

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

Davis Wright Tremaine LLP  
865 S. Figueroa Street  
Suite 2400  
Los Angeles, California 90017  
Attn: Nancy B. Clapp, Esq.

APN: 125-232-005

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

**SUBORDINATION AGREEMENT  
(County of Santa Barbara)**

THIS SUBORDINATION AGREEMENT (this "**Agreement**") is entered into as of March 1, 2019, by and among **BANK OF AMERICA, N.A.**, a national banking association (the "**Senior Lender**"), the **COUNTY OF SANTA BARBARA**, a political subdivision of the State of California ("**Subordinate Lender**"), and **SIERRA MADRE COTTAGES, L.P.**, a California limited partnership (the "**Borrower**").

**RECITALS**

A. Pursuant to that certain Construction and Permanent Loan Agreement dated as of even date herewith (the "**Senior Loan Agreement**"), between Borrower and Senior Lender, Senior Lender is making a loan (the "**Senior Loan**") to the Borrower in the original principal amount of \$9,458,817 to provide financing for the acquisition, construction and development of a 40-unit apartment complex to be known as "Sierra Madre Cottages" (the "**Project**") to be located in the County of Santa Barbara, State of California (the "**Property**"). The Property is more fully described in Exhibit A attached hereto. The Senior Loan is or will be secured by a first mortgage lien (the "**Senior Deed of Trust**") on, among other things, Borrower's fee simple interest in the Property and in the improvements located thereon. The Borrower's obligation to repay the Senior Loan is evidenced by that certain Promissory Note Secured By Deed of Trust dated as of even date herewith (the "**Senior Note**"), made by Borrower to the order of Senior Lender, in an aggregate face principal amount equal to \$9,458,817.

B. Concurrently herewith, Subordinate Lender is making a subordinate loan to Borrower in the original principal amount of \$1,400,000 (the "**Subordinate Loan**"), pursuant to the terms of that certain County HOME Loan Agreement dated as of \_\_\_\_\_, 2019 (the "**Subordinate Loan Agreement**"), executed by Borrower and Subordinate Lender. The Subordinate Loan is evidenced by that certain County HOME Loan Promissory Note dated as of \_\_\_\_\_, 2019 (the "**Subordinate Note**"), executed by Borrower to the order of Subordinate Lender in the face principal amount of \$1,400,000, and secured by that certain County HOME Loan Deed of Trust, Assignment of Rents, and Security Agreement dated as of \_\_\_\_\_, 2019 (the "**Subordinate Deed of Trust**"), executed by Borrower for the benefit of Subordinate Lender and recorded in the Official Records of Santa Barbara County, California (the "**Official Records**") substantially concurrently herewith. Borrower has requested the Senior Lender to permit Subordinate Lender to make the Subordinate Loan and to secure the Subordinate Loan by, among other things, placing the Subordinate Deed of Trust against the Borrower's fee simple interest in the Property.

C. Pursuant to that certain Loan Purchase Agreement dated as of even date herewith (the "**Loan Purchase Agreement**") by and among Senior Lender, Borrower and California Community Reinvestment Corporation, a California nonprofit public benefit corporation ("**CCRC**"), and upon the satisfaction of certain terms and conditions contained therein, (i) CCRC has agreed to purchase up to \$2,127,400 in the principal amount of the Senior Loan from Senior Lender on the Conversion Date (as defined in the Loan Purchase Agreement) and thereupon become the "Senior Lender" under the Senior

Loan Agreement, (ii) Senior Lender has agreed to assign its rights under the Senior Loan Agreement, the Senior Note, the Senior Deed of Trust and certain of other Senior Loan Documents to CCRC on the Conversion Date (as defined in the Loan Purchase Agreement), and (iii) Borrower has agreed to execute certain additional documents in connection with such purchase and assignment. From and after the Conversion Date, all references herein to "Senior Lender" shall mean and refer to CCRC.

D. The Senior Lender has agreed to permit the Subordinate Lender to make the Subordinate Loan and to record the Subordinate Deed of Trust against the Property subject to all of the conditions contained in this Agreement.

