

ATTACHMENT A  
SUBORDINATION AGREEMENT

ATTACHMENT A

Recording Requested By  
And When Recorded Mail To:

Rabobank, N.A.  
Attention: Community Development Finance  
618 West Main Street  
Visalia, California 93291

Space Above For Recorder's Use

SUBORDINATION AGREEMENT

**NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN THE LIEN OF A DEED OF TRUST AND CERTAIN RESTRICTIONS ON THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.**

This Subordination Agreement (the "Subordination Agreement") is dated for reference purposes as of March 1, 2012, between **DAHLIA COURT II, L.P.**, a California limited partnership (the "Borrower"), the **COUNTY OF SANTA BARBARA**, a political subdivision of the State of California (the "First Junior Lender"), and **MONTECITO BANK & TRUST** (the "AHP Lender"), in favor of **RABOBANK, N.A.**, its successors, transferees and assigns (together with its successor and assigns, the "Senior Lender"). The First Junior Lender and the AHP Lender are individually and collectively, as the context requires, referred to in this Subordination Agreement as "Junior Lender." The Junior Lender and the Senior Lender are collectively referred to in this Subordination Agreement as "Lenders" and each as a "Lender."

**Factual Background**

**A.** Borrower is the owner of the real property described in **Exhibit A** attached to this Subordination Agreement (the "Property").

**B.** Borrower is obtaining loans from the Lenders and will apply proceeds of those loans to payment of costs of development of the Property. All of the loan documents that relate to each such loan are referred to in this Subordination Agreement, respectively, as the context may require, as the "Loan Documents." Each loan may be referred to in this Subordination Agreement, respectively, as the context may require, as a "Loan" or the "Loan." Each deed of trust or security agreement that secures each Loan may be referred to as a "Deed of Trust," and collectively as the "Deeds of Trust."

**C.** Senior Lender is making a construction loan to Borrower in the principal amount of \$10,550,000.00 (the "Senior Loan"). The Senior Loan is being made under that certain Construction Loan Agreement between Senior Lender and Borrower dated as of the date hereof. The Senior Loan is evidenced by that certain Promissory Note Secured by Deed of Trust made payable to Senior Lender in the principal amount of the Senior Loan (the "Senior Note"), which is secured by that certain Construction and Permanent Deed of Trust with Assignment of Leases and Rents, Security Agreement, and Fixture Filing (the "Senior Deed of Trust") covering certain real and personal property, as therein described, including but not limited to the Property, being recorded concurrently herewith. All documents which evidence, guaranty, secure, or otherwise pertain to the Senior Loan collectively constitute the "Senior Loan Documents."

**D.** Pursuant to that certain Loan Purchase Agreement dated as on or about the date hereof (the "Loan Purchase Agreement") by and among Senior Lender, Borrower, and California Community Reinvestment Corporation, a California nonprofit public benefit corporation ("CCRC"), CCRC has agreed,

subject to the terms and conditions set forth therein, to purchase the Senior Loan from Senior Lender, and to thereupon become successor-in-interest to Senior Lender hereunder.

E. The First Junior Lender has made, or has agreed to make, pursuant to that certain Loan Agreement dated June 1, 2010, a loan to Borrower in the principal amount of \$1,198,116.00 (the "HOME Loan"). The HOME Loan is evidenced by that certain Promissory Note dated June 1, 2010, which is secured by that certain Deed of Trust, Assignment of Rents, and Security Agreement dated June 1, 2010, recorded June 8, 2010, as Instrument Number 2010-0030084, in the Official Records of Santa Barbara County, California, as supplemented by that certain Modification Agreement, Supplement to Deed of Trust and Partial Reconveyance dated June 7, 2011, recorded July 5, 2011, as Instrument Number 2011-0038449, in the Official Records of Santa Barbara County, California, and as amended and assigned to Borrower by that certain Assignment, Assumption and Modification Agreement (HOME Program Loan) dated as of the date hereof (collectively, the "HOME Deed of Trust"), to be recorded in the Official Records of Santa Barbara County, California, concurrently herewith. As a condition to the making of the HOME Loan, First Junior Lender has also required that Borrower and First Junior Lender execute that certain Regulatory Agreement and Declaration of Restrictive Covenants (County) dated as of June 1, 2010, recorded June 8, 2010, as Instrument Number 2010-0030085, in the Official Records of Santa Barbara County, California relating to and/or encumbering all or a portion of the Property, as assigned to Borrower by that certain Assignment, Assumption and Modification Agreement (HOME Program Loan) dated as of the date hereof, to be recorded in the Official Records of Santa Barbara County, California, concurrently herewith (collectively, the "HOME Regulatory Agreement"). All documents which evidence, guaranty, secure, or otherwise pertain to the HOME Loan including, without limitation, the HOME Deed of Trust and the HOME Regulatory Agreement, collectively constitute the "HOME Loan Documents."

