

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

HOUSING TRUST FUND OF SANTA BARBARA COUNTY, INC.
Housing Trust Fund of Santa Barbara County, Inc.
P.O. Box 60909
Santa Barbara, CA 93160-0909

THIS SPACE ABOVE FOR RECORDER'S USE

**SUBORDINATION AGREEMENT
(COUNTY OF SANTA BARBARA)**

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR
SECURITY AND RESTRICTIVE COVENANTS ON THE PROPERTY
BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE
LIEN OF LENDER'S DEED OF TRUST (DEFINED BELOW).**

THIS SUBORDINATION AGREEMENT ("Agreement") is entered into as of March __, 2020, by and among **HEATH HOUSE LLC**, a California limited liability company ("Borrower"), and the **County of Santa Barbara** ("the County"), in favor of the **HOUSING TRUST FUND OF SANTA BARBARA COUNTY, INC.**, and its successors and assigns ("Lender").

RECITALS

A. Borrower is acquiring buildings and improvements located at 18 East Sola Street in Santa Barbara, California as more particularly described in **Exhibit A** attached hereto (the "Property").

B. Borrower and Lender have executed a Loan Agreement ("Lender Loan Agreement") of even date herewith, wherein Lender has agreed to make a loan ("Lender Loan") in the original principal amount of Three Hundred Seventy-Five Thousand and No/100 Dollars (\$375,000). Borrower has executed, among other things, a Promissory Note Secured by Deed of Trust in favor of Lender of even date herewith, in the principal amount of the Loan (the "Lender Note"), which Note will be secured by that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of even date herewith, to be recorded concurrently herewith in the Official Records of the County of Santa Barbara, encumbering Borrower's interest in the Property, which will be recorded in the Official Records of Santa Barbara County, California (the "Lender Deed of Trust") and a Financing Statement, to be filed with the Secretary of State of California (the "Lender Financing Statement").

C. The Lender Loan Agreement, the Lender Note, the Lender Deed of Trust, the Lender Financing Statement and all other documents executed by Borrower in connection with the Lender Loan, as the same are amended to the date hereof, are hereafter referred to collectively herein as the "Lender Loan Documents."

D. Concurrent with execution of this Agreement, the County of Santa Barbara is making a loan to the Borrower (the "County HEAP Loan") under the HEAP Program in the amount of Five Hundred Thousand and No/100 Dollars (\$500,000). Borrower has executed, among other things, a Promissory Note Secured by Deed of Trust in favor of the County of even

date herewith, in the principal amount of the Loan (the "County HEAP Loan Note") which Note will be secured by that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of even date herewith, and a Regulatory Agreement, to be recorded concurrently herewith in the Official Records of the County of Santa Barbara, encumbering Borrower's interest in the Property, which will be recorded in the Official Records of Santa Barbara County, California (the "County HEAP Deed of Trust") and a Financing Statement, to be filed with the Secretary of State of California (the "County HEAP Financing Agreement").

E. As a condition precedent to Lender making the Lender Loan, Lender requires that the Lender Deed of Trust, the repayment of the Lender Loan, and the other Lender Loan Documents unconditionally and at all times remain a lien or charge upon the Property and Improvements, as applicable, prior and superior to all the rights of the County under the County HEAP Deed of Trust and that the County specifically and unconditionally subordinates the County HEAP Deed of Trust to the lien or charge of the Lender Deed of Trust, the repayment of the Lender Loan and the other Lender Loan Documents.