NOW, THEREFORE, in order to induce the Senior Lender to permit the Subordinate Lender to make the Subordinate Loan to the Borrower and to record the Subordinate Deed of Trust against the Property, and in consideration thereof, the Senior Lender, the Subordinate Lender and the Borrower agree as follows:

#### 1. Definitions.

In addition to the terms defined in the Recitals to this Agreement, for purposes of this Agreement the following terms have the respective meanings set forth below:

**"Affiliate"** means, when used with respect to a Person, any corporation, partnership, joint venture, limited liability company, limited liability partnership, trust or individual controlled by, under common control with, or which controls such Person (the term "control" for these purposes shall mean the ability, whether by the ownership of shares or other equity interests, by contract or otherwise, to elect a majority of the directors of a corporation, to make management decisions on behalf of, or independently to select the managing partner of, a partnership, or otherwise to have the power independently to remove and then select a majority of those individuals exercising managerial authority over an entity, and control shall be conclusively presumed in the case of the ownership of 50% or more of the equity interests).

**"Borrower"** means the Person named as such in the first paragraph of this Agreement and any other Person (other than the Senior Lender) who acquires title to the Property after the date of this Agreement.

**"Business Day"** means any day other than Saturday, Sunday or a day on which the Senior Lender is not open for business.

**"Default Notice"** means: (a) a copy of the written notice from the Senior Lender to the Borrower stating that a Senior Loan Default has occurred under any Senior Loan; or (b) a copy of the written notice from a Subordinate Lender to the Borrower stating that a Subordinate Loan Default has occurred under any Subordinate Loan. Each Default Notice shall specify the default upon which such Default Notice is based.

**"Person"** means an individual, estate, trust, partnership, corporation, limited liability company, limited liability partnership, governmental department or agency or any other entity which has the legal capacity to own property.

**"Senior Lender"** means the Person named as such in the first paragraph on page 1 of this Agreement. When any other Person becomes the legal holder of the Senior Note, such other Person shall automatically become the Senior Lender.

**"Senior Loan Default"** means the occurrence of an "Event of Default" as that term is defined in the Senior Loan Documents.

**"Senior Loan Documents"** means (i) the Senior Note and all other documents evidencing, securing or otherwise executed and delivered in connection with the Senior Loan; and (ii) following Conversion of the Senior Loan, shall be automatically amended to include, in addition to the other Senior Loan Documents. The "Senior Deed of Trust" referred to in each Subordinate Loan Document is the Senior Deed of Trust.

“**Subordinate Deed of Trust**” has the meaning ascribed thereto in Recital B, above.

“**Subordinate Lender**” means the Persons named as such in the first paragraph on page 1 of this Agreement and any other Person who becomes the legal holder of any Subordinate Note after the date of this Agreement.

“**Subordinate Loan Agreement**” has the meaning ascribed thereto in Recital B, above.

“**Subordinate Loan Default**” means a default by the Borrower in performing or observing any of the terms, covenants or conditions in the Subordinate Loan Documents to be performed or observed by it, which continues beyond any applicable period provided in the Subordinate Loan Documents for curing the default.

“**Subordinate Loan Documents**” means the Subordinate Loan Agreement, Subordinate Note, the Subordinate Deed of Trust, the Subordinate Regulatory Agreement and all other documents evidencing, securing or otherwise executed and delivered in connection with the Subordinate Loan.

“**Subordinate Note**” has the meaning ascribed thereto in Recital B, above.

“**Subordinate Regulatory Agreement**” means that certain County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants dated as of \_\_\_\_\_, 2019, between Subordinate Lender and Borrower, encumbering the Property and recorded in the Official Records substantially concurrently herewith.

## **2. Permission to Place Mortgage Lien Against Property.**

The Senior Lender agrees, notwithstanding the prohibition against inferior liens on the Property contained in the Senior Loan Documents and subject to the provisions of this Agreement, to permit the Subordinate Lender to record the Subordinate Deed of Trust and other recordable Subordinate Loan Documents against the Property (which are subordinate in all respects to the lien of the Senior Deed of Trust and the Senior Loan) to secure the Borrower's obligation to repay the Subordinate Note and all other obligations, indebtedness and liabilities of the Borrower to the Subordinate Lender under and in connection with the Subordinate Loan. Such permission is subject to the condition that each of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is true and correct on the date of this Agreement and on the date on which the proceeds of the Subordinate Loans are disbursed to the Borrower. If any of the representations and warranties made by the Borrower and the Subordinate Lender in Section 3 is not true and correct on both of those dates, the provisions of the Senior Loan Documents applicable to unpermitted liens on the Property shall apply.