F. The First Junior Lender has made, or has agreed to make, pursuant to that certain Loan Agreement dated June 1, 2010, a loan to Borrower in the principal amount of \$571,489.00 (the "CDBG Loan"). The CDBG Loan is evidenced by that certain Promissory Note dated June 1, 2010, which is secured by that certain Deed of Trust, Assignment of Rents, and Security Agreement CDBG Loan dated June 1, 2010, recorded June 8, 2010, as Instrument Number 2010-0030086, in the Official Records of Santa Barbara County, California, as supplemented by that certain Modification Agreement, Supplement to Deed of Trust and Partial Reconveyance dated June 7, 2011, recorded July 5, 2011, as Instrument Number 2011-0038450, in the Official Records of Santa Barbara County, California, and as amended and assigned to Borrower by that certain Assignment, Assumption and Modification Agreement (CDBG Program Loan) dated as of the date hereof (collectively, the "CDBG Deed of Trust"), to be recorded in the Official Records of Santa Barbara County, California, concurrently herewith. As a condition to the making of the CDBG Loan, First Junior Lender has also required that Borrower and First Junior Lender execute that certain Regulatory Agreement and Declaration of Restrictive Covenants (CDBG) dated as of June 1, 2010, recorded June 8, 2010, as Instrument Number 2010-0030087, in the Official Records of Santa Barbara County, California relating to and/or encumbering all or a portion of the Property, as assigned to Borrower by that certain Assignment, Assumption and Modification Agreement (CDBG Program Loan) dated as of the date hereof, to be recorded in the Official Records of Santa Barbara County, California, concurrently herewith (collectively, the "CDBG Regulatory Agreement"). All documents which evidence, guaranty, secure, or otherwise pertain to the CDBG Loan including, without limitation, the CDBG Deed of Trust and the CDBG Regulatory Agreement, collectively constitute the "CDBG Loan Documents."

G. The AHP Lender has made, or has agreed to make, a loan to Borrower in the principal amount of \$330,000.00 (the "AHP Loan"). The AHP Loan is evidenced by that certain Promissory Note (AHP Rental Project), which is secured by that certain Subordinated Deed of Trust (Federal Home Loan Bank Affordable Housing Program) Residential Income Property dated as of the date hereof, as supplemented by that certain Rider to Deed of Trust Affordable Housing Program Retention Agreement and Restrictive Covenants (AHP Rental Project) (collectively, the "AHP Deed of Trust"), to be recorded in the Official Records of Santa Barbara County, California, concurrently herewith. All documents which evidence, guaranty, secure, or otherwise pertain to the AHP Loan including, without limitation, the AHP Deed of Trust, collectively constitute the "AHP Loan Documents." All documents which evidence, guaranty, secure, or otherwise pertain to the HOME Loan, CDBG Loan and AHP Loan collectively constitute the "Junior Loan Documents."

