

**FREE RECORDING IN ACCORDANCE
WITH CALIFORNIA GOVERNMENT
CODE SECTION 27383 and 27388.1.**

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

County of Santa Barbara
Community Services Department
123 East Anapamu Street, 2nd Floor
Santa Barbara, CA 93101-2062
Attn: **Housing and Community
Development Division**

SUBORDINATION AGREEMENT

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

THIS SUBORDINATION AGREEMENT (the "Agreement") is dated as of June 26, 2023, for reference purposes only, and is entered into by and among the County of Santa Barbara, a political subdivision of the State of California (the "Senior Lender"), and Buellton Polo Village Partners L.P., a California limited partnership (the "Borrower"), and the City of Buellton (the "Junior Lienholder").

RECITALS

A. Borrower is the owner of the fee simple interest in that certain real property described in Exhibit A attached hereto and made a part hereof (the "Property"). The Borrower has acquired and is rehabilitating an 49-unit multifamily residential rental development on the Property (the "Improvements"). The Property and the Improvements are sometimes referred to collectively as the "Development."

B. The Junior Lienholder has made a loan to the Borrower in the principal sum not to exceed Three Hundred Forty-One Thousand, Four Hundred Ninety-One and no/100 Dollars (\$341,491.00) (the "Junior Lienholder Loan"). The Junior Lienholder Loan is evidenced by that certain promissory note (the "Junior Lienholder Note"), and secured by that certain deed of trust (the "Junior Lienholder Deed of Trust") recorded concurrently herewith in the Official Records of Santa Barbara County, California (the "Official Records"). [The Junior Lienholder and Borrower have also entered into a certain Junior Regulatory Agreement affecting the use of the Development, recorded concurrently herewith in the Official Records (the "Junior Lienholder Regulatory Agreement").] (The Junior Lienholder Deed of Trust, the Junior Lienholder Junior

Regulatory Agreement and all other documents evidencing or securing the Junior Lienholder Loan are collectively referred to herein as the "Junior Lienholder Documents.")

C. In order to finance the development of the Improvements, the Senior Lender has agreed to loan the Borrower a sum not to exceed One Million, Two Hundred Fifty Thousand, and no/100 dollars (\$1,250,000.00) (the "County HOME Loan"), subject to the terms and conditions of: (i) a regulatory agreement restricting the use and occupancy of the Development and the income derived therefrom which shall be dated as of even date herewith and recorded concurrently herewith as an encumbrance on the Property in the Official Records (the "County HOME Loan Regulatory Agreement"), and (ii) other loan documents. The County HOME Loan will be evidenced by a promissory note (the "County Note"), the repayment of which will be secured by, among other things, a deed of trust by Borrower as trustor, to Senior Lender as beneficiary recorded concurrently herewith as an encumbrance on the Property in the Official Records (the "County Deed of Trust") and by such other security as is identified in other loan documents. The County Note, County Deed of Trust, County HOME Loan Regulatory Agreement, and all other documents evidencing or securing the County HOME Loan are collectively referred to herein as the "Senior Lender Documents."

D. The Senior Lender is willing to make the County HOME Loan provided the Senior Lender Documents are liens, claims or charges upon the Development prior and superior to the Junior Lienholder Documents, and provided that the Junior Lienholder specifically and unconditionally subordinates and subjects the Junior Lienholder Documents to the liens, claims or charges of the Senior Lender Documents.

AGREEMENT

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

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

2. This Agreement shall be the whole and only agreement with regard to the subordination of the Junior Lienholder Documents, together with all rights and privileges of the Junior Lienholder thereunder, to the liens, claims or charges of the Senior Lender Documents, and this Agreement shall supersede and cancel any prior agreements to subordinate the claims, liens or charges of, but only insofar as would affect the priority between the claims, liens or

charges of the Junior Lienholder Documents to the Senior Lender Documents including, but not limited to, those provisions, if any, contained in the Junior Lienholder Documents, which provide for the subordination of the lien or charge thereof to another lien or charge on the Property or the Improvements.