## **3. Borrower's and Subordinate Lender's Representations and Warranties.**

The Borrower and the Subordinate Lender each makes the following representations and warranties to the Senior Lender:

(a) **Intentionally Omitted.**

(b) **Relationship of Borrower to Subordinate Lender and Senior Lender.** The Subordinate Lender is not an Affiliate of the Borrower and is not in possession of any facts which would lead it to believe that the Senior Lender is an Affiliate of the Borrower.

(c) **Term.** The term of the Subordinate Note does not end before the term of the Senior Note.

(d) **Subordinate Loan Documents.** The executed Subordinate Loan Documents are substantially in the same forms as those submitted to, and approved by, Senior Lender prior to the

date of this Agreement. Upon execution and delivery of the Subordinate Loan Documents, Borrower shall deliver to Senior Lender an executed copy of each of the Subordinate Loan Documents, certified to be true, correct and complete.

In addition, the Borrower (and not the Subordinate Lender) hereby represents and warrant to Senior Lender that the executed Senior Loan Documents are substantially in the same forms as, when applicable, those submitted to, and approved by, Senior Lender prior to the date of this Agreement. Upon execution and delivery of the Senior Loan Documents, Borrower shall deliver to Subordinate Lender an executed copy of each of the Senior Loan Documents, certified to be true, correct and complete.

#### **4. Terms of Subordination.**

**(a) Agreement to Subordinate.** The Senior Lender and the Subordinate Lender agree that: (i) the indebtedness evidenced by the Subordinate Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the Senior Loan Documents, and (ii) the Subordinate Deed of Trust and the other Subordinate Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Deed of Trust and the other Senior Loan Documents and to all advances heretofore made or which may hereafter be made pursuant to the Senior Deed of Trust and the other Senior Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the Senior Deed of Trust, curing defaults by the Borrower under the Senior Loan Documents or for any other purpose expressly permitted by the Senior Deed of Trust, or (2) constructing, renovating, repairing, furnishing, fixturing or equipping the Property).

**(b) Subordination of Subrogation Rights.** Subordinate Lender agrees that if, by reason of its payment of real estate taxes or other monetary obligations of the Borrower, or by reason of its exercise of any other right or remedy under the Subordinate Loan Documents, it acquires by right of subrogation or otherwise a lien on the Property which (but for this subsection) would be senior to the lien of the Senior Deed of Trust, then, in that event, such lien shall be subject and subordinate to the lien of the Senior Deed of Trust.

**(c) Payments Before Senior Loan Default.** Until the Subordinate Lender receives a Default Notice of a Senior Loan Default from the Senior Lender, the Subordinate Lender shall be entitled to retain for its own account all payments made under or pursuant to the Subordinate Loan Documents.

**(d) Payments After Senior Loan Default.** The Borrower agrees that, after it receives notice (or otherwise acquires knowledge) of a Senior Loan Default, it will not make any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Deed of Trust) without the Senior Lender's prior written consent. The Subordinate Lender agrees that, after it receives a Default Notice from the Senior Lender with written instructions directing the Subordinate Lender not to accept payments from the Borrower on account of the Subordinate Loan, it will not accept any payments under or pursuant to the Subordinate Loan Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorney's fees, or any other sums secured by the Subordinate Deed of Trust) without the Senior Lender's prior written consent. If the Subordinate Lender receives written notice from the Senior Lender that the Senior Loan Default which gave rise to the Subordinate Lender's obligation not to accept payments has been cured, waived, or otherwise suspended by the Senior Lender, the restrictions on payment to the Subordinate Lender in this Section 4 shall terminate, and the Senior Lender shall have no right to any subsequent payments made to the Subordinate Lender by the Borrower prior to the Subordinate Lender's receipt of a new Default Notice from the Senior Lender in accordance with the provisions of this Section 4(d).

(e) **Remitting Subordinate Loan Payments to Senior Lender.** If, after any Subordinate Lender receives a Default Notice from the Senior Lender in accordance with subsection (d) above, the Subordinate Lender receives any payments under the Subordinate Loan Documents, the Subordinate Lender agrees that such payment or other distribution will be received and held in trust for the Senior Lender and unless the Senior Lender otherwise notifies the Subordinate Lender in writing, will be promptly remitted, in kind to the Senior Lender, properly endorsed to the Senior Lender, to be applied to the principal of, interest on and other amounts due under the Senior Loan Documents in accordance with the provisions of the Senior Loan Documents. By executing this Agreement, the Borrower specifically authorizes the Subordinate Lender to endorse and remit any such payments to the Senior Lender, and specifically waives any and all rights to have such payments returned to the Borrower or credited against the Subordinate Loan. Borrower and Senior Lender acknowledge and agree that payments received by a Subordinate Lender, and remitted to the Senior Lender under this Section 4, shall not be applied or otherwise credited against the Subordinate Loan, nor shall the tender of such payment to the Senior Lender waive any Subordinate Loan Default which may arise from the inability of Subordinate Lender to retain such payment or apply such payment to the Subordinate Loan.

