

Free recording in accordance
with California Government
Code Sections 6103 and 27383

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

State of California
Department of Housing and
Community Development
Asset Management and Compliance Branch
P. O. Box 952054
Sacramento, CA 94252-2054
Attn: Manager, Transactions Unit

SUBORDINATION AGREEMENT

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

THIS SUBORDINATION AGREEMENT (the "Agreement") is dated as of September 5, 2013, for reference purposes only, and is entered into by and among the County of Santa Barbara (the "Junior Lienholder") and Los Adobes de Maria II, LP, a California Limited Partnership (the "Borrower"), and the Department of Housing and Community Development, a public agency of the State of California (the "Senior Lender").

RECITALS

A. Borrower is the owner of that certain real property located at 616 South Blosser Road Santa Maria CA 93454, County of Santa Barbara, State of California, legally described on Exhibit "A" attached hereto and made a part hereof (the "Property"). Borrower previously owned a larger property consisting of 2 parcels, the Property and an adjoining parcel (the "Adjoining Parcel"), together the "Original Property". Senior Lender and Junior Lienholder both originally recorded their respective loan documents against the Original Property. Thereafter Borrower transferred ownership of the Adjoining Parcel to an unrelated entity, South Blosser, LLC. Concurrently herewith, both Senior Lender and Junior Lienholder will be partially reconveying their deeds of trust on the Adjoining Parcel. The Borrower built 52 rental units on the Property (the "Improvements"), of which 25 Assisted Units are occupied by lower and very low income farmworker households. The Property and the Improvements are sometimes referred to collectively as the "Development."

B. The Junior Lienholder has made a loan to the Borrower in the principal sum of

Four Hundred Twenty-Three Thousand Two Hundred Eighty-Eight Dollars (\$423,288.00) (the "Junior Lienholder Loan"). The Junior Lienholder Loan is evidenced by a certain promissory note (the "Junior Lienholder Note"), and secured by a certain deed of trust (the "Junior Lienholder Deed of Trust") which was recorded July 22, 2002 as Instrument No. 2002-0070186, in the Official Records of Santa Barbara County, California (the "Official Records"). The Junior Lienholder and Borrower have also entered into a HOME regulatory agreement affecting the use of the Development, recorded on August 6, 2002 as Instrument No. 2002-0076129 in the Official Records (the "Junior Lienholder Regulatory Agreement"). The Junior Lienholder Note, Junior Lienholder Deed of Trust, the Junior Lienholder Regulatory Agreement, and all other documents evidencing or securing the Junior Lienholder Loan are collectively referred to herein as the "Junior Lienholder Documents".

C. Senior Lender made a loan to Borrower in the principal amount of Two Million Five Hundred Thousand Dollars (\$2,500,000.00) and referenced as Number 00-FWHG-223 ("Department Loan"). The Senior Lender Loan is evidenced by that certain Promissory Note dated July 18, 2002 ("Department Note") and secured by certain Deed of Trust dated July 18, 2002 and recorded on July 22, 2002 as Instrument No. 2002-0070185 in the Official Records (the "Department Deed of Trust"). Senior Lender and Borrower entered into that certain Regulatory Agreement dated July 18, 2002 (the "Department Regulatory Agreement") as an inducement to the Senior Lender to provide the financial assistance made available under the Farmworker Housing Grant Program. The Department Regulatory Agreement was mistakenly not recorded at closing. Concurrently herewith the Department Regulatory Agreement will be recorded against the Property. The Department Note, Department Deed of Trust, and Department Regulatory Agreement, together shall hereinafter be referred to as the "Senior Lender Documents."

D. Borrower has requested that the Senior Lender release a portion of the Original Property so that the City can build a new affordable housing project on the Adjoining Parcel.

E. The Senior Lender is willing to make the Modification to reflect the new legal description of the Department's Attachment A to the Department Regulatory Agreement, and to the legal description described in Paragraph A of the Department's Deed of Trust, provided the Senior Lender Documents are liens, claims or charges upon the Development prior and superior to the Junior Lienholder Documents, and provided that the Junior Lienholder specifically and unconditionally subordinates and subjects the Junior Lienholder Documents to the liens, claims or charges of the Senior Lender Documents.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Senior Lender to modify its Senior Lender Documents, it is hereby declared, understood and agreed as follows:

1. The Senior Lender Documents securing the Department Note in favor of the Senior Lender, and any and all renewals, modifications, extensions or advances thereunder or secured thereby (including interest thereon) shall unconditionally be and remain at all times liens, claims, or charges on the Development prior and superior to the Junior Lienholder Documents, and to all rights and privileges of the Junior Lienholder thereunder; and the Junior Lienholder Documents, together with all rights and privileges of the Junior Lienholder thereunder are hereby irrevocably and unconditionally subject and made subordinate to the liens, claims, or charges of the Senior Lender Documents.