E. It is to the mutual benefit of the parties hereto that Lender makes the Lender Loan to Borrower.

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

1. The Lender Deed of Trust securing the Lender Note, and any renewals or extensions thereof and all amendments and modifications together with Lender's right to repayment of the Lender Loan and Lender's rights under any other Lender Loan Documents (including all sums advanced for the purposes of protecting or further securing the lien of the Lender Deed of Trust or curing defaults by Borrower under the Lender Loan Documents), shall unconditionally be and at all times remain a lien or charge on the Property and Improvements, as applicable, prior and superior to the County HEAP Deed of Trust. Lender agrees that there shall be no "Material Modification" of the Lender Loan Documents in a manner that creates an adverse effect upon the County under the County HEAP Deed of Trust without the prior written consent of the County, which consent shall not be unreasonably withheld or delayed. Lender agrees that a "Material Modification" of the Lender Loan Documents shall mean any modification of the Lender Loan Documents in a manner that creates an adverse effect upon the County under the County HEAP Deed of Trust and includes, but is not limited to, any modification which (a) increases the principal amount of the Lender Loan, (b) increases the interest rate on the Lender Loan (except as contemplated in the Lender Loan Documents as of the Effective Date), (c) decreases the term of the Lender Loan, or (d) permits the substitution of the security collateral for the Lender Loan without the prior written consent of the County which shall not be unreasonably withheld or delayed.

2. Lender would not have made the Lender Loan without the County's commitment to execute this Agreement.

3. This Agreement shall be the whole and only agreement with regard to the subordination of the County HEAP Deed of Trust, and shall supersede and cancel any prior agreements as to such subordination of the County HEAP Deed of Trust and all indebtedness secured thereby to the Lender's Deed of Trust.

4. The County declares, agrees and acknowledges for the benefit of Lender, that:

a. Lender, in making disbursements pursuant to the terms of the Lender Loan Agreement or any other Lender Loan Document, is under no obligation or duty to, nor has Lender represented that it will, see to the application of such proceeds by the person or persons to whom Lender disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such agreement or agreements shall not defeat the subordination herein made in whole or in part;

b. The County represents and warrants as of the date of this Agreement and the date of recordation of this Agreement that: (i) the County HEAP Deed of Trust is in full force and effect; and (ii) there is no breach or event of default (or conditions or events which, with notice or the passage of time or both, would constitute a breach or default), known to the County, under the County HEAP Deed of Trust;

c. The County intentionally and unconditionally waives and relinquishes the priority of the County HEAP Deed of Trust and subordinates the liens and charges of the County HEAP Deed of Trust to the lien or charge of the Lender Deed of Trust upon the Property, the repayment of the Lender Loan and the other Lender Loan Documents;

d. The County understands that in reliance upon, and in consideration of, the waiver, relinquishment and subordination, specific loans and advances as set forth in the Lender Loan Agreement are being and will be made by Lender and, 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 and subordination; and

e. The County agrees to notify the holder of the Lender Note within thirty (30) days after the County has knowledge of a breach, default or event of default under the County HEAP Deed of Trust. The County shall not, under any circumstances, incur any liability for any failure to provide such notice to Lender; provided, however, the County shall correct any such failure to provide such notice required under this paragraph by promptly giving notice to Lender following the discovery of such failure.

5. Lender may, without affecting the subordination provided herein: (a) release or compromise any obligation of any nature with respect to the Lender Loan Documents; (b) release its security interest in, or surrender, release all or any part of any properties securing the Lender Note; or (c) retain or obtain a security interest in any property to secure payment of the Lender Note. Notwithstanding the foregoing, Lender agrees that it will not modify the Lender Loan Documents in a material way to (i) increase the principal amount of the Lender Loan, (ii) increase the interest rate under the Lender Note, or (iii) decrease the term of the Lender Loan or (iv) permit substitution of the security collateral without the prior written consent of the County, which consent shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Lender may substitute deposit accounts held as security into which proceeds of the Loan or other funds of Borrower are deposited.

6. The County hereby confirms to and agrees with Lender as to the following:

a. The County has delivered to Lender a true and complete copy of the County HEAP Deed of Trust, and such document has not been amended, modified or supplemented in any way, except as disclosed therein;

b. The County hereby acknowledges the Lender Loan and the execution and delivery by Borrower to Lender of the Lender Loan Documents and acknowledges the provisions of the Lender Loan Documents, including, without limitation, all terms of the Lender Note; provided, however, such acknowledgement of the Lender Loan Documents does not constitute a legal opinion as to the validity of such documents under applicable law; and

7. Borrower acknowledges and agrees that in no event shall this Agreement be deemed to have waived (a) as between Borrower and the County, any term or provision of the County HEAP Deed of Trust, or (b) as between Borrower and Lender, any term or provision of the Lender Loan Documents.