(f) **Agreement Not to Commence Bankruptcy Proceeding.** The Subordinate Lender agrees that during the term of this Agreement they will not commence, or join with any other creditor in commencing any bankruptcy reorganization, arrangement, insolvency or liquidation proceedings with respect to the Borrower, without the Senior Lender's prior written consent.

## **5. Default Under Subordinate Loan Documents.**

(a) **Notice of Default and Cure Rights.** The Subordinate Lender shall deliver to the Senior Lender a Default Notice within five (5) Business Days in each case where any Subordinate Lender has given a Default Notice to the Borrower. Failure of the Subordinate Lender to send a Default Notice to the Senior Lender shall not prevent the exercise of the Subordinate Lender's rights and remedies under the Subordinate Loan Documents, subject to the provisions of this Agreement. The Senior Lender shall have the right, but not the obligation, to cure any Subordinate Loan Default within 60 days following the date of such notice; provided, however that the Subordinate Lender shall be entitled, during such 60-day period, to continue to pursue its rights and remedies under the Subordinate Loan Documents to the extent permitted under Section 5(b). All amounts paid by the Senior Lender in accordance with the Senior Loan Documents to cure a Subordinate Loan Default shall be deemed to have been advanced by the Senior Lender pursuant to, and shall be secured by the lien of, the Senior Deed of Trust.

(b) **Subordinate Lender's Agreement to Standstill.** If a Subordinate Loan Default occurs and is continuing, the Subordinate Lender agrees that, without the Senior Lender's prior written consent, it will not accelerate the Subordinate Loan, commence foreclosure proceedings with respect to the Property, collect rents, appoint (or seek the appointment of) a receiver or institute any other collection or enforcement action. Notwithstanding the foregoing, Subordinate Lender may, without Senior Lender's prior written consent, bring an action for specific performance of Borrower's obligations under the Subordinate Regulatory Agreement and enjoin, abate or prevent any violation of, and/or seek declaratory relief with respect to, the Subordinate Regulatory Agreement.

(c) **Cross Default.** The Borrower and the Subordinate Lender agrees that a Subordinate Loan Default shall constitute a Senior Loan Default under the Senior Loan Documents and the Senior Lender shall have the right to exercise all rights or remedies under the Senior Loan Documents in the same manner as in the case of any other Senior Loan Default. If any Subordinate Lender notifies the Senior Lender in writing that any Subordinate Loan Default of which the Senior Lender has received a Default Notice has been cured or waived, as determined by the Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default shall be deemed cured, and the Senior Loan shall be reinstated, provided, however, that the Senior Lender shall not be

required to return or otherwise credit for the benefit of the Borrower any default rate interest or other default related charges or payments received by the Senior Lender during such Senior Loan Default.

## 6. Default Under Senior Loan Documents.

(a) **Notice of Default and Cure Rights.** The Senior Lender shall deliver to the Subordinate Lender a Default Notice within five (5) Business Days in each case where the Senior Lender has given a Default Notice to the Borrower. Failure of the Senior Lender to send a Default Notice to the Subordinate Lender shall not prevent the exercise of the Senior Lender's rights and remedies under the Senior Loan Documents, subject to the provisions of this Agreement. The Subordinate Lender shall have the right, but not the obligation, to cure any such Senior Loan Default as provided below. Subordinate Lender may have up to 30 days from the date of the Default Notice to cure any monetary default under the Senior Loan Documents; provided, however, that the Senior Lender shall be entitled during such 30-day period to continue to pursue its remedies with respect to the Property. Subordinate Lender may have up to 60 days from the date of the Default Notice to cure a non-monetary default if during such 60-day period Subordinate Lender keeps current all payments required by the Senior Loan Documents. In the event that such a non-monetary 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 Senior Lender may exercise during such 60-day period all available rights and remedies to protect and preserve the Property and the rents, revenues and other proceeds from the Property. All amounts paid by the Subordinate Lender to the Senior Lender to cure a Senior Loan Default shall be deemed to have been advanced by the Subordinate Lender pursuant to, and shall be secured by the lien of, the Subordinate Deed of Trust.

