein, the parties agree as follows:

ARTICLE 1  
DEFINITIONS

1.1 "Advance" shall have the meaning given in Section 2.1 of the Loan Agreement.

1.2 "Business Day" shall mean any day on which commercial banks are not authorized or required to close in the United States.

1.3 "Commitment" shall mean an amount equal to Two Million Dollars (\$2,000,000.00).

1.4 "Default" shall mean any event or circumstance not yet constituting an Event of Default but which, with the giving of any notice or the lapse of any period of time or both, would become an Event of Default.

1.5 "Event of Default" shall have the meaning given to that term in Section 5.01.

1.6 "GAAP" shall mean generally accepted accounting principles and practices as promulgated by the Financial Accounting Standards Board and as in effect in the United States from time to time, consistently applied. Unless otherwise indicated in this Loan Agreement, all accounting terms used in this Loan Agreement shall be construed, and all accounting and financial computations hereunder or thereunder shall be computed, in accordance with GAAP.

1.7 "Governmental Authority" shall mean any domestic or foreign national, state or local government, any political subdivision thereof, any department, agency, authority or bureau of any of the foregoing, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

1.8 "Indebtedness" of any Person shall mean and include the aggregate amount of, without duplication (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services (other than accounts payable incurred in the ordinary course of business determined in accordance with generally accepted accounting principles), (d) all obligations under capital leases of such Person, (e) all obligations or liabilities of others secured by a lien on any asset of such Person, whether or not such obligation or liability is assumed, (f) all guaranties of such Person of the obligations of another Person; (g) all obligations created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement upon an event of default are limited to repossession or sale of such property), (h) net exposure under any interest rate swap, currency swap, forward, cap, floor or other similar contract that is not entered to in connection with a bona fide hedging operation that provides offsetting benefits to such Person, which agreements shall be marked to market on a current basis, (i) all reimbursement and other payment obligations, contingent or otherwise, in respect of letters of credit.

1.9 "LIBOR Rate" shall mean the rate per annum, calculated to the nearest .01%, at which U.S. dollar deposits are offered in the London interbank market for one month periods as quoted in the "Money Rates" column of The Wall Street Journal on the first Business Day of each calendar month. All computations of such interest shall be based on a year of 360 days and actual days elapsed. Such LIBOR Rate shall remain in effect until it is adjusted on the first Business Day of the following calendar month.

1.10 "Loan Agreement" shall have the meaning set forth in the opening paragraph of this document.

1.11 "Loan Documents" shall mean and include this Loan Agreement and any other documents, instruments and agreements delivered to Lender in connection with this Loan Agreement.

1.12 "Obligations" shall mean and include all Advances, debts, liabilities, and financial obligations, howsoever arising, owed by Borrower to Lender of every kind and description (whether or not evidenced by any note or instrument), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising pursuant to the terms of any of the Loan Documents, including, without limitation, all interest, fees, charges, expenses, reasonable attorneys' fees (and expenses) and accountants' fees (and expenses) chargeable to Borrower or payable by Borrower hereunder or thereunder.

1.13 "Person" shall mean and include an individual, a partnership, a corporation (including a business trust), a joint stock company, a limited liability company, an unincorporated association, a joint venture or other entity or a Governmental Authority.

1.14 "Termination Date" shall mean the fifth anniversary of the date of this Loan Agreement.

## ARTICLE 2 ADVANCES

2.1 Terms. Subject to the terms and conditions of this Loan Agreement, Lender agrees to advance to Borrower from time to time and until the Termination Date, such sums as Borrower may request (the "Advances") but which shall not exceed, in the aggregate principal amount at any one time outstanding, the Commitment. Advances shall be made in lawful currency of the United States of America and shall be made in same day or immediately available funds. Each Advance shall be in an amount equal to at least \$10,000 or any integral multiple of \$5,000 in excess thereof and shall be made three Business Days after written request (or telephonic request confirmed in writing). Subject to the terms and conditions hereof, Borrower may borrow pursuant to this Section 2.1, prepay the Advances and reborrow pursuant to this Section 2.1.

