HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT
(Sycamore Court Housing Project)

by and between

CITY OF GARDEN GROVE, a California municipal corporation

and

10632 BOLSA AVENUE, LP, a California limited partnership

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LIST OF ATTACHMENTS

HOME INVESTMENT PARTNERSHIP
AFFORDABLE HOUSING AND LOAN AGREEMENT
(Sycamore Court Housing Project)

This **HOME INVESTMENT PARTNERSHIP AFFORDABLE HOUSING AND LOAN AGREEMENT (Sycamore Court Housing Project)** ("Agreement") is entered into as of June 13, 2017 by and between the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), and **10632 BOLSA AVENUE, LP,** a California limited liability company ("Developer").

RECITALS

A. City is a California municipal corporation and a participating jurisdiction with the United States Department of Housing and Urban Development ("HUD") that has received funds ("HOME Funds") from HUD pursuant to Title II of the Cranston Gonzalez National Affordable Housing Act (42 U.S.C. 12701 12839) and the HOME Program regulations codified at 24 CFR Part 92, as amended by the "2013 HOME Final Rule" at 24 CFR Part 92 (Complete Rule) http://www.ecfr.gov/cgi-bin/text-idx?tpl=/ecfrbrowse/Title24/24cfr92_main_02.tpl (together, the "HOME Program"). The HOME Program has, among its purposes, the strengthening of public-private partnerships to provide more affordable housing, and particularly to provide decent, safe, sanitary, and affordable housing, with primary attention to housing for very low income and lower income households in accordance with the HOME Program. The HOME Funds are used by the City, as a participating jurisdiction, to carry out multi-year housing strategies through acquisition, rehabilitation, and new construction of housing for target income persons and families. All or a portion of the HOME Funds proposed to be loaned to Developer and invested in this Project have been reserved for investment only in housing to be owned, developed or sponsored by a community housing development organization ("CHDO") pursuant to and as defined in the HOME Program. The parent affiliate of the managing general partner of the Developer entity, AOF/Golden State Community Development Corp. is a qualified CHDO.

B. Mariman & Co., a California corporation, has entered into an agreement to purchase two (2) parcels of real property located at 10632 Bolsa Avenue in the City ("Properties"), as more particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference. The Properties are improved with seventy-eight (78) residential rental units (each, a "Housing Unit") in six (6) two-story buildings.

C. By this Agreement, City desires to commit certain financial assistance from the HOME Program to facilitate Developer's acquisition, substantial rehabilitation and operation of seventy-eight (78) existing residential townhomes as affordable rental housing to be made available to and occupied by qualified and eligible very low income households and lower income households at an affordable rent (as determined and calculated in accordance with Section 1204.1 and the Regulatory Agreement).

D. Developer has requested assistance from the City in the form of a loan to be sourced solely from the City's HOME Funds as set forth in more detail in this Agreement. Therefore, by this Agreement, and subject to the terms and conditions herein, City desires to provide financial assistance to Developer in the form of a loan ("City Loan") of HOME Program funds up to the amount of One Million Two Hundred Thousand Dollars ($1,200,000.00) in order to assist Developer to acquire, rehabilitate, and operate the Properties as a long-term affordable housing project for

persons and families of very low and low income at an Affordable Rent throughout the entire Affordability Period, as set forth in more detail in this Agreement ("Project"). The permitted income levels of the tenants of each Housing Unit and the permissible rents to be charged for occupancy of each Housing Unit are set forth in detail in this Agreement in order to ensure compliance with the requirements of the HOME Program with respect to the use of HOME Funds to assist the Project.

E. As a part of the implementation of the Project and under the federal Multifamily Assisted Housing Reform and Affordability Act of 1997 that established and authorized the "Mark-to-Market" program designed to preserve low-income rental housing affordability while reducing the long-term costs of federal rental assistance, including project-based assistance from HUD, for certain multifamily rental projects. Developer will be renewing the existing federal Section 8 Housing Assistance Payments Program ("HAP Contract") with the U.S. Department of Housing and Urban Development ("HUD"). Developer and HUD will be entering into an a renewal agreement for the existing HAP Contract by which Project-Based Section 8 tenant assistance will be provided to forty percent (40%) of the Housing Units (specifically thirty-one (31) Housing Units, including eight (8) one-bedroom Housing Units, eighteen (18) two-bedroom Housing Units, and five (5) three-bedroom Housing Units, at the Project as provided in the HAP Contract ("HAP Units").