(b) **Cross Default.** The Subordinate Lender agrees that, notwithstanding any contrary provision contained in the Subordinate Loan Documents, a Senior Loan Default shall not constitute a default under the Subordinate Loan Documents if no other default occurred under the Subordinate Loan Documents until either (i) the Senior Lender has accelerated the maturity of the Senior Loan, or (ii) the Senior Lender has taken affirmative action to exercise its rights under the Senior Deed of Trust to collect rent, to appoint (or seek the appointment of) a receiver or to foreclose on (or to exercise a power of sale contained in) the Senior Deed of Trust. At any time after a Senior Loan Default is determined to constitute a default under the Subordinate Loan Documents, the Subordinate Lender shall be permitted to pursue its remedies for default under the Subordinate Loan Documents, subject to the restrictions and limitations of this Agreement. If at any time the Borrower cures any Senior Loan Default to the satisfaction of the Senior Lender, as evidenced by written notice from the Senior lender to the Subordinate Lender, any default under the Subordinate Loan Documents arising from such Senior Loan Default shall be deemed cured and the Subordinate Loan shall be retroactively reinstated as if such Senior Loan Default had never occurred.

## 7. Conflict.

The Borrower, the Senior Lender and the Subordinate Lender each agrees that, in the event of any conflict or inconsistency between the terms of the Senior Loan Documents, the Subordinate Loan Documents and the terms of this Agreement, the terms of this Agreement shall govern and control solely as to the following: (a) the relative priority of the security interests of the Senior Lender and the Subordinate Lender in the Property; (b) the timing of the exercise of remedies by the Senior Lender and the Subordinate Lender under the Senior Deed of Trust and the Subordinate Deed of Trust, respectively; and (c) solely as between the Senior Lender and the Subordinate Lender, the notice requirements, cure rights, and the other rights and obligations which the Senior Lender and the Subordinate Lender have agreed to as expressly provided in this Agreement. Borrower acknowledges that the terms and provisions of this Agreement shall not, and shall not be deemed to: extend Borrower's time to cure any Senior Loan Default or Subordinate Loan Default, as the case may be; give the Borrower the right to notice of any Senior Loan Default or Subordinate Loan Default, as the case may be other than that, if any, provided, respectively under the Senior Loan Documents or the Subordinate Loan Documents; or create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

**8. Rights and Obligations of the Subordinate Lender Under the Subordinate Loan Documents and of the Senior Lender under the Senior Loan Documents.**

Subject to each of the other terms of this Agreement, all of the following provisions shall supersede any provisions of the Subordinate Loan Documents covering the same subject matter:

(a) **Protection of Security Interest.** The Subordinate Lender shall not, without the prior written consent of the Senior Lender in each instance, take any action which has the effect of increasing the indebtedness outstanding under, or secured by, the Subordinate Loan Documents, except that the Subordinate Lender shall have the right to advance funds to cure Senior Loan Defaults pursuant to Section 6(a) above and advance funds pursuant to the Subordinate Deed of Trust for the purpose of paying real estate taxes and insurance premiums, making necessary repairs to the Property and curing other defaults by the Borrower under the Subordinate Loan Documents.

(b) **Condemnation or Casualty.** In the event of: a taking or threatened taking by condemnation or other exercise of eminent domain of all or a portion of the Property (collectively, a "Taking"); or the occurrence of a fire or other casualty resulting in damage to all or a portion of the Property (collectively, a "Casualty"), at any time or times when the Senior Deed of Trust remains a lien on the Property the following provisions shall apply:

(1) The Subordinate Lender hereby agrees that its rights (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Taking and/or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Taking or a Casualty shall be and remain subordinate in all respects to the Senior Lender's rights under the Senior Loan Documents with respect thereto, and the Subordinate Lender shall be bound by any settlement or adjustment of a claim resulting from a Taking or a Casualty made by the Senior Lender; provided, however, this subsection and/or anything contained in this Agreement shall not limit the rights of the Subordinate Lender to file any pleadings, documents, claims or notices with the appropriate court with jurisdiction over the proposed Taking and/or Casualty; and