2.2 Payment of Outstanding Amounts. If not paid earlier, the outstanding principal and interest balance of all Advances shall be due and payable to the Lender on the Termination Date.

2.3 Interest Payments. Interest on the outstanding principal balance under the Advances shall accrue at the greater of 10% per annum or LIBOR Rate in effect. All computations of such interest shall be based on a year of 360 days and actual days elapsed for each day on which any principal balance is outstanding under the terms of the Loan Agreement.

2.4 Interest Payments. All accrued and unpaid interest shall be due on the first Business Day of each month. If not paid earlier, all outstanding accrued interest hereunder shall be due and payable to the Lender on the Termination Date.

2.5 Other Payment Terms.

(a) Manner. Borrower shall make all payments due to Lender hereunder in lawful money of the United States and in same day or immediately available funds.

(b) Date. Whenever any payment due hereunder shall fall due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall be included in the computation of interest or fees, as the case may be.

(c) Default Rate. From and after the occurrence of an Event of Default and during the continuance thereof, Borrower shall pay interest on all Obligations not paid when due, from the date due thereof until such amounts are paid in full at a per annum rate equal to the three (3) percentage points in excess of the rate otherwise applicable to Advances. All computations of such interest shall be based on a year of 360 days and actual days elapsed.

2.6 Loan Account. The Obligations of Borrower to Lender hereunder shall be evidenced by one or more accounts or records maintained by Lender in the ordinary course of business. The accounts or records maintained by Lender shall be presumptive evidence of the amount of such Obligations, and the interest and principal payments thereon. Any failure so to record or any error in so doing shall not, however, limit, increase or otherwise affect the obligation of Borrower hereunder to pay any amount owing hereunder. Upon Lender's request, Borrower shall execute a promissory note in favor of Lender but the existence of a promissory note shall not be required to evidence or enforce any Obligation arising hereunder.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF BORROWER

To induce Lender to enter into this Loan Agreement and to make Advances hereunder, Borrower represents and warrants to Lender as follows:

3.1 Due Incorporation, etc. Borrower is a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation.

3.2 Authority. The execution, delivery and performance by Borrower of each Loan Document to be executed by Borrower and the consummation of the transactions contemplated thereby (i) are within the power of Borrower and (ii) have been duly authorized by all necessary actions on the part of Borrower.

3.3 Enforceability. Each Loan Document executed, or to be executed, by Borrower has been, or will be, duly executed and delivered by Borrower and constitutes, or will constitute, a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as limited by bankruptcy, insolvency or other laws of general application relating to or affecting the enforcement of creditors' rights generally and general principles of equity.

### ARTICLE 4 CONDITIONS TO MAKING ADVANCES

Lender's obligation to make the initial Advance and each subsequent Advance is subject to the prior satisfaction or waiver of all the conditions set forth in this Article 4.

4.1 Principal Loan Documents. Borrower shall have duly executed and delivered to Lender: (a) the Loan Agreement; and (b) such other documents, instruments and agreements as Lender may reasonably request.

4.2 Representations and Warranties Correct. The representations and warranties made by Borrower in Article 3 hereof shall be true and correct as of the date on which each Advance is made and after giving effect to the making of the Advance. The submission by Borrower to Lender of a request for an Advance shall be deemed to be a certification by the Borrower that as of the date of borrowing, the representations and warranties made by Borrower in Article 3 hereof are true and correct.

4.3 No Event of Default or Default. No Event of Default or Default has occurred or is continuing.

4.4 Total Outstanding Advances. The total aggregate principal amount of outstanding Advances does not exceed the Commitment.

