

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Ann J. McGill
Kutak Rock LLP
1650 Farnam Street
Omaha, Nebraska 68102

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this “Agreement”) is dated as of [March 1], 2020 by and among **WEST COX COTTAGES, L.P.**, a California limited partnership (the “Borrower”), **PACIFIC WESTERN BANK**, a California state-chartered bank (together with its successors and assigns, the “Senior Lender”) and the **COUNTY OF SANTA BARBARA**, a political subdivision of the State of California and the **HOUSING AUTHORITY OF THE COUNTY OF SANTA BARBARA**, a public body, corporate and politic (collectively, the “Subordinate Lender”).

RECITALS

A. Borrower is the owner of a fee simple interest in that certain real property described in Exhibit A attached hereto (the “Land”) upon which Borrower intends to construct and operate a multifamily housing facility known as West Cox Cottages (the “Improvements” and together with the Land, collectively, the “Property”).

B. Pursuant to the terms of a Loan Agreement dated [March 1], 2020 (as amended, modified or supplemented from time to time, the “Senior Loan Agreement”), Senior Lender is making a loan to Borrower in the original principal amount of \$[7,450,000] (the “Senior Loan”). The Senior Loan will be evidenced by a promissory note from Borrower to Senior Lender dated [March __], 2020 (as amended, modified or supplemented from time to time, the “Senior Note”). The Borrower’s obligations under the Senior Loan Agreement and Senior Note will be secured by a Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing dated as of the date hereof and recorded concurrently herewith (as amended, modified or supplemented from time to time, the “Senior Deed of Trust”), encumbering the Property as more particularly described in the Senior Deed of Trust. The Senior Loan Agreement, Senior Note, the Senior Deed of Trust, this Agreement and any of the other documents evidencing or related to the Senior Loan are collectively referred to herein as the “Senior Loan Documents.”

C. Pursuant to the terms of an County HEAP Loan Agreement (as amended, modified, or supplemented from time to time, the “Subordinate Loan Agreement”), Subordinate Lender has made a loan to the Housing Authority of the County of Santa Barbara (the “Housing Authority”) in the original principal amount of up to \$1,350,000 (the “Subordinate Loan”). The Subordinate Loan is evidenced by a County HEAP Loan Promissory Note from Housing Authority to

Subordinate Lender dated December 17, 2019 (as amended, modified or supplemented from time to time, the "Subordinate Note"). The Housing Authority's obligations under the Subordinate Loan Agreement, Subordinate Note and Regulatory Agreement (defined below) are secured by a County HEAP Loan Deed of Trust, Assignment of Rents, and Security Agreement dated December 17, 2019 recorded January 2, 2020, as Instrument No. 2020-0000126, in the office aforesaid (as amended, modified, or supplemented from time to time, the "Subordinate Deed of Trust") encumbering the Property as more particularly described in the Subordinate Deed of Trust. The Subordinate Loan Agreement, Subordinate Note, Regulatory Agreement, Subordinate Deed of Trust and any other documents evidencing or related to the Subordinate Loan shall be collectively referred to herein as the "Subordinate Loan Documents." The Housing Authority has made, or agreed to make, a collateral loan to the Borrower from the proceeds of the Subordinate Loan in the principal amount of \$1,350,000 (the "Collateral Loan"). The Collateral Loan is evidenced by that certain Affordable Housing Collateral Loan Agreement (West Cox Apartments) and that certain Promissory Note (County HEAP Loan), on an unsecured basis. As a condition of making the Subordinate Loan, Junior Lender has also required that Housing Authority and Borrower are subject to that certain County HEAP Loan Regulatory Agreement and Declaration of Restrictive Covenants dated December 17, 2019 and recorded January 2, 2020, as Instrument No. 2020-0000127, in the Official Records of Santa Barbara County, California (as the same may be amended, the "Regulatory Agreement").

D. The execution and delivery of this Agreement by Subordinate Lender is a condition precedent to the making of the Senior Loan.

AGREEMENTS

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

1. **Definitions.** As used herein, the following terms have the meanings set forth below:

"Bankruptcy Proceeding" means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Loan, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

"Business Day(s)" shall have the meaning assigned to such term in the Loan Agreement.

"Casualty" means the occurrence of damage to or loss of all or any portion of the Property by fire or other casualty.

"Condemnation" means any action or proceeding or notice relating to any proposed or actual condemnation or other taking, or conveyance in lieu thereof, of all or any part of the Project, whether direct or indirect.

