

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO:

Wes Goranson
Kutak Rock LLP
1650 Farnam Street
Omaha, Nebraska 68102

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT (this “Agreement”) is made effective as of [December 1, 2025], by and among **BANC OF CALIFORNIA**, a California state-chartered bank (together with its successors and assigns, the “Senior Lender”), **COUNTY OF SANTA BARBARA**, a political subdivision of the State of California (together with its successors and assigns, the “County”) and **HOLLISTER LOFTS, L.P.**, a California limited partnership (“Borrower”).

RECITALS

- A. Borrower is the owner of certain real property located in Santa Barbara County, California, as more particularly described in Exhibit A attached hereto (the “Land”) upon which Borrower intends to acquire, construct, and operate a multifamily housing facility to be known as Hollister Lofts (the “Improvements” and together with the Land, the “Property”).
- B. In connection with such acquisition, Borrower is entering into that certain County Land Loan Agreement with the County, dated as of November 5, 2024 (as amended, modified or supplemented from time to time, the “County Land Loan Agreement”), and that certain County Land Loan Promissory Note, dated November 5, 2024 (as amended, modified or supplemented from time to time, the “County Land Loan Note”), evidencing a loan from the County to Borrower (“County Land Loan”) in the aggregate amount of \$4,000,000. Borrower’s obligations under the County Land Loan Note and the County Land Loan Agreement are secured by that certain County Land Loan Permanent Deed of Trust, Assignment of Rents, and Security Agreement (“County Land Loan Deed of Trust”) made as of November 5, 2024, and recorded [] as [Instrument No.] in the Official Records of the Santa Barbara County Recorder’s Office (“Official Records”). In connection with the County Land Loan, Borrower is entering into that certain County Land Loan Regulatory Agreement and Declaration of Restrictive Covenants with the County, dated as of November 5, 2024 (as amended, modified or supplemented from time to time, the “County Land Loan Regulatory Agreement”), which was recorded on [] as [Instrument No.] in the Official Records, pursuant to which the Property will be subjected to certain restrictions.

- C. In connection with such construction and operation of the Property, Borrower is entering into that certain County HOME Loan Agreement with the County, dated on or about the date hereof (as amended, modified or supplemented from time to time, the “County HOME Loan Agreement, and together with the County Land Loan Agreement, the “County Loan Agreements”), and that certain County HOME Loan Promissory Note, dated on or about the date hereof (as amended, modified or supplemented from time to time, the “County HOME Loan Note” and together with the County Land Loan Note, the “County Notes”), evidencing a loan from the County to Borrower in the aggregate amount of \$[2,057,850] (“County HOME Loan”, and together with the County Land Loan, collectively the “County Loans”). Borrower’s obligations under the County HOME Loan Note and the County HOME Loan Agreement are secured by that certain County HOME Loan Deed of Trust, Assignment of Rents, and Security Agreement (“County HOME Loan Deed of Trust”, and together with the County Land Loan Deed of Trust, the “County Deeds of Trust”) made on or about the date hereof, which will be recorded concurrently herewith in the Official Records. In connection with the County HOME Loan, Borrower is entering into that certain County HOME Loan Regulatory Agreement and Declaration of Restrictive Covenants with the County, dated on or about the date hereof (as amended, modified or supplemented from time to time, the “County HOME Loan Regulatory Agreement, and together with the County Land Loan Regulatory Agreement, the “County Regulatory Agreements”), which will be recorded concurrently herewith in the Official Records, pursuant to which the Property will be subjected to certain restrictions.
- C. Pursuant to the terms of a Loan Agreement dated as of [December 1, 2025] (as amended, modified or supplemented from time to time, the “Senior Loan Agreement”), Senior Lender has agreed to make a certain loan to Borrower in the aggregate amount of \$[_____] (the “Senior Loan”), which Senior Loan will be evidenced by a promissory note from Borrower to the Senior Lender (as amended, modified or supplemented from time to time, collectively, the “Senior Note”). The Borrower’s obligations under the Senior Note and the Senior Loan Agreement will be secured by a Deed of Trust, Security Agreement, Absolute Assignment of Leases and Rents and Fixture Filing recorded against the Property dated as of the date hereof (as amended, modified or supplemented from time to time, the “Senior Deed of Trust”). The Senior Note, the Senior Loan Agreement, the Senior Deed of Trust and any of the other documents evidencing or related to the Senior Loan are collectively referred to as the “Loan Documents.”
- D. As a condition to making the Senior Loan, the Senior Lender requires that the Senior Deed of Trust be a lien on the Property superior to the lien of the County Deed of Trust and that the rights of the Senior Lender under the Loan Documents (including, but not limited to, the Senior Deed of Trust), be superior to the rights of the County under the County Deed of Trust. The Senior Lender will not make the Senior Loan unless the County agrees to subordinate its rights and obligations under the County Deed of Trust.
- F. The County hereby agrees to subordinate the County Deed of Trust on and subject to the terms, conditions and requirements set forth in this Agreement.