3. The Junior Lienholder declares, agrees, and acknowledges that:

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

(b) The Senior Lender, in making disbursements of the County HOME Loan pursuant to the County Note or any other agreement, is under no obligation or duty to, nor has the Senior Lender represented that it will, see to the application of such proceeds by the person or persons to whom the Senior 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;

(c) That none of the execution, delivery, or recordation of any of the Senior Lender Documents, or the performance of any provision, condition, covenant, or other term thereof, will conflict with or result in a breach of the Junior Lienholder Documents or the Junior Lienholder Note; and

(d) The Junior Lienholder intentionally and unconditionally waives, relinquishes, subjects and subordinates the claims, liens or charges upon the Development of the Junior Lienholder Documents, all present and future indebtedness and obligations secured thereby, in favor of the claims, liens or charges upon the Development of the Senior Lender Documents, and understands that in reliance upon, and in consideration of, this waiver, relinquishment, subjection, and subordination, the HHC Loan and advances thereof are being and will be made 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, subjection and subordination.

4. Senior Lender hereby agrees, but only as a separate and independent covenant of the Senior Lender and not as a condition to the continued effectiveness of the covenants and agreements of the Borrower and the Junior Lienholder as set forth herein, as follows:

(a) Following a notice from the Senior Lender to the Borrower that a default or breach exists under the terms of the Senior Lender Documents and each of them, the Senior

Lender shall promptly (but in no event later than the following business day) send a copy of such notice to the Junior Lienholder and the Junior Lienholder shall have the right, but not the obligation, to cure the default as follows:

- (i) If the default is reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole discretion, the Junior Lienholder shall have such period to effect a cure prior to exercise of remedies by Senior Lender under the Senior Lender Documents, or such longer period of time as may be specified in the Senior Lender Documents.
- (ii) If the default is such that it is not reasonably capable of being cured within thirty (30) days, as determined by the Senior Lender in its sole discretion, or such longer period if so specified, and if the Junior Lienholder (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then the Junior Lienholder shall have such additional time as is determined by the Senior Lender, in its sole discretion, to be reasonably necessary to cure the default prior to exercise of any remedies by Senior Lender.

In no event shall Senior Lender be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the first notice of default is given, or such longer period of time as may be specified in the Senior Lender Documents.

Nothing in this subparagraph (a) is intended to modify any covenant, term or condition contained in the Senior Lender Documents, including, without limitation, the covenant against creating or recording any liens or encumbrances against the Property without the prior written approval of the Senior Lender.

(b) The provisions of this paragraph 4 are intended to supplement, and not to limit, waive, modify, or replace, those provisions of law pertaining to notice and cure rights of junior lenders including, without limitation, those set forth in California Civil Code sections 2924b and 2924c.

5. The Senior Lender would not make the County HOME Loan without this Agreement.

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

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

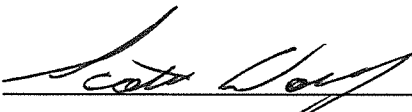
9. This Agreement may be signed by different parties hereto in counterparts with the same effect as if the signatures to each counterpart were upon a single instrument. All counterparts shall be deemed an original of this Agreement.

[Signatures follow on following pages of this Subordination Agreement. The remainder of this page is blank.]

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

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

JUNIOR LIENHOLDER:
City of Buellton

BY: 
NAME: Scott Walte
ITS: City Manager

[Signatures must be acknowledged.]

[Signatures continue on page 7. Remainder of this page is blank.]

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.

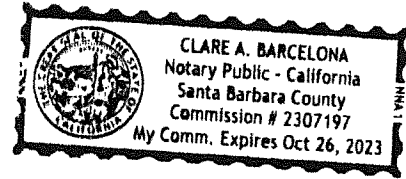
State of California }
County of Santa Barbara } SS.

On June 26 before me, Clare A. Barcelona, a Notary Public, personally appeared Scott Wolfe 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.

Clare A. Barcelona
(Signature of Notary Public)




BORROWER:

Buellton Polo Village Partners LP,
a California limited partnership

By: PC Buellton Developers LLC, a California limited liability
company, its administrative general partner

By: Palm Companies LLC, a limited liability
company, its managing member

By: 

Danavon L. Horn, President

[Signatures must be acknowledged.]