"Enforcement Action" means any of the following actions taken by or at the direction of Subordinate Lender (including, but not limited to, as a result of a default under the Regulatory

Agreement): the acceleration of all or any part of the Subordinate Loan, the advertising of or commencement of any foreclosure or trustee's sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Loan Documents, the exercising of any banker's lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for the Subordinate Loan or obligated under any of the Subordinate Loan Documents, or the Property.

"Enforcement Action Notice" means a written notice from Subordinate Lender to Senior Lender, given following one or more Subordinate Loan Default(s) and the expiration of any notice or cure periods provided for such Subordinate Loan Default(s) in the Subordinate Loan Documents, setting forth in reasonable detail the Subordinate Loan Default(s) and the Enforcement Actions proposed to be taken by Subordinate Lender.

"Loss Proceeds" means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty.

"Rents" will have the meaning given to that term in the Senior Loan Agreement.

"Senior Loan Default" means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of Notice or the passage of time, or both, would constitute, an "Event of Default" as defined in the Senior Loan Documents.

"Subordinate Loan Default" means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), or which with the giving of Notice or the passage of time, or both, would allow (but for any contrary provision of this Agreement), Subordinate Lender to take an Enforcement Action.

2. Subordination of Subordinate Loan.

a. The Subordinate Loan is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Loan.

b. Until the occurrence of an Event of Default (as defined in the Senior Loan Documents) under the Senior Loan Documents, Subordinate Lender will be entitled to retain for its own account all payments made on account of the principal of and interest on the Subordinate Loan in accordance with the requirements of the Subordinate Loan Documents. However, immediately upon Subordinate Lender's receipt of Notice (as defined herein) or actual knowledge of an Event of Default, Subordinate Lender will not accept any payments on account of the Subordinate Loan, and the provisions of Section 2(c) of this Agreement will apply. Subordinate Lender acknowledges that a Subordinate Loan Default constitutes a Senior Loan Default. Accordingly, upon the occurrence of a Subordinate Loan Default, Subordinate Lender will be deemed to have actual knowledge of a Senior Loan Default.

c. If (i) Subordinate Lender receives any payment, property, or asset of any kind or in any form on account of the Subordinate Loan (including any proceeds from any Enforcement Action) after a Senior Loan Default of which such Subordinate Lender has actual knowledge (or is deemed to have actual knowledge as provided in 2(b) above) or has been given Notice, or (ii) Subordinate Lender receives, voluntarily or involuntarily, by operation of law or otherwise, any payment, property, or asset in or in connection with any Bankruptcy Proceeding, such payment, property, or asset will be received and held in trust for Senior Lender. Subordinate Lender will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets to Senior Lender. Senior Lender will apply any payment, asset, or property so received from Subordinate Lender to the Senior Loan in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Lender determines in its sole and absolute discretion.

d. Without limiting the complete subordination of the Subordinate Loan to the payment in full of the Senior Loan, in any Bankruptcy Proceeding, upon any payment or distribution (whether in cash, property, securities, or otherwise) to creditors (i) the Senior Loan will first be paid in full in cash before Subordinate Lender will be entitled to receive any payment or other distribution on account of or in respect of the Subordinate Loan, and (ii) until all of the Senior Loan is paid in full in cash, any payment or distribution to which Subordinate Lender would be entitled but for this Agreement (whether in cash, property, or other assets) will be made to Senior Lender.

e. The subordination of the Subordinate Loan will continue if any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law. In such event, any or all of the Senior Loan originally intended to be satisfied will be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action, as if such payment on account of the Senior Loan had not been made.

3. Subordination of Subordinate Loan Documents.

a. With the exception of the Regulatory Agreement, each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents. The Regulatory Agreement shall not be subordinated to the Senior Loan Documents.

b. The subordination of the Subordinate Loan Documents (excepting the Regulatory Agreement), and of the Subordinate Loan will apply and continue notwithstanding (i) the actual date and time of execution, delivery, recording, filing or perfection of each of the Senior Loan Documents and of each of the Subordinate Loan Documents, and (ii) the availability of any collateral to Senior Lender, including the availability of any collateral other than the Property.

c. By reason of, and without in any way limiting, the full subordination of the Subordinate Loan and the Subordinate Loan Documents (excepting the Regulatory Agreement) provided for in this Agreement, all rights and claims of Subordinate Lender under the Subordinate

Loan Documents in or to all or any portion of the Property are expressly subject and subordinate in all respects to the rights and claims of Senior Lender under the Senior Loan Documents in or to the Property.