2. This Agreement shall be the whole and only agreement with regard to the subordination of the Junior Lienholder Documents, together with all rights and privileges of the Junior Lienholder thereunder, to the liens, claims or charges of the Senior Lender Documents, and this Agreement shall supersede and cancel any prior agreements to subordinate the claims, liens or charges of, but only insofar as would affect the priority between the claims, liens or charges of the Junior Lienholder Documents to the Senior Lender Documents including, but not limited to, those provisions, if any, contained in the Junior Lienholder Documents, which provide for the subordination of the lien or charge thereof to another lien or charge on the Property or the Improvements.

3. The Parties declare, agree and acknowledge that:

(a) The Junior Lienholder consents to and approves (i) all provisions of the Senior Lender Documents, and (ii) all agreements among the Junior Lienholder, Borrower and Senior Lender for the disbursement of the proceeds of the FWHG Loan, including without limitation any loan escrow agreements which have been provided to the Junior Lienholder for review;

(b) Reserved;

(c) That none of the execution, delivery or recordation of any of the Senior Lender Documents or the performance of any provision, condition, covenant or other term thereof, will conflict with or result in a breach of the Junior Lienholder Documents or the Junior Lienholder Note (this refers to the Borrower's compliant performance in accordance with the Senior Loan Documents as oppose to wrongful or lack of performance); and

(d) The Junior Lienholder intentionally and unconditionally waives, relinquishes, subjects and subordinates the claims, liens or charges directly relating to and arising out of the Junior Lienholder Documents, all present and future indebtedness and obligations secured thereby, in favor of the claims, liens or charges upon the Development of the Senior Lender Documents, and understands that in reliance upon, and in consideration of, this waiver, relinquishment, subjection, and subordination, Senior Lender is consenting to the Modification to the Department Regulatory

Agreement and the Department Deed of Trust, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this waiver, relinquishment, subjection and subordination.

4. The Senior Lender declares, agrees and acknowledges that there shall be no material modification of the Senior Lender Documents without the prior written consent of the Junior Lienholder, which consent will not be unreasonably withheld or delayed.

5. Following a notice from the Senior Lender to the Borrower that a default or breach exists under the terms of the Senior Lender Documents, the Borrower shall promptly send a copy of such notice to the Junior Lienholder, and the Senior Lender agrees that Junior Lienholder shall have the right to:

(a) Cure such default within thirty (30) days prior to the filing of the notice of default with the Santa Barbara County Recorder's Office and an additional thirty (30) days after the filing of such notice of default, or such longer period as provided by California law.

(b) Negotiate with the Senior Lender after a Notice of Default has been issued by the Senior Lender.

(c) Purchase the Development from the Borrower, only if such transfer of ownership is, at such time approved by the Senior Lender.

(d) The Senior Lender agrees that following its acceptance of the cure of a noticed default by the Junior Lienholder, the Senior Lender will not exercise its right to accelerate amounts due under the Senior Lender Documents by reason of the default cured by the Junior Lienholder. Nothing contained in this Agreement shall create or imply any obligation of Senior Lender to provide notice to Junior Lienholder of a breach or default by Borrower.

6. Upon a default under the Senior Lender Documents, Senior Lender shall give Junior Lienholder a right to purchase the Development from Borrower, subject to Borrower's consent, at any time after the default under the Senior Lender Documents but prior to foreclosure sale. Upon the purchase of the Development by the Junior Lienholder, the Senior Lender shall permit the Junior Lienholder to assume the Borrower's obligations under the Senior Lender Documents with the original terms and conditions. There shall be no material modification of the Senior Lender Documents, including changing the principal amount, interest rate, or term of the loan, without the prior written consent of Junior Lienholder, which consent will not be unreasonably withheld or delayed.

7. The Senior Lender would not make the Modification to the Department Regulatory Agreement and Department Deed of Trust without this Agreement.