8. This Agreement shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties. This Agreement shall be governed and construed in accordance with the laws of the State of California.

9. The individual or individuals executing this Agreement on behalf of each party represents and warrants that (a) it has been duly and validly authorized to do so on behalf of such party with the full right and authority to execute this Agreement and to bind such party with respect to all of its obligations hereunder, (b) this Agreement is a valid, binding and enforceable obligation of such party, and (c) no consent of a third party is required to enter into this Agreement.

10. If any provision of this Agreement shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that portion shall be deemed severed from this Agreement and the remaining parts shall remain in full force as though the invalid, illegal, or unenforceable portion had never been part of this Agreement.

11. This Agreement is one of the Loan Documents as that term is defined in the Lender Loan Agreement.

12. All notices, demands, approvals and other communications which are required to or may be given pursuant to this Agreement shall be in writing and shall be delivered by personal delivery, overnight air courier or registered or certified U.S. mail, with return receipt requested, to the appropriate party as its address as follows:

If to the County: COUNTY OF SANTA BARBARA
Housing and Community Development
123 E. Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attn: Deputy Director

If to Borrower: HEATH HOUSE LLC

c/o Peoples' Self-Help Housing Corp.
3533 Empleo Street
San Luis Obispo, CA 93401
Attn: President/CEO

If to Lender: HOUSING TRUST FUND OF SANTA BARBARA
COUNTY, INC.
Housing Trust Fund of Santa Barbara County, Inc.
P.O. Box 60909
Santa Barbara, CA 93160-0909

Addresses for notice may be changed from time to time by written notice to all other parties. If any communication is given by mail it will be deemed to be effective for all purposes upon the earlier of (a) 96 hours after deposit in the U.S. Mail with proper postage prepaid; or (b) actual receipt, as indicated by the return receipt; and if given by personal delivery or by overnight air courier, when delivered.

13. Right to Cure.

a. Lender and Borrower shall deliver to the County, at the address indicated in Section 12 above, copies of any notices of default delivered to Borrower in connection with the Lender Loan Documents concurrently with the delivery of notice of default to Borrower. The County shall have the right (but not the obligation) to cure any default by Borrower under the terms and conditions of the Lender Loan Documents, and Lender shall accept performance by the County as if such performance were tendered by Borrower, so long as the County cures any (i) monetary default within thirty (30) days after receipt of notice that such monetary default is past due, or (ii) any nonmonetary default within thirty (30) days after Lender has mailed or delivered (whichever is earlier if mailed in accordance with Section 12 above) to the County written notice of such failure. If such failure can ultimately be cured, but is not susceptible to being cured within the applicable period, the County shall have the greater of an additional thirty (30) days or such additional time as is determined by Lender in its reasonable discretion to cure such default, provided: (aa) the County has commenced curing and is diligently pursuing a cure of such failure with such thirty (30) day period; and (bb) such failure is completely cured within sixty (60) days from the date that Lender's original notice was mailed or delivered to the County. Provided the County cures the default within the applicable cure period set forth above, Lender shall not accelerate the Lender Loan.

b. Notwithstanding the County's cure rights described in Section 13(a) above, as applicable, if Borrower fails to make a payment or perform any obligation when due and if Lender reasonably determines that there is an imminent danger that its security will be materially impaired or that action is necessary to prevent future deterioration of its security, Lender may, upon delivery of written notice of such determination to the County, immediately take such actions as are reasonably necessary to cure said default and preserve Lender's security, including, but not limited to, filing a judicial foreclosure action and seeking the appointment of a receiver. Lender shall not, under any circumstances, incur any liability for any failure to provide any notice to the County under this Section 13; provided, however, Lender shall correct any such failure to provide such notice required under this Agreement, if so requested, and permit the cure of such default within the time periods set forth in this Section 13 commencing from the date of

mailing or delivering of such corrected notice to the County. It shall be the obligation of the County to provide and update its address for notice purposes hereunder and Lender shall have no duty to verify the accuracy or completeness of such information.