d. If Subordinate Lender, by indemnification, subrogation or otherwise, acquires any lien, estate, right or other interest in any of the Property, then that lien, estate, right or other interest will be fully subject and subordinate to the receipt by Senior Lender of payment in full of the Senior Loan, and to the Senior Loan Documents, to the same extent as the Subordinate Loan and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

4. Additional Representations and Covenants.

a. Subordinate Lender represents and warrants with respect to the Subordinate Loan that each of the following is true:

- i. Subordinate Lender is now the owner and holder of the Subordinate Loan Documents.
- ii. The Subordinate Loan Documents are now in full force and effect.
- iii. The Subordinate Loan Documents have not been modified or amended.
- iv. No Subordinate Loan Default has occurred with respect to the Subordinate Loan.
- v. None of the rights of Subordinate Lender under any of the Subordinate Loan Documents are subject to the rights of any third parties, by way of subrogation, indemnification or otherwise.

b. Without the prior written consent of Senior Lender in each instance, Subordinate Lender will not do any of the following:

- i. Amend, modify, waive, extend, renew, or replace any provision of any of the Subordinate Loan Documents.
- ii. Pledge, assign, transfer, convey, or sell any interest in the Subordinate Loan or any of the Subordinate Loan Documents.
- iii. Accept any payment on account of the Subordinate Loan other than a regularly scheduled payment of interest or principal and interest made not earlier than 10 days prior to its due date, or as expressly authorized in Section 4(i) below.
- iv. Take any action which has the effect of increasing the amount of the Subordinate Loan.
- v. Take any action concerning the presence of any Hazardous Substance affecting the Property. As used in this Section 4(b), the term "Hazardous

Substance” means and includes asbestos or any substance containing asbestos, polychlorinated biphenyls, any explosives, radioactive materials, chemicals known or suspected to cause cancer or reproductive toxicity, pollutants, effluents, contaminants, emissions, infectious wastes, any petroleum or petroleum-derived waste or product or related materials and any items defined as hazardous, special or toxic materials, substances or waste under any Hazardous Substance Law, or any such material which shall be removed from the Property pursuant to any administrative order or enforcement proceeding or in order to place the Property in a condition that is suitable for ordinary use. “Hazardous Substance Law” collectively means and includes any present and future local, state, federal or international law or treaty relating to public health, safety or the environment including without limitation, the Resource Conservation and Recovery Act, as amended (“RCRA”), 42 U.S.C. § 6901 et seq., the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986 (“SARA”), the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Clean Water Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, as amended 42 U.S.C. § 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Uranium Mill Tailings Radiation Control Act, 42 U.S.C. § 7901 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 655 et seq., the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. § 136 et seq., the National Environmental Policy Act, 42 U.S.C. § 4321 et seq., the Noise Control Act, 42 U.S.C. § 4901 et seq., and the Emergency Planning and Community Right-to-Know Act, 42 U.S.C. § 11001 et seq., and the amendments, regulations, orders, decrees, permits, licenses or deed restrictions now or hereafter promulgated thereunder, and any similar law, regulation, order, decree, permit, license or deed restriction of the State of California.

c. Subordinate Lender will deliver to Senior Lender a copy of each Notice received or delivered by Subordinate Lender pursuant to the Subordinate Loan Documents or in connection with the Subordinate Loan, simultaneously with Subordinate Lender’s delivery or receipt of such Notice. Senior Lender will deliver to Subordinate Lender in the manner required in Section 5(b) a copy of each Notice of a Senior Loan Default delivered to Borrower by Senior Lender. Neither giving nor failing to give a Notice to Senior Lender or Subordinate Lender pursuant to this Section 4(c) will affect the validity of any Notice given by Senior Lender or Subordinate Lender to Borrower, as between Borrower and such of Senior Lender or Subordinate Lender as provided the Notice to Borrower.

d. Without the prior written consent of Senior Lender in each instance, Subordinate Lender will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Lender will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Lender has also voted affirmatively in favor of such plan. In the event of any Bankruptcy Proceeding, Subordinate Lender will not contest the continued accrual of interest on the Senior Loan, in accordance with

and at the rates specified in the Senior Loan Documents, both for periods before and for periods after the commencement of such Bankruptcy Proceedings.

e. Whenever the Subordinate Loan Documents, with the exception of the Regulatory Agreement, give Subordinate Lender approval or consent rights with respect to any matter, and a right of approval or consent with regard to the same or substantially the same matter is also granted to Senior Lender pursuant to the Senior Loan Documents or otherwise, Senior Lender's approval or consent or failure to approve or consent, as the case may be, will be binding on Subordinate Lender. None of the other provisions of this Section 4 are intended to be in any way in limitation of the provisions of this Section 4(e).