H. It is a material condition to each Lender's agreement to provide its respective loan to Borrower that the priorities of the Loan Documents including the Deed of Trust be established as provided in this Subordination Agreement. It is a material condition to Senior Lender's agreement to provide the Senior Loan to Borrower that the priorities of the Senior Loan Documents be established as provided in this Subordination Agreement. The Borrower and the Lenders have agreed that the order of priority of their respective Loan Documents shall be as follows: (1) first, the Senior Loan and Senior Loan Documents, including the Senior Deed of Trust, (2) next, the HOME Loan and HOME Loan Documents, including the HOME Deed of Trust and the HOME Regulatory Agreement, (3) next, the CDBG Loan and CDBG Loan Documents, including the CDBG Deed of Trust and the CDBG Regulatory Agreement, and (3) last, the AHP Loan and the AHP Loan Documents, including the AHP Deed of Trust. It is to the mutual benefit of the parties that the Lenders make their respective loans to Borrower. Senior Lender and Junior Lender are willing to agree to the establishment of the priorities of their respective Loans and Loan Documents upon the terms set forth below.

## Agreement

### 1. Subordination.

**1.1 Subordination of Loans and Loan Documents.** As to each Loan, the Lenders agree that the applicable (i) Junior Loan and Junior Loan Documents, (ii) any and all renewals, modifications, extensions, or advances thereunder or secured thereby (including interest thereon), (iii) any liens and security interests created by the Junior Loan Documents, and (iv) all rights, remedies, conditions, terms and covenants contained in the applicable Junior Loan Documents are hereby and at all times and in all respects, wholly subordinate and inferior in claim and right to the (i) Senior Loan and Senior Loan Documents, (ii) any and all renewals, modifications, extensions, or advances thereunder or secured thereby (including interest thereon), (iii) the liens and security interests created by the Senior Loan Documents, and (iv) all of the rights, remedies, conditions, terms and covenants contained in the Senior Loan Documents and any claims, rights, and remedies arising therefor or in connection therewith. No amendments, modifications consolidations, supplements, amendments, replacements and restatements of and/or to the Senior Loan Documents or waivers of any provisions thereof shall affect the subordination thereof as set forth in this Section 1.1.

**1.2 Lien Priority.** With regard to those Loan Documents both recorded and to be recorded in the Official Records of Santa Barbara County with respect to the Property, the Lenders agree to the following priority order of such documents with respect to the Property:

- (a) The Senior Deed of Trust;
- (b) The HOME Deed of Trust;
- (c) The HOME Regulatory Agreement;
- (d) The CDBG Deed of Trust;
- (e) The CDBG Regulatory Agreement; and
- (f) The AHP Deed of Trust.

**2. Acknowledgments and Agreements of Junior Lender.** Junior Lender declares, acknowledges, and agrees that:

- 2.1** Senior Lender would not make the Senior Loan without this Subordination Agreement.
- 2.2** Junior Lender consents to all provisions of the Senior Loan Documents.

2.3 In making disbursements, Senior Lender is under no obligation or duty to see, nor has Senior Lender represented that it will see, to the application of the proceeds of the Senior Loan for the benefit or protection of any such Junior Lender.

2.4 Junior Lender intentionally and unconditionally waives, relinquishes, subjects, and subordinates the liens, claims, rights, and charges of its Loan Documents, and all present and future indebtedness and obligations secured thereby, in favor of all Senior Loan Documents and the lien, claim, right, and charge upon the Property of the Senior Loan Documents, and understands that in reliance upon, and in consideration of, this subjection and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into, that would not be made or entered into but for the Senior Lender's reliance upon this waiver, relinquishment, subjection, and subordination.

2.5 Junior Lender has delivered to the Senior Lender true and complete copies of its Loan Documents, and such documents have not been amended, modified or supplemented in any way, except as disclosed therein.

2.6 There are no defaults (or conditions or events which, with notice or the passage of time or both, would constitute a default), known to any Junior Lender as of the date hereof, by Borrower under its obligations set forth in any of the Loan Documents.

2.7 Junior Lender specifically acknowledges that subject to completion of certain improvements on the Property and the satisfaction by Borrower of certain other conditions on or before March 1, 2014 or such later date as mutually extended by CCRC, Senior Lender and Borrower, CCRC shall purchase the Senior Loan from Senior Lender. Upon such purchase, the Loan will become nonrecourse with certain exceptions and will automatically convert from a construction loan into an amortizing loan with a term of thirty (30) years for the Non-Section 8 Portion and fifteen (15) years for the Section 8 Portion, all as more particularly defined and set forth in the Senior Note. Junior Lender acknowledges that upon purchase of the Senior Note by CCRC, certain Loan Documents shall terminate pursuant to and in accordance with the Loan Purchase Agreement.

