

SUBORDINATION AGREEMENT  
(CONTINUED)

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

American Riviera Bank  
1033 Anacapa Street  
Santa Barbara, CA 93101

**FOR RECORDER'S USE ONLY**

APN: 075-112-016

**SUBORDINATION AGREEMENT**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN THE LIEN OF ENCUMBRANCES ON THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

**THIS SUBORDINATION AGREEMENT (“Agreement”)** is made as of February 8, 2022, by and among Timothy John Werner and Richard Paul Gilman, Trustee of the Richard Paul Gilman 2017 Family Trust (“**Borrower**”), with an address of 901 Embarcadero del Mar, Santa Barbara, CA 93117; County of Santa Barbara, political subdivision of the State of California (“**Junior Lender**”), with an address of 123 E. Anapamu St., Santa Barbara, CA 93101; and American Riviera Bank (“**Senior Lender**”) with an address of 1033 Anacapa Street, Santa Barbara, CA 93101.

A. Borrower has applied to Senior Lender for a loan (the “**Senior Loan**”) financing of the Property (as hereinafter defined).

B. The Senior Loan is evidenced by that certain Senior Note and that certain Business Loan Agreement dated as of \_\_\_\_\_, between Borrower and Senior Lender (the “**Senior Loan Agreement**”). The term “**Senior Note**” means that certain Promissory Note dated as of \_\_\_\_\_, evidencing a loan in the principal amount of \$9,900,000.00 (“**Loan**”) made by Borrower payable to the order of Senior Lender.

C. The Senior Loan is secured by, among other things, that certain Deed of Trust dated as of \_\_\_\_\_, executed by Borrower for the benefit of Senior Lender, and to be recorded in the official real property records of Santa Barbara County (“**Official Records**”) concurrently herewith (the “**Senior Security Instrument**”), which Senior Security Instrument encumbers certain real property and improvements located at 901 Embarcadero Del Mar, Goleta, CA 93117 and more fully described in Exhibit A, attached hereto and fully incorporated herein (“**Property**”). Together, the Senior Security Instrument, the Senior Note, the Senior Loan Agreement and all other documents executed in connection with the Senior Loan, as the same may from time to time be extended, modified or amended in accordance with the provisions of this Agreement, are the “**Senior Loan Documents**”; and “**Senior Indebtedness**” means and includes all present and future indebtedness, obligations, liabilities, claims, rights, and demands of any kind which may be now or hereafter owing from Borrower to Senior Lender under the terms and conditions of the Senior Loan Documents, as in

SUBORDINATION AGREEMENT  
(CONTINUED)

effect from time to time.

D. In connection with the Junior Loan, Paradise Ivy, LLC executed that certain Regulatory Agreement and Declaration of Restrictive Covenants recorded in the Official Records on July 17, 2009, as Instrument #2009-43265 (the "**Regulatory Agreement**") in favor of Junior Lender, which Regulatory Agreement, among other things, sets forth certain restrictions upon the occupancy, rents, operation, ownership and maintenance of the Property.

E. Junior Lender has made a loan (the "**Junior Loan**") to Paradise Ivy, LLC, a California limited liability company ("**Paradise Ivy**") in the original principal amount of \$717,000.00, which Junior Loan is evidenced by that certain Promissory Note dated as of June 26, 2009, made by Paradise Ivy to Junior Lender (the "**Junior Note**") and secured by that certain Deed of Trust dated July 14, 2009 and recorded in Official Records on July 20, 2009 as Instrument #2009-43705 ("**Junior Security Instrument**") encumbering the Property. The Junior Note and Junior Security Instrument are collectively referred to as the "**Junior Loan Documents**" and the indebtedness owed thereunder, the "**Subordinate Indebtedness**".

F. Pursuant to Grant Deed recorded in Official Records on October 26, 2016 as Instrument #2016-0057185, Borrower has succeeded to the rights, interests and obligations of Paradise Ivy under the Junior Loan Documents.

G. As a condition to the making of the Senior Loan, Borrower and Senior Lender require that Junior Lender execute and deliver this Agreement.