ARTICLE 5  
EVENTS OF DEFAULT

5.1 Events of Default. The occurrence of any of the following shall constitute an "Event of Default" under this Loan Agreement and the Note:

(a) Failure to Pay. Borrower shall fail to pay (i) the principal amount of all outstanding Advances on the Termination Date hereunder; (ii) any interest, Obligation or other payment required under the terms of this Loan Agreement or any other Loan Document on the date due and such failure shall continue for five (5) Business Days after Borrower's receipt of Lender's written notice thereof to Borrower; or (iii) any Indebtedness (excluding Obligations) owed by Borrower to Lender on the date due and such failure shall continue for five (5) Business Days after Borrower's receipt of Lender's written notice thereof to Borrower.

(b) Breaches of Covenants. Borrower shall fail to observe or perform any other covenant, obligation, condition or agreement contained in this Loan Agreement or any other Loan Document and (i) such failure shall continue for ten (10) Business Days, or (ii) if such failure is not curable within such ten (10) Business Day period, but is reasonably capable of cure within thirty (30) Business Days, either (A) such failure shall continue for thirty (30) Business Days or (B) Borrower shall not have commenced a cure in a manner reasonably satisfactory to Lender within the initial ten (10) Business Day period; or

(c) Representations and Warranties. Any representation, warranty, certificate, or other statement (financial or otherwise) made or furnished by or on behalf of Borrower to Lender in writing in connection with any of the Loan Documents, or as an inducement to Lender to enter into this Loan Agreement, shall be false, incorrect, incomplete or misleading in any material respect when made or furnished; or

(d) Voluntary Bankruptcy or Insolvency Proceedings. Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidation or custodian of itself or of all or a substantial part of its property, (ii) be unable, or admit in writing its inability, to pay its debts generally as they mature, (iii) make a general assignment for the benefit of its or any of its creditors, (iv) be dissolved or liquidated in full or in part, (v) become insolvent (as such term is defined in 11 U.S.C. '101 (32), as amended from time to time), (vi) commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (vii) take any action for the purpose of effecting any of the foregoing; or

(e) Involuntary Bankruptcy or Insolvency Proceedings. Proceedings for the appointment of a receiver, trustee, liquidator or custodian of Borrower or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to Borrower or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect shall be commenced and an order for relief entered or such proceeding shall not be dismissed or discharged within sixty (60) calendar days of commencement.

5.2 Rights of Lender upon Default.

(a) Acceleration. Upon the occurrence or existence of any Event of Default described in Sections 5.1(d) and 5.1(e), automatically and without notice or, at the option of Lender, upon the occurrence of any other Event of Default, all outstanding Obligations payable by Borrower hereunder shall become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, anything contained herein or in the other Loan Documents to the contrary notwithstanding.

(b) Cumulative Rights, etc. The rights, powers and remedies of Lender under this Loan Agreement shall be in addition to all rights, powers and remedies given to Lender by virtue of any applicable law, rule or regulation of any Governmental Authority, any transaction contemplated thereby or any other agreement, all of which rights, powers, and remedies shall be cumulative and may be exercised successively or concurrently without impairing Lender's rights hereunder.



ARTICLE 6  
MISCELLANEOUS

6.1 Notices. Except as otherwise provided herein, all notices, requests, demands, consents, instructions or other communications to or upon Lender or Borrower under this Agreement or the other Loan Documents shall be in writing and telecopied, mailed or delivered to each party at its telecopier number or address set forth below (or to such other telecopier number or address for any party as indicated in any notice given by that party to the other party). All such notices and communications shall be effective (a) when sent by Federal Express or other overnight service of recognized standing, on the Business Day following the deposit with such service; (b) when mailed by registered or certified mail, first class postage prepaid and addressed as aforesaid through the United States Postal Service, upon receipt; (c) when delivered by hand, upon delivery; and (d) when telecopied, upon confirmation of receipt; provided, however, that any notice delivered to Lender under Article 2 shall not be effective until received by Lender.