f. All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Lender. All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Lender. Nothing in this Section 4(f) will preclude Subordinate Lender from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Property, provided such action does not affect the priority of payment of Loss Proceeds, or that Subordinate Lender be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Property.

g. In the event of a Condemnation or a Casualty, all of the following provisions will apply:

- i. The rights of Subordinate Lender to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Lender's rights under the Senior Loan Documents with respect thereto, and Subordinate Lender will be bound by any settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Lender.
- ii. All Loss Proceeds will be applied either to payment of the costs and expenses of restoration or to payment on account of the Senior Loan, as and in the manner determined by Senior Lender in its sole discretion.
- iii. If Senior Lender applies or releases all of the Loss Proceeds for the purposes of restoration of the Property, then Subordinate Lender will release for such purpose all of their right, title and interest, if any, in and to such Loss Proceeds. If Senior Lender holds Loss Proceeds, or monitors the disbursement thereof, Subordinate Lender will not do so. Nothing contained in this Agreement will be deemed to require Senior Lender to act for or on behalf of Subordinate Lender in connection with any restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Lender, and all or any Loss Proceeds may be commingled with any funds of Senior Lender.

iv. If Senior Lender elects to apply Loss Proceeds to payment on account of the Senior Loan, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Loan, any remaining Loss Proceeds held by Senior Lender will be paid to Subordinate Lender unless another party has asserted a claim to the remaining Loss Proceeds.

h. Except as provided in this Section 4(h), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Lender will not collect payments for the purpose of escrowing for any cost or expense related to the Property (“Impositions”) or for any portion of the Subordinate Loan. However, if Senior Lender is not collecting escrow payments for one or more Impositions, Subordinate Lender may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Lender will be held in trust by Subordinate Lender to be applied only to the payment of such Impositions.

i. Within ten (10) days after request by Senior Lender, Subordinate Lender will furnish Senior Lender with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Loan, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Loan as Senior Lender may request.

j. Senior Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Lender, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Lender may not modify any provision of the Senior Loan Documents that increases the amount of the Senior Loan, except for increases in the Senior Loan that result from advances made by Senior Lender to protect the security or lien priority of Senior Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

5. Default under Loan Documents.

a. For a period of ninety (90) days following delivery to Senior Lender of an Enforcement Action Notice, Senior Lender will have the right, but not the obligation, to cure any Subordinate Loan Default, provided that if such Subordinate Loan Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Lender has commenced and is diligently pursuing such cure to completion, Senior Lender will have such additional period of time as may be required to cure such Subordinate Loan Default or until such time, if ever, as Senior Lender (i) discontinues its pursuit of any cure and/or (ii) delivers to Subordinate Lender Senior Lender’s written consent to the Enforcement Action described in the Enforcement Action Notice. Senior Lender will not be subrogated to the rights of Subordinate Lender under the Subordinate Loan Documents by reason of Senior Lender having cured any Subordinate Loan Default. However, Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender in accordance with the Senior Loan Documents or to cure a Subordinate Loan Default will be added to and become a part of the Senior Loan and will be secured by the lien of the Senior Deed of Trust.

b. Senior Lender will deliver to Subordinate Lender a copy of any Notice sent by Senior Lender to Borrower of a Senior Loan Default within ten (10) Business Days of sending such Notice to Borrower. Failure of Senior Lender to send Notice to Subordinate Lender will not prevent the exercise of Senior Lender's rights and remedies under the Senior Loan Documents. Subordinate Lender will have the right, but not the obligation, to cure any monetary Senior Loan Default within thirty (30) days following the date of such Notice; provided, however, that Senior Lender will be entitled during such 30-day period to continue to pursue its remedies under the Senior Loan Documents. Subordinate Lender may, within ninety (90) days after the date of the Notice, cure a non-monetary Senior Loan Default if during such 90-day period, Subordinate Lender keeps current all payments required by the Senior Loan Documents. If such a non-monetary Senior Loan Default creates an unacceptable level of risk relative to the Property, or Senior Lender's secured position relative to the Property, as determined by Senior Lender in its sole discretion, then during such 90-day period Senior Lender may exercise all available rights and remedies to protect and preserve the Property and the Rents, revenues and other proceeds from the Property. Subordinate Lender will not be subrogated to the rights of Senior Lender under the Senior Loan Documents by reason of Subordinate Lender having cured any Senior Loan Default. However, Senior Lender acknowledges that all amounts paid by Subordinate Lender to Senior Lender to cure a Senior Loan Default will be deemed to have been advanced by such Subordinate Lender pursuant to, and will be secured by the lien of, the Subordinate Loan Documents. Notwithstanding anything in this Section 5(b) to the contrary, Subordinate Lender's right to cure any Senior Loan Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