c. After the expiration of the cure periods as specified in Section 13(a) above, and if any default remains uncured, Lender may record a Notice of Default at the Santa Barbara County Recorder's Office. The County's right to cure a default under the Lender Loan Documents pursuant to this Section 13 shall not operate to waive, impair or delay the exercise of Lender's rights or remedies under the Lender Loan Documents or applicable law with respect to such Event of Default after the expiration of any cure period specified under Section 13(a), as applicable. Lender reserves the right to exercise all its remedies pursuant to the Lender Loan Documents upon the occurrence of any subsequent Event of Default under the Lender Loan Documents that remains uncured.

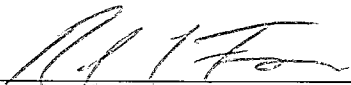
14. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute and be construed as one and the same instrument.

Exhibit A is attached hereto and incorporated herein by this reference.

IT IS RECOMMENDED THAT, PRIOR TO THE EXECUTION OF THIS AGREEMENT,
THE PARTIES CONSULT WITH THEIR ATTORNEYS WITH RESPECT HERETO,

LENDER:

**HOUSING TRUST FUND OF SANTA BARBARA COUNTY, INC.,
a California Non-Profit Corporation**

By: 
Rob Fredericks,
Board Treasurer

BORROWER:

HEATH HOUSE LLC,
a California limited liability company

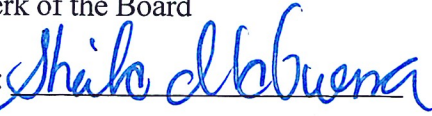
By: Peoples' Self-Help Housing Corporation,
a California nonprofit public benefit corporation,
its sole member/manager

By: 

John Fowler
President & CEO

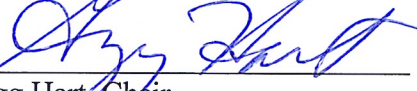
ATTEST:

MONA MIYASATO
Clerk of the Board

By: 

Deputy Clerk of the Board

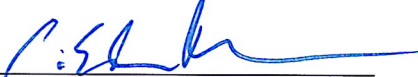
County of Santa Barbara, a political
subdivision of the State of California

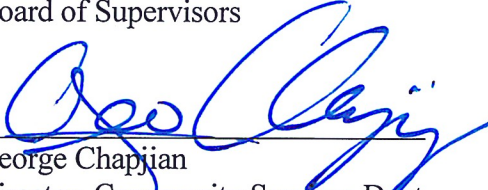
By: 

Gregg Hart, Chair
Board of Supervisors

**APPROVED AS TO ACCOUNTING
FORM:**

BETSY M. SCHAFFER, CPA
AUDITOR-CONTROLLER

By: 
Deputy

By: 
George Chapjian
Director, Community Services Dept.

APPROVED AS TO FORM:
MICHAEL GHIZZONI
COUNTY COUNSEL

By: 
Deputy County Counsel

APPROVED AS TO FORM:
RISK MANAGEMENT

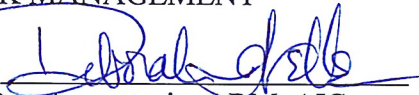
By: 
Ray Aromatorio, ARM, AIC
Risk Manager

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Santa Barbara, County of Santa Barbara, State of California, described as follows:

THAT PORTION OF BLOCK 90 IN THE CITY OF SANTA BARBARA, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ACCORDING TO THE OFFICIAL MAP, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTHWESTERLY LINE OF SOLA STREET, DISTANT THEREON 150 FEET SOUTHWESTERLY FROM THE MOST NORTHERLY CORNER OF SAID BLOCK; THENCE SOUTHWESTERLY ALONG SAID STREET LINE 50 FEET; THENCE AT RIGHT ANGLES SOUTHEASTERLY 100 FEET; THENCE AT RIGHT ANGLES NORTHEASTERLY 50 FEET; THENCE AT RIGHT ANGLES NORTHWESTERLY 100 FEET TO THE POINT OF BEGINNING.

APN: 039-132-005