[Signatures continue on following page. Remainder of this page is blank.]

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.

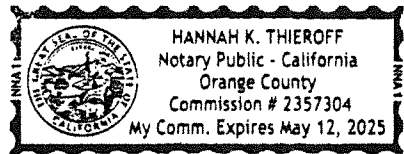
State of California ORANGE
County of ~~Santa Barbara~~ ORANGE

On 06/28/2023 before me, HANNAH K. THIEROFF, Notary Public, personally appeared DANNON L. HORN 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.

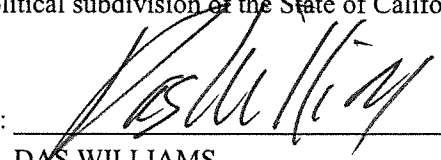
Signature [Handwritten Signature] (Seal)



SENIOR LENDER:

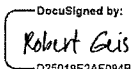
County of Santa Barbara,

a political subdivision of the State of California

By: 
DAS WILLIAMS
Board Chair

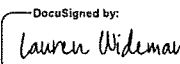
APPROVED AS TO ACCOUNTING FORM:

BETSY M. SCHAFER, CPA, CPFO
AUDITOR-CONTROLLER

By: 
Deputy

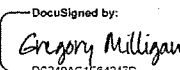
APPROVED AS TO FORM:

RACHEL VAN MULLEM
COUNTY COUNSEL

By: 
Deputy County Counsel

APPROVED AS TO ACCOUNTING FORM:

RISK MANAGEMENT

By: 
Gregory Milligan, ARM, AIC
Risk Manager

APPROVED AS TO FORM:

COMMUNITY SERVICES DEPARTMENT

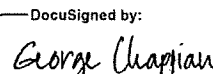
By: 
George Chapjian, Director

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

[INSERT]

EXHIBIT A

Legal Description of the Property

The Land referred to herein below is situated in the City of Buellton, County of Santa Barbara, State of California, and is described as follows:

PARCEL ONE OF PARCEL MAP NO. 31,032 IN THE CITY OF BUELLTON, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 59, PAGES 11 THROUGH 14 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, PETROLEUM, AND OTHER HYDROCARBON SUBSTANCES IN THE COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, AS RESERVED IN THE DEEDS FROM THE MERCHANTS TRUST COMPANY, A CORPORATION, RECORDED SEPTEMBER 5, 1912 IN BOOK 137, PAGE 165 OF DEEDS AND RECORDED SEPTEMBER 24, 1913 IN BOOK 141, PAGE 519 OF DEEDS, RECORDS OF SAID COUNTY, LYING WITHIN THE FOLLOWING DESCRIBED TRACT OF LAND:

BEGINNING AT THE EASTERLY TERMINUS OF THAT CERTAIN COURSE SHOWN AND DESIGNATED AS SOUTH 77° 37' 12" EAST, 135.54 FEET ON PARCEL MAP NO. 12,092 FILED IN BOOK 15, PAGES 98 AND 99 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY; THENCE NORTH 55° 36' WEST, 384.40 FEET; THENCE NORTH 62° 26' 30" WEST, TO THE INTERSECTION WITH A CURVE CONCAVE WESTERLY HAVING A RADIUS OF 1,232 FEET, A DELTA OF 09° 55' 29" AND AN ARC LENGTH OF 213.40 FEET, BEING A POINT ON THE WEST LINE OF SAID PARCEL B; THENCE SOUTHERLY ALONG THE ARC OF SAID CURVE TO THE SOUTHERLY TERMINUS THEREOF; THENCE NORTH 88° 08' 55" EAST, 26.44 FEET; THENCE SOUTH 68° 13' 38" EAST, 727.11 FEET; THENCE SOUTH 77° 37' 12" EAST, 135.54 FEET TO THE POINT OF BEGINNING.

SAID EXCEPTION AFFECTS THE SOUTHWESTERLY PORTION OF SAID LAND.

For conveyancing purposes only: APN 137-090-067