(2) all proceeds received or to be received on account of a Taking or a Casualty, or both, shall be applied (either to payment of the costs and expenses of repair and restoration or to payment of the Senior Loan) in the manner determined by the Senior Lender in its sole discretion; provided, however, that if the Senior Lender elects to apply such proceeds to payment of the principal of, interest on and other amounts payable under the Senior Loan, any proceeds remaining after the satisfaction in full of the principal of, interest on and other amounts payable under the Senior Loan shall be paid to, and may be applied by, the Subordinate Lender in accordance with the applicable provisions of the Subordinate Loan Documents, provided however, the Senior Lender agrees to consult with the Subordinate Lender in determining the application of Casualty proceeds, provided further however that in the event of any disagreement between the Senior Lender and the Subordinate Lender over the application of Casualty proceeds, the decision of the Senior Lender, in its sole discretion, shall prevail.

(3) Nothing in this Section 8 shall be construed to limit or impair Subordinate Lender's right to exercise its powers of eminent domain.

(c) **No Modification of Subordinate Loan Documents.** The Borrower and the Subordinate Lender each agrees that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of the Senior Lender in each instance (which consent shall not be unreasonably withheld, conditioned or delayed), increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend any Subordinate Loan terms in a manner that creates an adverse effect upon the Senior Lender under the Senior Loan Documents.

Any unauthorized amendment of the Subordinate Loan Documents or assignment of the Subordinate Lender's interest in the Subordinate Loan without the Senior Lender's consent shall be void ab initio and of no effect whatsoever and Subordinate Lender agrees that it shall not transfer or assign any Subordinate Loan or the Subordinate Loan Documents without the prior written consent of the Senior Lender (which consent shall not be unreasonably withheld, conditioned or delayed).

**9. Conversion, Modification or Refinancing of Senior Loan.**

Subject to the immediately following sentence, the Subordinate Lender consents to any agreement or arrangement in which the Senior Lender waives, postpones, extends, reduces or modifies the Senior Loan Documents, including any provision requiring the payment of money. Notwithstanding the foregoing, Senior Lender agrees that it will not execute an amendment to the Senior Loan Documents to increase the face principal amount of the Senior Note, increase the interest rate under the Senior Note, amend the "Maturity Date" of the Senior Note to a date earlier than the current "Maturity Date" set forth in the Senior Note, or permit the substitution of a material part of real property security collateral, without the prior written consent of Subordinate Lender. Subordinate Lender further agrees that its agreement to subordinate hereunder shall extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Loan (including reasonable and necessary costs associated with the closing and/or the refinancing) and, in the event of new mortgage debt, Subordinate Lender shall execute and deliver to Senior Lender a new subordination agreement on the same terms and conditions as this Subordination Agreement. Following Conversion, all the terms and covenants of this Agreement shall inure to the benefit of any holder of the Senior Loan.

**10. Default by the Subordinate Lender or Senior Lender.**

If the Subordinate Lender or Senior Lender defaults in performing or observing any of the terms, covenants or conditions to be performed or observed by it under this Agreement, the other, non-defaulting lender shall have the right to all available legal and equitable relief.

**11. Notices.**

Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which the Senior Lender or the Subordinate Lender is required or permitted to give to the other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating early morning delivery (any notice so delivered shall be deemed to have been received on the next Business Day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall be deemed to have been received two days after mailing in the United States), addressed to the respective parties as follows:

SENIOR LENDER (prior to Conversion):                      Bank of America, N.A.  
2000 Clayton Road  
6th Floor  
Concord, California 94520  
Attention: Loan Administration Manager

With a copy to (following Conversion):                      California Community Reinvestment Corporation  
100 W. Broadway  
Suite 1000  
Glendale, California 91210  
Attention: President



SUBORDINATE LENDER:

County of Santa Barbara  
Housing and Community Development  
123 East Anapamu Street  
2<sup>nd</sup> Floor  
Santa Barbara, California 93101  
Attention: Deputy Director

With a copy to:

Office of County Counsel  
County of Santa Barbara  
105 E. Anapamu Street  
Room 201  
Santa Barbara, California 93101

Either party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt.

**12. General.**

(a) **Assignment/Successors.** This Agreement shall be binding upon the Borrower, the Senior Lender and the Subordinate Lender and shall inure to the benefit of the respective legal successors and assigns of the Senior Lender and the Subordinate Lender.

(b) **No Partnership or Joint Venture.** The Senior Lender's permission for the placement of the Subordinate Loan Documents does not constitute the Senior Lender as a joint venturer or partner of the Subordinate Lender. Neither party hereto shall hold itself out as a partner, agent or Affiliate of the other party hereto.