Junior Lender acknowledges that if CCRC should become the owner and holder of the Senior Loan and the Senior Note, then this Subordination Agreement shall continue to inure to the benefit of CCRC and its successors and assigns, which will thereafter be deemed the "Senior Lender" hereunder, and any notices to the Senior Lender hereunder shall be sent to CCRC at the following address or at such other address as CCRC may from time to time request in writing pursuant to Section 8 below:

California Community Reinvestment Corporation  
225 W. Broadway, Suite 120  
Glendale, California 91204  
Attention: President

2.8 Junior Lender shall not enter into any agreement to amend or modify any of its Loan Documents without notice to, and in the case of material amendments or modifications, the prior consent of the Senior Lender.

### 3. **Rights of Subrogation; Bankruptcy.**

3.1 Each Lender hereby waives any requirement for marshaling of assets in connection with any foreclosure of any security interest or any other realization upon collateral in respect of any of the Loan Documents, as applicable, or any exercise of any rights of set-off or otherwise. Each Lender assumes all responsibility for keeping itself informed as to the condition (financial or otherwise) of Borrower, the condition of the Property and all other collateral and other circumstances and, except for notices expressly required by this Subordination Agreement, no Lender shall have any duty whatsoever to obtain, advise or deliver information or documents to the other relative to such condition, business,

assets and/or operations. No Lender owes a fiduciary duty to any other Lender in connection with the administration of the Senior Loan and the Senior Loan Documents or the Junior Loan and the Junior Loan Documents and Lenders agree not to assert any such claim.

**3.2** No payment or distribution to Senior Lender pursuant to the provisions of this Subordination Agreement and no exercise of any cure right by any Junior Lender as provided herein (if any) shall entitle any such Junior Lender to exercise any right of subrogation in respect thereof prior to the payment in full of the Senior Loan, and Junior Lender agrees that, prior to the satisfaction of all Senior Loan it shall not acquire, by subrogation or otherwise, any lien, estate, right or other interest in any portion of the Property or any other collateral now securing the Senior Loan or the proceeds therefrom that is or may be prior to, or of equal priority to, any of the Senior Loan Documents or the liens, rights, estates and interests created thereby.

**3.3** The provisions of this Subordination Agreement shall be applicable both before and after the commencement, whether voluntary or involuntary, of any case, proceeding or other action against Borrower under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors (a "Proceeding"). For as long as the Senior Loan shall remain outstanding, Junior Lender shall not, and shall not solicit any person or entity to, and shall not direct or cause Borrower or any entity which controls Borrower (the "Borrower Group") to: (i) commence any Proceeding; (ii) institute proceedings to have Borrower adjudicated a bankrupt or insolvent; (iii) consent to, or acquiesce in, the institution of bankruptcy or insolvency proceedings against Borrower; (iv) file a petition or consent to the filing of a petition seeking reorganization, arrangement, adjustment, winding-up, dissolution, composition, liquidation or other relief by or on behalf of Borrower; (v) seek or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator, custodian or any similar official for Borrower, the Property (or any portion thereof) or any other collateral securing the Senior Loan (or any portion thereof); (vi) make an assignment for the benefit of any creditor of Borrower; (vii) seek to consolidate the Property or any other assets of the Borrower with any member of the Borrower Group in any proceeding relating to bankruptcy, insolvency, reorganization or relief of debtors; or (viii) take any action in furtherance of any of the foregoing.