H. It is to the mutual benefit of the parties that Senior Lender agree to the Senior Loan and Borrower and Junior Lender are willing to have the Senior Security Instrument constitute a lien, claim and charge upon the Property unconditionally prior and superior to the liens, claims and charges of the Junior Security Instrument.

**AGREEMENT**

**NOW, THEREFORE**, in consideration of the foregoing and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the parties hereto acknowledge and agree that the foregoing recitals are true and accurate and are incorporated herein by this reference and further agree as follows:

1. The Senior Security Instrument and any and all renewals, modifications, extensions or advances thereunder or secured thereby (including interest thereon), is unconditionally and will remain at all times liens, claims or charges on the Property prior and superior to the Junior Security Instrument and other Junior Loan Documents.

2. Senior Lender would not agree to the Senior Loan or the Senior Security Instrument without this Agreement.

3. Junior Lender hereby declares, acknowledges and agrees that:

a. Junior Lender consents to all provisions of the Senior Loan Documents;

b. Junior Lender intentionally and unconditionally subjects and subordinates the liens, claims, rights and charges of the Junior Security Instrument and all present and future obligations, claims and rights arising thereunder and/or secured thereby, in favor of the liens, claims and charges upon the Property of the Senior Security Instrument any and all extensions, renewals, modifications, and replacements thereof and understands that

SUBORDINATION AGREEMENT  
(CONTINUED)

in reliance upon, and in consideration of, this subjection and subordination, specific concessions and agreements are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into that would not be made or entered into but for Senior Lender's reliance upon this subjection and subordination;

- c. The Senior Security Instrument shall be and remain, at all times, prior and superior to the Junior Loan Documents; and
- d. Nothing herein shall be construed to subordinate the Regulatory Agreement which shall remain in a senior position to the Senior Loan Documents, subject to the terms and conditions applicable to the Regulatory Agreement as set forth herein.

4. Junior Lender hereby represents and warrants to Senior Lender that no default by Junior Lender or, to Junior Lender's knowledge, by other party under the terms and provisions of the Junior Security Instrument or other Junior Loan Documents exists as of the date hereof.

5. Senior Lender may take or omit any and all actions with respect to the Senior Indebtedness, Senior Security Instrument and other Senior Loan Documents without affecting whatsoever any of Senior Lender's rights under this Agreement. Junior Lender waives any right to require Senior Lender to make, extend, renew, or modify any loan to Borrower or to grant any other financial accommodations to Borrower whatsoever; or to marshal any property of Borrower or any guarantor of the Senior Indebtedness for the benefit of Junior Lender.

**Notice and Cure.** Senior Lender agrees that it shall use its best efforts to provide Junior Lender with a copy of all initial notices of default provided to Borrower under the Senior Loan Documents, provided, Senior Lender shall have no liability to Junior Lender and/or Borrower for its failure to do so, nor shall failure to do so constitute grounds for any restraining order, injunction, or other prohibition against or delay in Senior Lender's exercise of its remedies under the Senior Loan Documents. Senior Lender shall not record a Notice of Default related to such initial notice during the period thirty (30) days after the date of such initial notice if such notice relates to a nonmonetary default or defaults under the Senior Loan Documents. During the term of such period Junior Lender shall have the right, but not the obligation, to cure any nonmonetary default under such initial notice. Notwithstanding the foregoing, if at any time following the date of the initial notice, there shall occur or be continuing a default in the payment of any amount due Senior Lender under the Senior Loan Documents, Senior Lender shall have the right to, and in its sole discretion may, record a Notice of Default and proceed to foreclosure based upon any such nonpayment regardless of any extended cure period with respect to nonmonetary defaults.