8. This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties.

9. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

10. This Agreement may be signed by different parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

11. Paragraph 3(a) above shall not obligate or otherwise require the Junior Lienholder to perform any of the terms, provisions, conditions, or covenants of the Senior Lender Documents.

12. Paragraph 3(c) above shall not bar, prevent, prohibit, limit or estop the Junior Lienholder from asserting, claiming, or contesting that the Borrower failed to perform or is in breach or default of any provision, condition, covenant or other term of the Junior Lienholder Documents.

13. Paragraph 3(d)'s waiver, relinquishment, subjection or subordination shall solely affect the priority and superiority between the Junior Lienholder Documents and the Senior Lender Documents.

NOTICE: THIS SUBORDINATION AGREEMENT CONTAINS A PROVISION WHICH ALLOWS THE PERSON (OR ENTITY) OBLIGATED ON YOUR REAL PROPERTY SECURITY TO OBTAIN A LOAN A PORTION OF WHICH MAY BE EXPENDED FOR OTHER PURPOSES THAN IMPROVEMENT OF THE LAND.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above and agree to be bound hereby:

BORROWER:

**LOS ADOBES DE MARIA II,
a California Limited Partnership**

Borrower's Address:

3533 Empleo Street
San Luis Obispo, CA 93401

By: OAK FOREST APARTMENTS, Inc.,
a California corporation
Its: General Partner

By: _____

Jeannette Duncan
Executive Director of Oak Forest Apartments, Inc.

JUNIOR LIENHOLDER:

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

By: _____
Salud Carbajal, Chair, Board of Supervisors

ATTEST:

CHANDRA L. WALLAR
Clerk of the Board

By: _____
Deputy

APPROVED AS TO ACCOUNTING FORM:

ROBERT W. GEIS, CPA
AUDITOR-CONTROLLER

By: _____
Deputy

RECOMMENDED FOR APPROVAL:

By: _____
Department Head

APPROVED AS TO FORM

DENNIS A. MARSHALL
COUNTY COUNSEL

By: _____
Johanna Hartney
Deputy County Counsel

APPROVED AS TO FORM:

RISK MANAGEMENT

By: _____
Ray Aromatorio, ARM, AIC
Risk Manager

SENIOR LENDER:

**The Department of Housing and Community
Development**, a public agency of the
State of California

By: _____
Moira Monahan, Manager, Transactions Unit

[Signatures must be acknowledged]

EXHIBIT A
Legal Description of Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SANTA MARIA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA AND IS DESCRIBED AS FOLLOWS:

Lot 1 of Los Adobes De Maria II Lot Line Adjustment Tract 5806, recorded August 31, 2001 as Instrument No. 2001-0075286, Official Records, in the Office of the County Recorder of said County, described more particularly as follows:

A portion of the South half of Lot 5 and all of Lots 6, 7, and 8, in Block 18 of Fairlawn addition to the City of Santa Maria, in the City of Santa Maria, County of Santa Barbara, State of California, per map filed in Book 1, page 38 of Maps, in the office of the County Recorder of said County, and more particularly described as follows:

Beginning at the Southeasterly corner of said Lot 8;

Thence West 573.65 feet to the Southwesterly corner of said Lot 8;

Thence North 00 Degrees 04 Minutes 30 Seconds East, 541.10 along the Westerly line of said Lots 5, 6, 7, and 8 to the Northerly line of said South half of Lot 5;

Thence East, 373.98 feet along said Northerly line to the beginning of a curve concave to the Southwest having a radius of 328.00 feet;

Thence Easterly along said curve an arc distance of 162.76 feet through a central angle of 28 Degrees 25 Minutes 53 Seconds to the beginning of a reverse curve concave to the Northwest having a radius of 29.00 feet (a radial line bears South 28 Degrees 25 Minutes 53 Seconds West);

Thence Northeasterly along said curve an arc distance of 55.33 feet through a central angle of 109 Degrees 19 Minutes 04 Seconds to the beginning of a compound curve concave to the West having a radius of 90.00 feet (a radial line bears South 80 Degrees 53 Minutes 11 Seconds East);

Thence Northerly along said curve an arc distance of 14.18 feet through a central angle of 09 Degrees 01 Minutes 49 Seconds to the Easterly line of said South half of Lot 5;

Thence South 00 Degrees 05 Minutes 00 Seconds West, 536.57 feet along the Easterly line of Lots 5, 6, 7, and 8 to point of beginning.

APN: 123-090-79