**3.4** If a Junior Lender is deemed to be a creditor of Borrower in any Proceeding (i) Junior Lender hereby agrees that it shall not make any election, give any consent, commence any action or file any motion, claim, obligation, notice or application or take any other action in any Proceeding by or against the Borrower without the prior consent of Senior Lender; (ii) Junior Lender covenants and agrees not to vote against the interests of Senior Lender in any such Proceeding; (iii) Senior Lender may vote on behalf of Junior Lender only if the proposed plan would result in Senior Lender being "impaired" (as such term is defined in the United States Bankruptcy Code) in any such Proceeding with respect to any proposed plan of reorganization in respect of which creditors are voting and (iv) Junior Lender shall not challenge the validity or amount of any claim submitted in such Proceeding by Senior Lender in good faith or any valuations of the Property or other Senior Loan collateral submitted by Senior Lender in good faith, in such Proceeding or take any other action in such Proceeding, which is adverse to Senior Lender's enforcement of its claim or receipt of adequate protection (as that term is defined in the Bankruptcy Code).

**4. Integration; No Waiver.** This Subordination Agreement is the whole and only agreement with regard to the subordination of the liens, claims, and charges of the applicable Senior Loans and Senior Loan Documents to the Loan Documents. This Subordination Agreement may not be modified or amended except by a written agreement signed by the parties. No waiver shall be deemed to be made by any Lender of any of its rights hereunder unless the same shall be in writing signed by or on behalf of such Lender and each such waiver, if any, shall be a waiver only with respect to the specific matter or matters to which the waiver relates and shall in no way impair the rights of such Lender or the obligations of Borrower to such Lender in any other respect at any other time.

**5. Successors and Assigns.** This Subordination Agreement is binding on and inures to the benefit of the legal representatives, successors, and assigns of the parties. Each Lender's successors and assigns include any financial institution which may now, or hereafter, purchase or participate in such Lender's

Loan, as well as any party that acquires any such Loan. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon each party hereto (and upon each Lender) and its legal representatives, successors, and assigns, as the case may be, it being understood and agreed, however, that, unless otherwise agreed in writing by Senior Lender, no assignment of the Junior Loan Documents, or any part thereof, shall be made without the prior written consent of the Senior Lender.

6. **Intentionally Omitted.**

7. **Governing Law.** This Subordination Agreement is governed by the laws of the State of California, without regard to the choice of law rules of that state.

8. **Notices.** All notices given under this Subordination Agreement shall be in writing and be given by personal delivery, overnight receipted courier (such as Airborne, UPS, or Federal Express) or by registered or certified United States mail, postage prepaid, sent to the party at its address appearing below its signature. Notices shall be effective upon the first to occur of receipt, when proper delivery is refused, or the expiration of forty-eight (48) hours after deposit in registered or certified United States mail as described above. Addresses for notice may be changed by any party by notice to all other parties in accordance with this Section.

9. **Counterparts.** This Subordination Agreement may be executed in counterparts, and all counterparts constitute but one and the same document.

10. **Waiver of Jury Trial, Judicial Reference.**

**10.1 Waiver of Jury Trial.** TO THE FULLEST EXTENT NOT PROHIBITED BY LAW, JUNIOR LENDER AND SENIOR LENDER, BY ITS ACCEPTANCE OF THIS SUBORDINATION AGREEMENT, EACH AGREES TO, AND DOES, WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THE LOAN, ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR INSTRUMENT BETWEEN THE PARTIES RELATING TO THE LOAN, THE LOAN DOCUMENTS, THE PROPERTY OR ANY DEALINGS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF ANY OF THE LOAN DOCUMENTS. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES (EACH A "DISPUTE", AND COLLECTIVELY, ANY OR ALL, THE "DISPUTES") OF ANY KIND WHATSOEVER THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THE LOAN, ANY LOAN DOCUMENT OR ANY OTHER DOCUMENT OR INSTRUMENT BETWEEN THE PARTIES RELATING TO THE LOAN, THE LOAN DOCUMENTS, THE PROPERTY OR ANY DEALINGS BETWEEN THE PARTIES RELATING TO THE SUBJECT MATTER OF ANY OF THE LOAN DOCUMENTS, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, ANTITRUST CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON-LAW OR STATUTORY CLAIMS. EACH PARTY HERETO ACKNOWLEDGES THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTERING INTO THIS SUBORDINATION AGREEMENT AND ALL OTHER AGREEMENTS AND INSTRUMENTS PROVIDED FOR HEREIN, AND THAT EACH WILL CONTINUE TO BE BOUND BY AND RELY ON THIS WAIVER IN THEIR RELATED FUTURE DEALINGS. EACH PARTY HERETO FURTHER WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS WAIVER WITH LEGAL COUNSEL OF ITS OWN CHOOSING, OR HAS HAD AN OPPORTUNITY TO DO SO, AND THAT IT KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS HAVING HAD THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS, OR MODIFICATIONS TO THIS SUBORDINATION AGREEMENT OR ANY OTHER LOAN DOCUMENT OR DOCUMENT ENTERED INTO BETWEEN THE PARTIES IN CONNECTION WITH THIS SUBORDINATION AGREEMENT OR ANY LOAN DOCUMENT. IN THE EVENT OF LITIGATION, THIS SUBORDINATION AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT WITHOUT A JURY.