All notices and other communications hereunder shall be deemed to have been duly given, made, or served, if in writing and delivered personally or mailed by first class mail, postage prepaid, to the respective parties to this Agreement as follows:

**Junior Lender:** County of Santa Barbara  
Housing and Community Development  
123 E Anapamu Street, 2<sup>nd</sup> Floor  
Santa Barbara, CA 93101  
Attn: Deputy Director

With copy to: Office of County Counsel  
County of Santa Barbara  
105 E Anapamu Street, Room 201  
Santa Barbara, CA 93101

SUBORDINATION AGREEMENT  
(CONTINUED)

**Senior Lender:** American Riviera Bank  
1033 Anacapa Street  
Santa Barbara, CA 93101  
Attn: Credit Administration

**Standstill.** Junior Lender agrees that, without Senior Lender's prior written consent, it will not: (i) accelerate the Subordinate Indebtedness, or (ii) commence foreclosure proceedings with respect to the Property, collect rents, appoint (or seek the appointment of) a receiver or institute any other collection or monetary enforcement action ("Enforcement Action"), under the Regulatory Agreement or the Junior Security Instrument; in either case unless and until it has given the Senior Lender at least 60 days' prior written notice; during such 60 day period, however, the Junior Lender shall be entitled to exercise and enforce all other rights and remedies available to the Junior Lender under the Junior Loan Documents and the Regulatory Agreement and/or under applicable laws, including without limitation, rights to enforce covenants, conditions, operations and agreements of the Borrower relating to maintenance of the development, income, rent, or affordability restrictions contained in the Junior Loan Documents and the Regulatory Agreement that do not comprise an Enforcement Action.

**Amendments.** No alteration of or amendment, supplement, modification, waiver or termination to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment, supplement, modification, waiver or termination.

**Authority.** The person who signs this Agreement as or on behalf of Junior Lender represents and warrants that he or she has authority to execute this Agreement and to subordinate the Junior Loan Documents.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** **IN ALL RESPECTS, INCLUDING, WITHOUT LIMITATION, MATTERS OF CONSTRUCTION AND PERFORMANCE OF THIS AGREEMENT AND THE OBLIGATIONS ARISING HEREUNDER, THIS AGREEMENT HAS BEEN ENTERED INTO AND DELIVERED IN, AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY, THE LAWS OF THE STATE WHERE THE PROPERTY IS LOCATED, WITHOUT GIVING EFFECT TO ANY PRINCIPLES OF CONFLICTS OF LAW.**

**No Third Party Beneficiaries.** No party other than Senior Lender and Junior Lender shall have any rights under, or be deemed a beneficiary of any of the provisions of, this Agreement.

**No Joint Venture.** Nothing herein or in any of the Senior Loan Documents or Junior Loan Documents shall be deemed to constitute Senior Lender as a joint venturer or partner of Junior Lender.

**Successors.** This Agreement shall extend to and bind the respective heirs, personal representatives, successors and assigns of the parties to this Agreement, and the covenants in favor of Senior Lender shall extend to, include, and be enforceable by any transferee or endorsee to whom Senior Lender may transfer any or all of the indebtedness secured by the Senior Security Instrument.

**Counterparts.** This Agreement may be executed in one or more counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

SUBORDINATION AGREEMENT  
(CONTINUED)

EACH PARTY TO THIS AGREEMENT ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT, AND EACH PARTY AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AS OF THE DATE FIRST SET FORTH ABOVE.

ATTEST:

MONA MIYASATO  
Clerk of the Board


COUNTY:

County of Santa Barbara, a political subdivision of the State of California


By: \_\_\_\_\_  
Deputy Clerk of the Board

By: \_\_\_\_\_  
Joan Hartmann, Chair  
Board of Supervisors

APPROVED AS TO ACCOUNTING  
FORM:  
BETSY M. SCHAFFER, CPA, CPFO  
AUDITOR-CONTROLLER

By:   
DocuSigned by:  
A99ED58D71D04FB...  
Deputy

BORROWER:

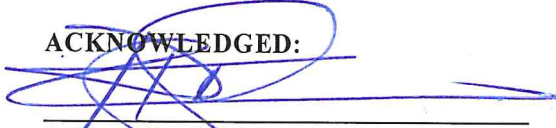
  
\_\_\_\_\_  
Timothy John Werner

APPROVED AS TO FORM  
RACHEL VAN MULLEM  
COUNTY COUNSEL


By:   
DocuSigned by:  
B9828E0E6649481...  
Deputy County Counsel

\_\_\_\_\_  
Richard Paul Gilman, Trustee of the Richard Paul Gilman 2017 Family Trust