LENDER: Apollo Medical Management, Inc.  
700 N. Brand Blvd. Suite 1400  
Glendale, California 91203  
Attention: CEO

BORROWER: Maverick Medical Group, a Professional Corporation  
700 N. Brand Blvd. Suite 1400  
Glendale, California 91203  
Attention: CEO

6.2 Waivers; Amendments. Any term, covenant, agreement or condition of this Loan Agreement or any other Loan Document may be amended or waived if such amendment or waiver is in writing and is signed by Borrower and Lender. No failure or delay by Lender in exercising any right hereunder shall operate as a waiver thereof or of any other right nor shall any single or partial exercise of any such right preclude any other further exercise thereof or of any other right. A waiver or consent given hereunder shall be effective only if in writing and in the specific instance and for the specific purpose for which given.

6.3 Successors and Assigns. This Loan Agreement and the other Loan Documents shall be binding upon and inure to the benefit of Borrower, Lender and their respective successors and permitted assigns, except that Borrower may not assign or transfer (and any such attempted assignment or transfer shall be void) any of its rights or obligations under any Loan Document without the prior written consent of Lender.

6.4 Set-off. In addition to any rights and remedies of Lender provided by law, Lender shall have the right, without prior notice to Borrower, any such notice being expressly waived by Borrower to the extent permitted by applicable law, upon the occurrence and during the continuance of a Default or an Event of Default, to set-off and apply against any Indebtedness, whether matured or unmatured, of Borrower to Lender (including, without limitation, the Obligations), any amount owing from Lender to Borrower. The aforesaid right of set-off may be exercised by Lender against Borrower or against any trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, receiver or execution, judgment or attachment creditor of Borrower or against anyone else claiming through or against Borrower or such trustee in bankruptcy, debtor-in-possession, assignee for the benefit of creditors, receiver, or execution, judgment or attachment creditor, notwithstanding the fact that such right of set-off shall not have been exercised by Lender prior to the occurrence of a Default or an Event of Default. Lender agrees promptly to notify Borrower after any such set-off and application made by Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

6.5 No Third Party Rights. Nothing expressed in or to be implied from this Agreement or any other Loan Document is intended to give, or shall be construed to give, any Person, other than the parties hereto and thereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or any other Loan Document.

6.6 Partial Invalidity. If at any time any provision of this Loan Agreement or any of the Loan Documents is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of the Loan Agreement or such other Loan Documents, nor the legality, validity or enforceability of such provision under the law of any other jurisdiction, shall in any way be affected or impaired thereby.

6.7 Governing Law. This Loan Agreement and each of the other Loan Documents shall be governed by and construed in accordance with the laws of the State of California without reference to conflicts of law rules.

6.8 Construction. Each of this Loan Agreement and the other Loan Documents is the result of negotiations among, and has been reviewed by, Borrower, Lender and their respective counsel. Accordingly, this Loan Agreement and the other Loan Documents shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against Borrower or Lender.

6.9 Entire Agreement. This Loan Agreement and the other Loan Documents, taken together, constitute and contain the entire agreement of Borrower and Lender with respect to the subject matter hereby and supersede any and all prior agreements, negotiations, correspondence, understandings and communications among the parties, whether written or oral, respecting the subject matter hereof.

6.10 Termination of Previous Agreements. All previous loan agreements between the parties, including without limitation that certain Intercompany Revolving Loan Agreement dated as of February 1, 2013, that certain Amendment No. 1 to Intercompany Revolving Loan Agreement dated as of March 28, 2014, that certain Intercompany Revolving Loan Agreement dated as of June 27, 2014, and that certain Amendment No. 2 to Intercompany Revolving Loan Agreement dated as of March 30, 2016, are hereby terminated.

IN WITNESS WHEREOF, the parties have executed this Loan Agreement as of the date first set forth above.

BORROWER:

MAVERICK MEDICAL GROUP, INC.

By: /s/ Mark Marten

Name: Mark Marten

Title: Chief Executive Officer

LENDER:

APOLLO MEDICAL MANAGEMENT, INC.

By: /s/ Warren Hosseinion

Name: Warren Hosseinion, M.D.