(c) **Senior Lender's and Subordinate Lender's Consent.** Wherever the Senior Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Senior Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement. Wherever the Subordinate Lender's consent or approval is required by any provision of this Agreement, such consent or approval may be granted or denied by the Subordinate Lender in its sole and absolute discretion, unless otherwise expressly provided in this Agreement.

(d) **Further Assurances.** The Subordinate Lender, the Senior Lender and the Borrower each agree, at the Borrower's expense, to execute and deliver all additional instruments and/or documents reasonably required by any other party to this Agreement in order to evidence that the Subordinate Deed of Trust is subordinate to the lien, covenants and conditions of the Senior Deed of Trust, or to further evidence the intent of this Agreement.

(e) **Amendment.** This Agreement shall not be amended except by written instrument signed by all parties hereto.

(f) **Governing Law.** This Agreement shall be governed by the laws of the State in which the Property is located.

(g) **Severable Provisions.** If any provision of this Agreement shall be invalid or unenforceable to any extent, then the other provisions of this Agreement, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

(h) **Term.** The term of this Agreement shall commence on the date hereof and shall continue until the earliest to occur of the following events: (i) the payment of all of the principal of, interest on and other amounts payable under the Senior Loan Documents; (ii) the payment of all of the principal of, interest on and other amounts payable under the Subordinate Loan Documents, other than by reason of payments which the Subordinate Lender is obligated to remit to the Senior Lender pursuant to Section 4 hereof; (iii) the acquisition by the Senior Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Senior Deed of Trust; or (iv) the acquisition by the Subordinate Lender of title to the Property pursuant to a foreclosure or a deed in lieu of foreclosure of, or the exercise of a power of sale contained in, the Subordinate Deed of Trust, but only if such acquisition of title does not violate any of the terms of this Agreement.

(i) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be considered an original for all purposes; provided, however, that all such counterparts shall together constitute one and the same instrument.

*[Signature Pages Follow]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

**SENIOR LENDER:**

**BANK OF AMERICA, N.A.,**  
a national banking association

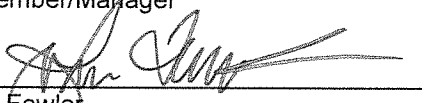
By: \_\_\_\_\_  
Michael K. Petty  
Senior Vice President

**BORROWER:**

**SIERRA MADRE COTTAGES, L.P.,**  
a California limited partnership

By: Sierra Madre Cottages LLC,  
a California limited liability company,  
its General Partner

By: Peoples' Self-Help Housing Corporation,  
a California nonprofit public benefit corporation,  
its sole Member/Manager

By:   
\_\_\_\_\_  
John Fowler  
President & CEO

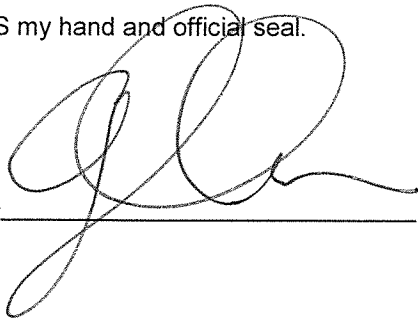
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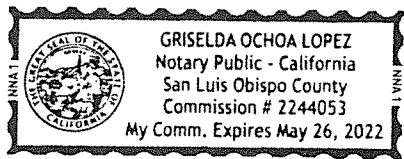
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California )  
County of San Luis Obispo ) ss

On February 12, 2019, 2019 before me, Griselda Ochoa Lopez,  
a Notary Public, personally appeared John Dale Fowler, 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)

**BORROWER:**

**SIERRA MADRE COTTAGES, L.P.,**  
a California limited partnership

By: Sierra Madre Cottages LLC,  
a California limited liability company,  
its General Partner

By: Peoples' Self-Help Housing Corporation,  
a California nonprofit public benefit corporation,  
its sole Member/Manager

By:   
\_\_\_\_\_  
John Fowler  
President & CEO

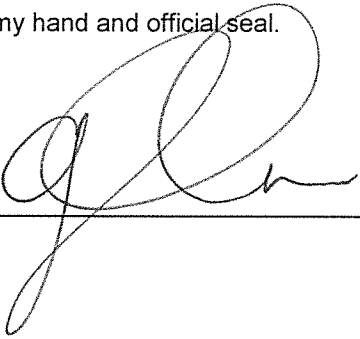
ACKNOWLEDGMENT

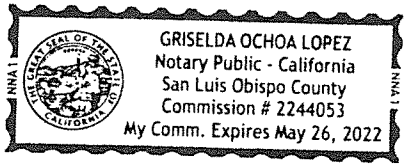
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State of California )  
County of San Luis Obispo ) ss