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, the parties agree as follows:

1. **Recitals.** The foregoing Recitals are hereby incorporated into this Agreement as agreements among the parties hereto.
2. **Subordination.** The County hereby covenants and agrees that the County Deed of Trust is and will at all times continue to be, subordinate, subject and inferior to the rights of the Senior Lender under the Loan Documents and that the liens, rights (including approval and consent rights), remedies, payment interests, priority interests, and security interests granted to the County pursuant to or in connection with the County Deed of Trust are hereby expressly acknowledged to be in all respects and at all times, subject, subordinate and inferior in all respects to the liens, rights (including approval and consent rights), remedies, payment, priority and security interests granted to the Senior Lender pursuant to the Loan Documents and the terms, covenants, conditions, and operations and effects thereof. Notwithstanding the above or any other provision of this Agreement to the contrary, the County may exercise the remedies of specific performance and/or injunctive relief under the County Regulatory Agreement. Notwithstanding the above or any other provision of this Agreement to the contrary, the County Regulatory Agreement shall not be subordinate or subject or inferior to the Loan Documents.
3. **Financing, Encumbrance and Transfer Approval.** The County hereby approves the transfer of the Property to the Borrower and the financing evidenced by the Senior Deed of Trust. The County further agrees that any transfer of the Property in connection with foreclosure or deed in lieu thereof pursuant to the Senior Deed of Trust will not require the County's consent.
4. **Senior Lender Notice of Default.** In consideration of the County's agreements contained in this Agreement, the Senior Lender agrees that in the event of any default by Borrower under any of the Loan Documents ("Senior Default"), the Senior Lender must concurrently give to the County a copy of each material notice (including without limitation each notice of default) given to Borrower under or with respect to or in connection with any of the Loan Documents (each, a "Senior Lender Notice of Default"); provided, however, failure to send such notice of default shall not affect the validity of such notice or any obligation of borrower to Senior Lender and shall not affect the relative priorities between the Loan and the County Loan as set forth herein. The County, in the County's sole discretion, will have the right (but not the obligation), to the extent that Borrower has any such cure right under the Loan Documents, to cure any Senior Default by Borrower on its and/or Borrower's behalf within the timeframes set forth for such cure under the Loan Documents.
5. **County Notice of Default.** The County must give the Senior Lender a concurrent copy of each material notice (including without limitation each notice of default) given by the County under or with respect to the County Regulatory Agreement and/or County Deed of

Trust, and agrees that the Senior Lender, at the Senior Lender's sole election, will have the right (but not the obligation) to cure any default by Borrower under the County Regulatory Agreement and/or County Deed of Trust on its and/or Borrower's behalf. The County hereby represents to the Senior Lender and to the Borrower that, to the best of its knowledge, there is no current default under the County Regulatory Agreement or County Deed of Trust.