c. In the event of a Subordinate Loan Default, Subordinate Lender will not commence any Enforcement Action until ninety (90) days after Subordinate Lender has delivered to Senior Lender an Enforcement Action Notice with respect to such Enforcement Action, provided that during such 90-day period or such longer period as provided in Section 5(a), Subordinate Lender will be entitled to seek specific performance to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to Senior Lender's right to cure a Subordinate Loan Default set forth in Section 5(a). Subordinate Lender may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the earlier of (i) the expiration of such 90-day period or such longer period as provided in Section 5(a), or (ii) the delivery by Senior Lender to Subordinate Lender of Senior Lender's written consent to such Enforcement Action by such Subordinate Lender. Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender's Enforcement Action in Senior Lender's sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 5(a) and, subject to Senior Lender's right to cure set forth in Section 5(a), Subordinate Lender may commence any Enforcement Action. Any Enforcement Action on the part of Subordinate Lender will be subject to the provisions of this Agreement. Subordinate Lender acknowledges that the provisions of this Section 5(c) are fair and reasonable under the circumstances, that Subordinate Lender has received a substantial benefit from Senior Lender having granted its consent to the Subordinate Loan, and that Senior Lender would not have granted such consent without the inclusion of these provisions in this Agreement.

d. Senior Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or

Enforcement Action by Subordinate Lender. No action or failure to act on the part of Senior Lender in the event of a Subordinate Loan Default or commencement of an Enforcement Action will constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

e. If the Enforcement Action taken by Subordinate Lender is the appointment of a receiver for any of the Property, all of the Rents, issues, profits and proceeds collected by the receiver will be paid and applied by the receiver solely to and for the benefit of Senior Lender until the Senior Loan will have been paid in full.

f. Subordinate Lender consents to and authorizes the release by Senior Lender of all or any portion of the Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Lender waives to the fullest extent permitted by law, all equitable or other rights it may have (i) in connection with the release of all or any portion of the Property, (ii) to require the separate sale of any portion of the Property, (iii) to require Senior Lender to exhaust its remedies against all or any portion of the Property or any combination of portions of the Property or any other collateral for the Senior Loan, or (iv) to require Senior Lender to proceed against Borrower, any other party that may be liable for any of the Senior Loan (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Property or combination of portions of the Property or any other collateral, before proceeding against all or such portions or combination of portions of the Property as Senior Lender determines. Subordinate Lender waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850. Subordinate Lender consents to and authorizes, at the option of Senior Lender, the sale, either separately or together, of all or any portion of the Property. Subordinate Lender acknowledges that without Notice to such Subordinate Lender and without affecting any of the provisions of this Agreement, Senior Lender may (i) extend the time for or waive any payment or performance under the Senior Loan Documents; (ii) modify or amend in any respect any provision of the Senior Loan Documents subject to the limitations on such rights as set forth in Section 4(j); and (iii) modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Loan.

g. Except as otherwise provided in this Agreement, if any party other than Borrower (including Senior Lender) acquires title to any of the Property pursuant to a foreclosure of, or trustee's sale or other exercise of any power of sale under, the Senior Lender conducted in accordance with applicable law, the lien, operation, and effect of the Subordinate Loan Documents automatically will terminate with respect to such Property.

6. Miscellaneous.

a. If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will control.

b. This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties to this Agreement. No other party will be entitled to any benefits under this Agreement, whether as a third-party beneficiary or otherwise.

c. This Agreement does not constitute an approval by Senior Lender of the terms of the Subordinate Loan Documents or approval by Subordinate Mortgagee of the terms of the Senior Loan Documents.

d. All notices or other written communications hereunder (each, a "Notice" and collectively, "Notices") shall be deemed to have been properly given (i) upon delivery, if delivered in person with receipt acknowledged by the recipient thereof, (ii) one (1) Business Day after having been deposited for overnight delivery with any reputable overnight courier service, or (iii) three (3) Business Days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, return receipt requested, addressed to the respective parties as follows:

Senior Lender: Pacific Western Bank
1001 Marsh Street
San Luis Obispo, CA 93401
Phone: (805) 548-8210
Email: nroddick@pacificwesternbank.com