F. On December 14, 2016, California Tax Credit Allocation Committee ("TCAC") awarded Developer an allocation of 4% Tax Credits and also on December 14, 2016 the California Debt Limit Allocation Committee ("CDLAC") awarded Developer a bond allocation to issue multifamily housing mortgage revenue bonds in an aggregate amount not to exceed $14,910,000 ("Bonds," as defined below) to finance the Sycamore Court Project.

G. In connection with the City Council's review and action approving this Agreement, the City Council determined that the Sycamore Court Project is categorically exempt from the provisions of the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.* ("CEQA"), pursuant to the Guidelines for Implementation of the California Environmental Quality Act set forth at Title 14 California Code of Regulations Section 15000, *et seq.* ("CEQA Guidelines"); specifically, the Project consists of City's acquisition of affordable housing covenants, an interest in the Housing Units, in implementation of the City's adopted Housing Element and federal Consolidated Plan, pursuant to Section 15326 of the CEQA Guidelines.

H. The Project consists of the rehabilitation, improvement and replacement of dwelling units of a previously existing low-rent housing project, or a project previously or currently occupied by lower income households, as defined in Section 50079.5 of the Health and Safety Code. Further, the Project consists of the acquisition and rehabilitation of a rental housing development which, prior to the date of the Agreement, was subject to a contract for federal assistance for the purpose of providing affordable housing for low-income households (through the existing HAP Contract) and the Project is renewing the HAP Contract with HUD for the purpose of providing affordable housing for low-income households. Thus, the Project does not constitute a "low-rent housing project" within the meaning of Section 1 of Article XXXIV of the California Constitution.

I. Developer acknowledges that City is investing in the Project and providing the City Loan to Developer to cause long-term affordable housing, qualifying under the HOME Program as HOME Units during the HOME Compliance Period and qualifying as replacement housing required under that certain *Limon* Judgment (defined in Section 1201.1 herein) and qualifying as reserved or banked replacement housing under federal or state laws, as, if and when applicable to the City or its affiliated entities such as the Garden Grove Housing Authority ("Housing Authority") and the

Successor Agency to the Garden Grove Agency for Community Development ("Successor Agency"). Therefore, this Agreement shall serve as notice and evidence that the City is investing in the Project and providing the City Loan to Developer to qualify, use, and bank all 78 affordable housing units in this Project (excluding the onsite manager's unit) for purposes of replacement housing (i) as defined and required under federal and state laws, as, if and when applicable, to the City, Housing Authority or Successor Agency, and (ii) in satisfaction of the Successor Agency's replacement housing obligations that may remain under and in implementation of the *Limon* Judgment.

I. Initially capitalized terms used in these Recitals are defined in these Recitals and in Section 101, below.

J. The Project is in the vital and best interest of the City and the health, safety and welfare of the residents of the City, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and conditions herein contained, the parties hereto agree as follows:

100. DEFINITIONS AND GENERAL TERMS.

101. Defined Terms. As used in this Agreement (and in all other Project Documents, unless otherwise defined), the following capitalized terms shall have the following meanings:

"**Affiliate**" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Developer which, if Developer is a partnership or limited liability company, shall include each of the constituent partners or members, respectively thereof. The term "control" as used in this immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of at least 50% of the voting rights attributable to the shares of the controlled corporation and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person.

"**Affordability Period**" shall mean the duration of the affordable housing requirements that are required by this Agreement and set forth in the Regulatory Agreement (and the Tax Credit Regulatory Agreement). The Affordability Period shall be fifty-five (55) years from the date the Release of Construction Covenants is issued by City and recorded against the Properties.