ACKNOWLEDGED:


  
\_\_\_\_\_  
Richard Paul Gilman

APPROVED AS TO FORM:  
RISK MANAGEMENT

By:   
DocuSigned by:  
D3DB8526E16F47F...  
Ray Aromatorio, ARM, AIC  
Risk Manager

LENDER:

AMERICAN RIVIERA BANK

By:   
Name: Jason Wilson  
Title: SVP

SUBORDINATION AGREEMENT  
(CONTINUED)

CERTIFICATE OF ACKNOWLEDGEMENT

State of California

County of Santa Barbara

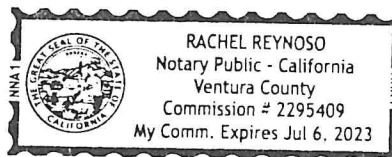
**Rachel Reynoso, Notary Public**

On 1/21/22 before me, \_\_\_\_\_, a Notary Public, personally appeared Timothy J Warner, 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 Rachel Reynoso



(Seal)

CERTIFICATE OF ACKNOWLEDGEMENT

State of California

County of Santa Barbara

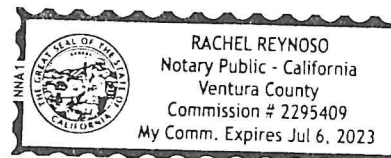
**Rachel Reynoso, Notary Public**

On 1/21/22 before me, \_\_\_\_\_, a Notary Public, personally appeared Jason Wilson, 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 Rachel Reynoso



(Seal)

**CALIFORNIA ACKNOWLEDGMENT**

**CIVIL CODE § 1189**

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 Santa Barbara

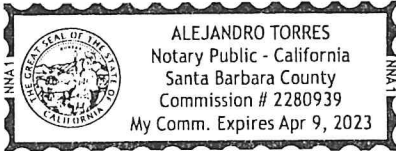
On 1-21-2022 before me, Alejandro Torres, Notary Public  
Date Here Insert Name and Title of the Officer

personally appeared Richard Paul Gilman  
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 California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Place Notary Seal and/or Stamp Above

Signature [Handwritten Signature]  
Signature of Notary Public

**OPTIONAL**

Completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**

Title or Type of Document: \_\_\_\_\_  
Document Date: \_\_\_\_\_ Number of Pages: \_\_\_\_\_  
Signer(s) Other Than Named Above: \_\_\_\_\_

**Capacity(ies) Claimed by Signer(s)**

Signer's Name: \_\_\_\_\_  
 Corporate Officer – Title(s): \_\_\_\_\_  
 Partner –  Limited  General  
 Individual  Attorney in Fact  
 Trustee  Guardian or Conservator  
 Other: \_\_\_\_\_  
Signer is Representing: \_\_\_\_\_

SUBORDINATION AGREEMENT  
(CONTINUED)

State of California  
County of \_\_\_\_\_

On \_\_\_\_\_ before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(Seal)



**EXHIBIT "A"**

**Legal Description of Real Estate**

**Santa Barbara County, California**

**PARCEL ONE:**

PARCEL "C" IN THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS SAID PARCEL IS SHOWN AS DESIGNATED ON PARCEL MAP NO. 10691 FILED IN BOOK 2, PAGE 69 OF PARCEL MAPS, IN THE OFFICIAL RECORDS OF SAID COUNTY.

**PARCEL TWO:**

THE EASTERLY 10 FEET OF LOT 2, BLOCK "J" IN THE OCEAN TERRACE TRACT IN THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 15, PAGES 101, 102, AND 103 OF MAPS, RECORDS OF SAID COUNTY, AND THAT PORTION OF THE NORTHERLY 30 FEET OF SAID LOT 2 LYING EASTERLY OF THE NORTHERLY PROLONGATION OF THE WESTERLY LINE OF PARCEL ONE ABOVE DESCRIBED.

APN: 075-112-16