6. **County's Rights.** Except as set forth in Sections 2 and 7 of this Agreement, nothing in this Agreement is intended to abridge or adversely affect any right or obligation of Borrower and/or the County, respectively, under the County Regulatory Agreement or County Deed of Trust; provided that, (A) neither the County Regulatory Agreement nor the County Deed of Trust may be modified, amended, changed or altered without the prior written consent of the Senior Lender so long as the Loan is secured by the Property and (B) for so long as the Loan is secured by the Property, notwithstanding the terms of the County Regulatory Agreement or County Deed of Trust to the contrary, neither Borrower nor the County will, without the Senior Lender's prior written consent, exercise or seek any right or remedy under the Regulatory Agreement or County Deed of Trust or available at law or in equity which will or could result in (i) the advertising of or commencement of any foreclosure or trustee's sale proceedings, the exercise of any power of sale, or the acceptance of a deed or assignment in lieu of foreclosure or sale; (ii) a transfer of possession of the Property or the control, operations or management thereof; (iii) collection or possession of rents or revenues from or with respect to the Property by any party other than Borrower or the Senior Lender; (iv) appointment of a receiver for the Property; (v) the taking of possession or control of any of the Property; (vi) application of insurance or condemnation proceeds other than as approved by the Senior Lender pursuant to the Loan Documents; (vii) removal or replacement of the existing property manager of the Property; or (viii) a material adverse effect on the Senior Lender's security for the Loan. As set forth in Section 2, notwithstanding the above or any other provision of this Agreement to the contrary, the County may exercise the remedies of specific performance and/or injunctive relief.
7. **Foreclosure.** In the event of foreclosure or deed in lieu of foreclosure for enforcement of the Loan by Senior Lender, no consent will be required from the County and the Senior Lender will have no indemnification obligations to the County for any period during which the Senior Lender does not own or is not in possession of the Property, provided that each foreclosure, deed in lieu of foreclosure, or other disposition of the Property or any interest therein by the Senior Lender is expressly subject to the restrictions set forth in the County Regulatory Agreement and such transferee expressly agrees, in writing duly executed by such transferee, to assume all of the obligations of Borrower under the County Regulatory Agreement, and Senior Lender promptly provides a true and correct copy of such fully executed assumption agreement to the County.
8. **Miscellaneous Provisions.**
 - (a) This Agreement represents the entire understanding and agreement between the parties hereto with regard to the matters addressed herein, and will supersede and cancel any prior agreements with regard to such matters.

- (b) If there is any conflict or inconsistency between the terms of the County Regulatory Agreement or County Deed of Trust and the terms of this Agreement, then the terms of this Agreement will control.
- (c) 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, which will include with regard to the County any permitted successor or assign of the County under or pursuant to the terms of the County Regulatory Agreement or County Deed of Trust and, with regard to the Senior Lender, any subsequent holder of the Senior Note. No other party will be entitled to any benefits hereunder, whether as a third-party beneficiary or otherwise.
- (d) If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is found by a court of competent jurisdiction to be invalid, illegal, or unenforceable in any respect, then the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.
- (e) Each notice, request, demand, consent, approval or other communication (collectively, “**Notices**,” and singly, a “**Notice**”) which is required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) 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 will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

If to the County:

County of Santa Barbara
123 E Anapamu Street, 2nd Floor
Santa Barbara, CA 93101
Attention: Housing and Community Development

If to Senior Lender:

Banc of California
997 Monterey Street, 3rd Floor
San Luis Obispo, CA 93401
Attention: Nathan Roddick

Telephone: (805) 548-8210

With a copy to:

Banc of California
Office of the General Counsel
Email: legal@bancofcal.com

If to Borrower:

Hollister Lofts, L.P.
815 West Ocean Avenue
Lompoc, California 93436
Attention: Executive Director

Any party, by Notice given pursuant to this Section, may 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 will only be effective upon receipt. No party hereto will refuse or reject delivery of any Notice given in accordance with this Section.

- (f) [Intentionally omitted.]
- (g) This Agreement will be governed by the laws of the State of California.
- (h) Each person executing this Agreement on behalf of a party hereto represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations under this Agreement.
- (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) This Agreement may be amended, changed, modified, altered or terminated only by a written instrument signed by all of the parties to this Agreement or their respective permitted successors or assigns.

- (L) 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.
- (m) Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by the County 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.

[SIGNATURE AND ACKNOWLEDGMENT PAGES FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the first date duly executed by all of the parties hereto.

COUNTY

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

By: _____
Name: _____
Title: _____

NOTARY ACKNOWLEDGMENT STATEMENT

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 _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the first date duly executed by all of the parties hereto.

BORROWER:

HOLLISTER LOFTS, L.P., a California limited partnership

By: SURF DEVELOPMENT COMPANY, a
California nonprofit public benefit
corporation

Its: Managing General Partner

By: _____
Name: Raymond F. Down
Title: President

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

Its: Administrative General Partner

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

NOTARY ACKNOWLEDGMENT STATEMENT

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State of California

County of _____)

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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]

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State of California

County of _____)

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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]

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the first date duly executed by all of the parties hereto.

SENIOR LENDER

BANC OF CALIFORNIA, a California state-chartered bank

By: _____

Name: Nathan Roddick Title: Senior Vice President

NOTARY ACKNOWLEDGMENT STATEMENT

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 _____)

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

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

WITNESS my hand and official seal.

Signature _____ [SEAL]

EXHIBIT A
LEGAL DESCRIPTION