With a copy to: Pacific Western Bank
818 West 7th Street, Suite 450
Los Angeles, CA 90071
Attention: Holly A. Hayes
Telephone: (213) 330-2073
Email: hhayes@pacificwesternbank.com

Subordinate Lender: County of Santa Barbara
Housing and Community Development
123 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

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

Borrower: West Cox Cottages, L.P.
c/o Surf Development Company
815 W. Ocean Avenue
Lompoc, CA 93436-6526
Attn: President

With a copy to: Price, Postel & Parma LLP
200 East Carrillo Street, Fourth Floor
Santa Barbara, CA 93101
Attn: Mark S. Manion

e. Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Lender as a joint venturer or partner of Subordinate Lender.

f. Upon Notice from Senior Lender, Subordinate Lender will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Lender in order to further evidence or implement the provisions and intent of this Agreement.

g. If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.

h. The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events: (i) the payment of all of the Senior Loan; provided that this Agreement will be reinstated in the event any payment on account of the Senior Loan is avoided, set aside, rescinded or repaid by Senior Lender as described in Section 2(e) of this Agreement, (ii) the payment of all of the Subordinate Loan other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to this Agreement, (iii) the acquisition by Senior Lender or by a third party purchaser of title to the Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under the Senior Deed of Trust; or (iv) with the prior written consent of Senior Lender, without limiting the provisions of Section 5(d), the acquisition by Subordinate Lender of title to the Property subject to the Senior Deed of Trust, pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Loan Documents.

i. No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.

j. Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

k. Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Lender of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.

l. This Agreement may be assigned at any time by Senior Lender to any subsequent holder of the Senior Loan Documents.

m. This Agreement may be amended, changed, modified, altered or terminated only by a written instrument or written instruments signed by the parties to this Agreement.

n. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

o. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND TOGETHER WITH ANY DISPUTES OR CONTROVERSIES ARISING OUT OF OR RELATING TO THIS AGREEMENT, SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW, WITHOUT REGARD TO CHOICE OF LAW RULES.

p. EACH PARTY HERETO CONSENTS TO AND SUBMITS TO IN PERSONAM JURISDICTION AND VENUE IN THE STATE AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN THE STATE. EACH PARTY ASSERTS THAT IT HAS PURPOSEFULLY AVAILED ITSELF OF THE BENEFITS OF THE LAWS OF THE STATE AND WAIVES ANY OBJECTION TO IN PERSONAM JURISDICTION ON THE GROUNDS OF MINIMUM CONTACTS, WAIVES ANY OBJECTION TO VENUE, AND WAIVES ANY PLEA OF FORUM NON CONVENIENS. THIS CONSENT TO AND SUBMISSION TO JURISDICTION IS WITH REGARD TO ANY ACTION RELATED TO THIS AGREEMENT, REGARDLESS OF WHETHER THE PARTY'S ACTIONS TOOK PLACE IN THE STATE OR ELSEWHERE IN THE UNITED STATES OF AMERICA, THIS SUBMISSION TO JURISDICTION IS NONEXCLUSIVE, AND DOES NOT PRECLUDE EITHER PARTY FROM OBTAINING JURISDICTION OVER THE OTHER IN ANY COURT OTHERWISE HAVING JURISDICTION.

q. EACH PARTY HERETO WAIVES ITS RIGHT TO A JURY TRIAL OF ANY AND ALL CLAIMS OR CAUSES OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. IT IS HEREBY ACKNOWLEDGED THAT THE WAIVER OF A JURY TRIAL IS A MATERIAL INDUCEMENT FOR THE SENIOR LENDER TO MAKE THE BANK LOAN AND THAT THE EXECUTION AND DELIVERY OF THIS AGREEMENT BY THE IS MADE IN RELIANCE UPON SUCH WAIVER. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT SUCH WAIVER HAS BEEN KNOWINGLY AND VOLUNTARILY MADE FOLLOWING CONSULTATION WITH ITS RESPECTIVE LEGAL COUNSEL.

r. Each party hereby covenants the following:

The parties prefer that any dispute between them be resolved in litigation subject to a jury trial waiver as set forth in this Agreement, but the California Supreme Court has held that such pre-dispute jury trial waivers are unenforceable. This Section will be applicable until: (i) the California Supreme Court holds that a pre-dispute jury trial waiver provision similar to that contained in this Agreement herein is valid or enforceable; or (ii) the California Legislature passes legislation and the governor of the State of California signs into law a statute authorizing pre-dispute jury trial waivers and as a result such waivers become enforceable.