**10.2 Judicial Reference.** Junior Lender and Senior Lender, by its acceptance of this Subordination Agreement, each hereby consents and agrees that (a) any and all Disputes shall be heard by a referee in accordance with the general reference provisions of California Code of Civil Procedure Section 638, sitting without a jury in the County of Santa Barbara, California, (b) such referee shall hear and determine all of the issues in any Dispute (whether of fact or of law), including issues pertaining to a "provisional remedy" as defined in California Code of Civil Procedure Section 1281.8, including without limitation, entering restraining orders, entering temporary restraining orders, issuing temporary and permanent injunctions and appointing receivers, and shall report a statement of decision, provided that, if during the course of any Dispute any party desires to seek such a "provisional remedy" but a referee has not been appointed, or is otherwise unavailable to hear the request for such provisional remedy, then such party may apply to the Santa Barbara County Superior Court for such provisional relief, and (c) pursuant to California Code of Civil Procedure Section 644, judgment may be entered upon the decision of such referee in the same manner as if the Dispute had been tried directly by a court. The parties shall use their respective commercially reasonable and good faith efforts to agree upon and select such referee, provided that such referee must be a retired California state or federal judge, and further provided that if the parties cannot agree upon a referee, the referee shall be appointed by the Presiding Judge of the Santa Barbara County Superior Court. Each party hereto acknowledges that this consent and agreement is a material inducement to enter into this Subordination Agreement, the Loan Documents and all other agreements and instruments provided for herein or therein, and that each will continue to be bound by and to rely on this consent and agreement in their related future dealings. The parties shall share the cost of the referee and reference proceedings equally; provided that, the referee may award attorneys' fees and reimbursement of the referee and reference proceeding fees and costs to the prevailing party, whereupon all referee and reference proceeding fees and charges will be payable by the non-prevailing party (as so determined by the referee). Each party hereto further warrants and represents that it has reviewed this consent and agreement with legal counsel of its own choosing, or has had an opportunity to do so, and that it knowingly and voluntarily gives this consent and enters into this agreement having had the opportunity to consult with legal counsel. This consent and agreement is irrevocable, meaning that it may not be modified either orally or in writing, and this consent and agreement shall apply to any subsequent amendments, renewals, supplements, or modifications to this Subordination Agreement or any other agreement or document entered into between the parties in connection with this Subordination Agreement. In the event of litigation, this Subordination Agreement may be filed as evidence of either or both parties' consent and agreement to have any and all Disputes heard and determined by a referee under California Code of Civil Procedure Section 638. Notwithstanding anything to the contrary contained in this Section, the parties hereto understand, acknowledge and agree that (i) the provisions of the consent to judicial reference set forth in this paragraph above shall have no application to any non-judicial foreclosure and/or private (i.e., non-judicial) sale under the California Commercial Code as to all or any portion of the Property whether pursuant to the provisions of the Loan Documents or applicable law; provided, however, in the event Junior Lender contests the same, then the provisions of the consent to judicial reference set forth in this paragraph above shall apply to any Dispute arising therefrom (but not the non-judicial foreclosure proceeding, which may remain pending), and (ii) the provisions of the consent to judicial reference set forth in this paragraph above shall not be deemed to be a waiver by, or a limitation upon, the rights of Senior Lender to proceed with a non-judicial foreclosure or private sale under said Commercial Code as a permitted remedy hereunder or under applicable law. **THE PARTIES ACKNOWLEDGE THAT JUDICIAL REFERENCE PROCEEDINGS CONDUCTED IN ACCORDANCE WITH THIS SECTION 10.2 WOULD BE CONDUCTED BY A PRIVATE JUDGE ONLY, SITTING WITHOUT A JURY.**