Title: Chief Executive Officer

**SUBORDINATION AGREEMENT**

THIS SUBORDINATION AGREEMENT (this "Agreement") is entered into as of November 22, 2016, by and between Maverick Medical Group, Inc. ("Borrower") and Apollo Medical Management, Inc. ("Lender") with reference to the following facts:

**RECITALS**

- A. Borrower is currently operating as a Risk-Bearing Organization ("RBOs") pursuant to the Knox-Keene Health Care Service Plan Act of 1975, as amended (the "Act").
- B. The Department of Managed Health Care of the State of California ("DMHC") requires RBOs to meet the financial solvency requirements as defined in and calculated pursuant to the Act and rules and regulations promulgated thereunder (the "Rules"). The financial solvency requirements include those found in California Health and Safety Code section 1375.4 and sections 1300.75.4 through 1300.75.4.8 of Title 28, California Code of Regulations.
- C. In order to assist Borrower, as an RBO, in meeting the financial solvency requirements of the Act and Rules, Lender has loaned or will, with the execution of this Agreement, loan to Borrower, from time to time, an amount or amounts not to exceed Two Million Dollars (\$2,000,000) outstanding at any one time (the "Loan"), under the terms and conditions specified in that certain Intercompany Revolving Loan Agreement dated as of even date herewith (the "Loan Agreement"), a copy of which is attached hereto as Exhibit "A" and incorporated herein by this reference.
- D. The governing body of Lender has approved the Loan Agreement and this Agreement.
- E. To comply with the requirements of the Act and the Rules, it is necessary for Lender to irrevocably and fully subordinate all right, title and interest to receive payment of principal and interest on the Loan under the terms of the Note to all other present and future creditors of Borrower.

**AGREEMENT**

Borrower and Lender hereby agree as follows:

1. Lender hereby irrevocably and fully subordinates all right, title and interest in and to repayment of the Loan as evidenced by the Loan Agreement to all other present and future creditors of Borrower.
2. Lender agrees that the payment by Borrower of principal and interest of the Loan to Lender under the terms of the Loan Agreement will be suspended and will not mature when, excluding the liability of Borrower to pay Lender principal and interest on the Loan, if after giving effect to the payment, Borrower would not be in compliance with the financial solvency requirements, as defined in and calculated under the Act and Rules.

3. Lender agrees that, in the event of the liquidation or dissolution of Borrower, the payment by Borrower of principal and interest to Lender on the Loan is fully subordinated and subject to the prior payment or provision for payment in full of all claims of all other present and future creditors of Borrower.

4. The terms of the Loan Agreement and the Loan are subject to the terms of this Agreement. To the extent that the terms of the Loan Agreement and the Loan are in conflict with this Agreement, the terms of this Agreement will control.

5. Upon the written consent of the Director of DMHC, all previous subordination agreements between Borrower and Lender, including without limitation that certain Subordination Agreement dated June 27, 2014 between Borrower and Lender and that certain Amended and Restated Subordination Agreement between Lender and Borrower, dated as of March, 30, 2016, are terminated. Once consented to by the Director of DMHC and executed by the parties hereto, this Agreement may not be cancelled, terminated, rescinded or amended by mutual consent or otherwise, without the prior written consent of the Director of DMHC.

6. This Agreement embodies the entire agreement between Borrower and Lender as to the subject of this Agreement and no other document regarding the Loan, the Loan Agreement or this Agreement has been or will be executed without the prior written consent of the Director of DMHC.

7. The provisions of this Agreement are binding upon Borrower and Lender, and their respective successors and assigns.

8. This Agreement is made under, and will be governed by, the laws of the State of California in all respects.

9. Lender hereby represents and warrants that the execution of this Agreement has been authorized by a valid board resolution.

IN WITNESS WHEREOF, the authorized representatives of the parties hereby execute this Agreement.

**BORROWER**

**LENDER**

By: /s/ Mark Marten

By: /s/ Warren Hosseinion

Name: Mark Marten

Name: Warren Hosseinion

Title: CEO

Title: CEO

Date: November 22, 2016

Date: November 22, 2016