Other than the exercise of provisional remedies (any of which may be initiated pursuant to applicable law), any controversy, dispute or claim (each, a "Claim") between the parties arising out of or relating to this Agreement will be resolved by a reference proceeding in California in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure ("CCP"), or their successor sections, which shall constitute the exclusive remedy for the resolution of any Claim, including whether the Claim is subject to the reference proceeding. Venue for the reference proceeding will be in the Superior Court or Federal District Court in Los Angeles County, California (the "Court").

The referee shall be a retired Judge or Justice selected by mutual written agreement of the parties. If the parties do not agree, the referee shall be selected by the Presiding Judge of the Court (or his or her representative). A request for appointment of a referee may be heard on an ex parte or expedited basis, and the parties agree that irreparable harm would result if ex parte relief is not granted. The referee shall be appointed to sit with all the powers provided by law. Pending appointment of the referee, the Court has power to issue temporary or provisional remedies.

The parties agree that time is of the essence in conducting the reference proceedings. Accordingly, the referee shall be requested, subject to change in the time periods specified herein for good cause shown, to (a) set the matter for a status and trial-setting conference within fifteen (15) days after the date of selection of the referee, (b) if practicable, try all issues of law or fact within ninety (90) days after the date of the conference and (c) report a statement of decision within twenty (20) days after the matter has been submitted for decision.

The referee will have power to expand or limit the amount and duration of discovery. The referee may set or extend discovery deadlines or cutoffs for good cause, including a party's failure to provide requested discovery for any reason whatsoever. Unless otherwise ordered based upon good cause shown, no party shall be entitled to "priority" in conducting discovery, depositions may be taken by either party upon seven (7) days written notice, and all other discovery shall be responded to within fifteen (15) days after service. All disputes relating to discovery which cannot be resolved by the parties shall be submitted to the referee whose decision shall be final and binding.

Except as expressly set forth in this Agreement, the referee shall determine the manner in which the reference proceeding is conducted including the time and place of hearings, the order of presentation of evidence, and all other questions that arise with respect to the course of the reference proceeding. All proceedings and hearings conducted before the referee, except for trial, shall be conducted without a court reporter, except that when any party so requests, a court reporter will be used at any hearing conducted before the referee, and the referee will be provided a courtesy copy of the transcript. The party making such a request shall have the obligation to arrange for and pay the court reporter. Subject to the referee's power to award costs to the prevailing party, the parties will equally share the cost of the referee and the court reporter at trial.

The referee shall be required to determine all issues in accordance with existing case law and the statutory laws of the State of California. The rules of evidence applicable to proceedings at law in the State of California will be applicable to the reference proceeding. The referee shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable orders that will be binding on the parties and rule on any motion which

would be authorized in a trial, including without limitation motions for summary judgment or summary adjudication. The referee shall issue a decision pursuant to CCP Section 644 the referee's decision shall be entered by the Court as a judgment or an order in the same manner as if the action had been tried by the Court. The final judgment or order or from any appealable decision or order entered by the referee shall be fully appealable as provided by law. The parties reserve the right to findings of fact, conclusions of laws, a written statement of decision, and the right to move for a new trial or a different judgment, which new trial, if granted, is also to be a reference proceeding under this provision.

If the enabling legislation which provides for appointment of a referee is repealed (and no successor statute is enacted), any dispute between the parties that would otherwise be determined by reference procedure will be resolved and determined by arbitration. The arbitration will be conducted by a retired judge or Justice, in accordance with the California Arbitration Act Section 1280 through Section 1294.2 of the CCP as amended from time to time. The limitations with respect to discovery set forth above shall apply to any such arbitration proceeding.

[NO FURTHER TEXT ON THIS PAGE]

THE PARTIES RECOGNIZE AND AGREE THAT ALL DISPUTES RESOLVED UNDER THIS REFERENCE PROVISION WILL BE DECIDED BY A REFEREE AND NOT BY A JURY. AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR OWN CHOICE, EACH PARTY KNOWINGLY AND VOLUNTARILY AND FOR THEIR MUTUAL BENEFIT AGREES THAT THIS REFERENCE PROVISION WILL APPLY TO ANY DISPUTE BETWEEN THEM WHICH ARISES OUT OF OR IS RELATED TO THIS AGREEMENT.

Nothing in this Section shall affect the rights of the parties to serve legal process in any other manner permitted by law or affect the right of the parties to bring any suit, action or proceeding in the courts of any other jurisdiction.

s. Foreclosure under Senior Mortgage.