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

*(Remainder of page intentionally left blank.  
Signatories and notary jurats on the following pages.)*



IN WITNESS WHEREOF, the parties have executed this Subordination Agreement the date first above written.

**"FIRST JUNIOR LENDER"**

**ATTEST:**  
CHANDRA L. WALLAR  
CLERK OF THE BOARD

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

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

By: \_\_\_\_\_  
Doreen Farr  
Chair, Board of Supervisors  
(Signature must be notarized)

**APPROVED AS TO ACCOUNTING FORM:**  
ROBERT W. GEIS  
AUDITOR CONTROLLER

By: \_\_\_\_\_  
Deputy Auditor-Controller

**APPROVED AS TO FORM:**  
DENNIS A. MARSHALL  
COUNTY COUNSEL

By: \_\_\_\_\_  
Mary L. McMaster  
Deputy County Counsel

**APPROVED AS TO FORM:**  
RISK MANAGEMENT  
RAY AROMATORIO, ARM, AIC

By: \_\_\_\_\_  
Risk Manager

Address for notices to First Junior Lender:

County of Santa Barbara  
Housing and Community Development  
105 E. Anapamu Street, Room 105  
Santa Barbara, CA 93101  
Attention: Grants Administration Division Chief

With a copy to:

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

**"AHP LENDER"**

**MONTECITO BANK & TRUST**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for notices to AHP Lender:

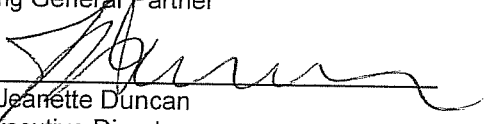
\_\_\_\_\_

Attention: \_\_\_\_\_

**"BORROWER"**

**DAHLIA COURT II, L.P.,**  
a California limited partnership

By: Peoples' Self-Help Housing Corporation,  
a California nonprofit public benefit corporation  
Its: Managing General Partner

By:   
Name: Jearrette Duncan  
Title: Executive Director

Address for notices to Borrower:

Dahlia Court II, L.P.  
c/o Peoples' Self-Help Housing Corporation  
3533 Empleo Street  
San Luis Obispo, California 93401  
Attention: Chief Executive Officer

*(All signatures must be acknowledged by a notary.)*

Dahlia Court - Loan No. 334125-01

ACKNOWLEDGMENT CERTIFICATE

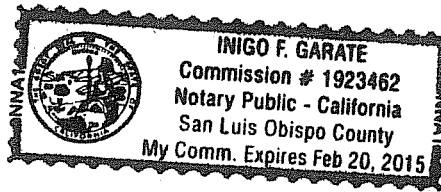
State of California,  
County of San Luis Obispo } ss.

On February 29, 2012, before me, Inigo F. Garate, Notary Public for said State, personally appeared Jeanette Duncan, 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.

Inigo F. Garate  
Signature of Notary



Place Notary Seal Above

**“SENIOR LENDER”**

**RABOBANK, N.A.**

By: \_\_\_\_\_  
Name: Debi Engelbrecht  
Title: Vice President

Address for notices to Senior Lender:

Rabobank, N.A.  
Attention: Community Development Finance  
618 West Main Street  
Visalia, California 93291

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, 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.

\_\_\_\_\_  
Notary Public

STATE OF CALIFORNIA )  
 )  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, 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.

\_\_\_\_\_  
Notary Public





Exhibit A to SUBORDINATION AGREEMENT

Description of Property