On February 12, 2019, 2019 before me, Griselda Ochoa Lopez,  
a Notary Public, personally appeared John Dale Fowler, 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)

SUBORDINATE LENDER:

ATTEST:

MONA MIYASATO  
Clerk of the Board


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

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

By: \_\_\_\_\_  
Steve Lavagnino, Chair  
Board of Supervisors

APPROVED AS TO FORM:

Michael C. Ghizzoni  
COUNTY COUNSEL

By:  \_\_\_\_\_  
Deputy County Counsel  
Scott Greenwood


APPROVED AS TO FORM:

Betsy M. Schaffer, CPA  
AUDITOR-CONTROLLER

By:  \_\_\_\_\_  
Deputy  
Ed Price

APPROVED AS TO FORM:

Ray Aromatorio, ARM, AIC  
RISK MANAGEMENT

By:  \_\_\_\_\_  
Deputy  
Deborah Wells



**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 )  
 ) ss  
County of \_\_\_\_\_ )

On \_\_\_\_\_, 2019 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 Property)

ALL THAT CERTAIN REAL PROPERTY IN THE CITY OF SANTA MARIA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

**PARCEL ONE:**

LOT 1 OF BETHEL LUTHERAN CHURCH LOT LINE ADJUSTMENT TRACT 5984, PURSUANT TO THAT CERTAIN CERTIFICATE APPROVING A LOT LINE ADJUSTMENT, RECORDED AUGUST 30, 2013, AS INSTRUMENT NO. 2013-0058431 OF OFFICIAL RECORDS; BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

A PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 14, TOWNSHIP 10 NORTH, RANGE 34 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF SANTA MARIA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF THE 5.000 ACRE PARCEL SHOWN ON MAP FILED IN BOOK 61, PAGE 87 OF RECORD OF SURVEYS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY;

THENCE SOUTH 00 DEGREES 24 MINUTES 03 SECONDS WEST, 210.21 FEET, ALONG THE EASTERLY LINE OF SAID PARCEL, TO THE TRUE POINT OF BEGINNING;

THENCE NORTH 89 DEGREES 00 MINUTES 32 SECONDS WEST, 212.59 FEET;

THENCE SOUTH 00 DEGREES 59 MINUTES 28 SECONDS WEST, 91.80 FEET;

THENCE NORTH 89 DEGREES 00 MINUTES 32 SECONDS WEST, 212.50 FEET;

THENCE SOUTH 00 DEGREES 24 MINUTES 03 SECONDS WEST, 220.00 FEET TO THE SOUTHWESTERLY CORNER OF SAID PARCEL;

THENCE SOUTH 89 DEGREES 00 MINUTES 32 SECONDS EAST, 381.03 FEET, ALONG THE SOUTHERLY LINE OF SAID PARCEL, TO THE NORTHEAST CORNER OF LOT 21 OF BLOCK "A" OF THE MARIPOSA PARK SUBDIVISION AS SHOWN ON MAP RECORDED IN BOOK 15, PAGE 306 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY;

THENCE SOUTH 89 DEGREES 00 MINUTES 32 SECONDS EAST, 45.00 FEET TO THE EAST LINE OF SAID SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 14;

THENCE NORTH 00 DEGREES 24 MINUTES 03 SECONDS EAST, 81.05 FEET, ALONG SAID EAST LINE, TO A POINT IN THE NORTH LINE OF SIERRA MADRE AVENUE;

THENCE NORTH 00 DEGREES 24 MINUTES 03 SECONDS EAST, 230.76 FEET, ALONG THE EASTERLY LINE OF SAID PARCEL, TO THE TRUE POINT OF BEGINNING.

PARCEL TWO:

A NON-EXCLUSIVE EASEMENT FOR EMERGENCY ACCESS AND UTILITY PURPOSE AS DESCRIBED IN AGREEMENT AND GRANT OF EASEMENT RECORDED FEBRUARY 29, 2016 AS INSTRUMENT NO. 2016-0008985 OF OFFICIAL RECORDS.

APN: 125-232-005