(i) Senior Lender and Subordinate Lender hereby agree that, notwithstanding anything to the contrary set forth elsewhere herein, following a foreclosure under the Senior Mortgage, or the acceptance by Senior Lender of a deed to the Property in lieu of such a foreclosure (each, a "Foreclosure Action"), the Regulatory Agreement shall survive and the successor owner of the Property shall acquire the Property subject to all of the terms and conditions of the Regulatory Agreement, except as otherwise expressly provided below:

(A) No successor owner shall be obligated under the Regulatory Agreement to make any payment under, or to otherwise comply with, any of the other Subordinate Loan Documents;

(B) The Foreclosure Action and the transfer of the Property pursuant to the Foreclosure Action will not violate the limitations on transfers in the Regulatory Agreement or require the approval of the Subordinate Lender;

(C) No successor owner would be obligated to pay, or otherwise have any liability for or in connection with, any claim by Subordinate Lender for liquidated damages, for indemnification or for damages in connection with any breach of any term or provision of the Regulatory Agreement first occurring prior to the date upon which such successor owner acquired title to the Property;

(D) No successor owner shall be required to cure any default first occurring prior to the date upon which such successor owner acquired title to the Property, except that each successor owner shall be required to cure continuing defaults under the Regulatory Agreement related to the Property; provided further, however, that each such successor owner shall have 180 days after the date upon which it acquires title to the Property to cure such continuing defaults, or, if any such continuing default is not reasonably susceptible to a cure by such owner within such period, to commence curing such default (and in such latter case, such owner shall thereafter continuously and diligently pursue the cure of such default to completion); and

(E) The Subordinate Lender, after a Foreclosure Action, shall not unreasonably withhold, delay or condition any consent or approval contemplated by the Regulatory Agreement.

[NO FURTHER TEXT ON THIS PAGE]

[SIGNATURE PAGE TO SUBORDINATION AGREEMENT]

IN WITNESS WHEREOF, this Agreement has been executed effective as of the date first above written:

SUBORDINATE LENDER:

**HOUSING AUTHORITY OF THE COUNTY
OF SANTA BARBARA**, a public body, corporate
and politic

By: Robert P. Havlicek Jr.
Name: Robert P. Havlicek Jr
Title: Executive Director

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 to the truthfulness accuracy or validity of that document.

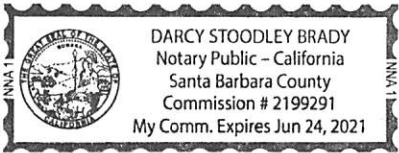
STATE OF CALIFORNIA)
) ss.
COUNTY OF Santa Barbara)

On March 2, 2020, before me, Darcy Stoodley Brady, Notary Public, personally appeared Robert P. Havlicek Jr., 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.

Darcy J. Brady
Signature of Notary Public



(Place Notary Seal Above)

IN WITNESS WHEREOF, this Agreement has been executed effective as of the date first above written:

ATTEST:

MONA MIYASATO
Clerk of the Board

By: _____
Deputy Clerk of the Board

APPROVED AS TO ACCOUNTING FORM:

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

By:  _____
Deputy

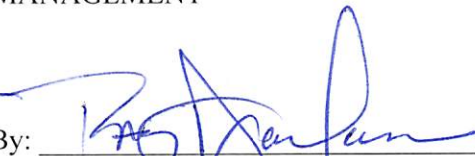
APPROVED AS TO FORM:

MICHAEL GHIZZONI
COUNTY COUNSEL

By:  _____
Deputy County Counsel

APPROVED AS TO FORM:

RISK
MANAGEMENT

By:  _____
Ray Aromatorio, ARM, AIC
Risk Manager

SUBORDINATE LENDER:

COUNTY OF SANTA BARBARA,
a political subdivision of the State of California

By: _____
Gregg Hart, Chair
Board of Supervisors

By:  _____
George Chapjian
Director, Community Services Dept.

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 California
County of Santa Barbara)

On March 17, 2020 before me, Edward Teyber Notary Public
(insert name and title of the officer)

personally appeared Gregg Hart,
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)

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 California
County of Santa Barbara)

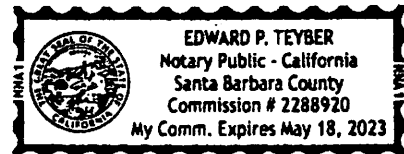
On March 4, 2020 before me, Edward Teyber Notary Public
(insert name and title of the officer)

personally appeared George Chapjian,
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 Edward Teyber (Seal)



EDWARD S. FLYBER
Notary Public - California
Santa Barbara County
Commission # 5288450
My Comm. Expires May 18, 2023