"**Affordable Rent**" or "**Affordable Housing Cost**" shall mean the maximum amount of monthly Rent to be charged by Developer and paid by the 50% AMI Very Low Income Households and 60% AMI Low Income Households occupying the Housing Units at the Project, which shall be determined and calculated in accordance with Section 1204.1.

"**Agreement**" shall mean this *HOME Investment Partnership Affordable Housing and Loan Agreement (Sycamore Court Housing Project)*.

"**AMI**" and "**Area Median Income**" shall mean, as to the HOME Units: the *lesser* figure of: (i) area median income for Orange County, California, as published annually by HUD; or (ii) area median income for Orange County, California, as published annually by TCAC. For all Housing

Units that are not HOME Units, AMI and "Area Median Income" shall mean the area median income for Orange County, California, as published annually by TCAC.

"**Annual Financial Statement**" shall mean the certified financial statement of Developer for the Project using generally accepted accounting principles, as separately accounted for this Project, including Operating Expenses and Annual Project Revenue, prepared annually and provided to City at Developer's expense, by an independent certified public accountant reasonably acceptable to City.

"**Annual Project Revenue**" shall mean all gross income and all revenues of any kind from the Project in a calendar year (to the extent such income or revenue is applicable to periods of time after Conversion), of whatever form or nature, whether direct or indirect, with the exception of the items excluded below, received by or paid to or for the account or benefit of Developer or any Affiliate of Developer or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by tenants of the Project under leases, and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from HUD (including Section 8 payments by HUD under the HAP Contract or payments related to portable Section 8 vouchers or any future project - based housing assistance payments contract) or any other person or organization, received on behalf of tenants under their leases, (ii) amounts paid to Developer or any Affiliate of Developer on account of Operating Expenses for further disbursement by Developer or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Developer in connection with the rental of office, retail, storage, or other space in the Project; (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of leases, and (vii) interest and other investment earnings on security deposits, reserve accounts and other Project accounts to the extent disbursed. Notwithstanding the foregoing, Annual Project Revenue (gross rents) shall not include the following items: (a) security deposits from tenants (except when applied by Developer to rent or other amounts owing by tenants); (b) capital contributions to Developer by its members, partners or shareholders (including capital contributions required to pay any Deferred Developer Fees); (c) condemnation or insurance proceeds; (d) funds received from any source actually and directly used for acquisition of the Properties and/or initial development of the Project; or (e) receipt by an Affiliate of management fees or other bona fide arms-length payments for reasonable and necessary Operating Expenses associated with the Project.

"**Applicable Federal Rate**" shall mean the interest rate set by the United States Treasury from time to time pursuant to Section 1288(b) of the Internal Revenue Code. The Applicable Federal Rate is published by the Internal Revenue Service in monthly revenue rulings.

"**Application**" shall mean, individually and collectively, Developer's Tax Credit Application submitted to TCAC by which Developer obtained an allocation of the 4% Tax Credits and Developer's Application to CDLAC by which Developer obtained an allocation of tax-exempt multifamily housing bonds for the Project.

"Bonds" shall mean those certain multifamily housing revenue bonds in an aggregate principal amount of $14,400,000.00 issued by the California Public Finance Authority and for which the proceeds thereof will be loaned to and expended by Developer to finance the acquisition, rehabilitation and equipping of the Sycamore Court Project. The Bonds will be purchased by the

Senior Lender and the net proceeds of the Bonds will be the source of the construction financing and the permanent financing for the Project.

"**Building Permit**" or "**Building Permits**" shall mean each and all of the building permit(s) issued by the City and required to commence construction of the Rehabilitation and includes any permit or other approval required by any other public agency with jurisdiction over the Properties.

"**Capital Replacement Reserve**" shall mean a separate reserve fund account to be established and maintained by Developer equal to not less than Three Hundred Dollars ($300) per year for each Housing Unit in the Project (i.e., seventy-eight (78) units in the Project times $300 equals $23,400.00 Dollars per year for the Project), to be used as the primary resource to fund capital improvements, and replacement improvements. The amount of $300 for each Housing Unit that is set aside by Developer (or its Property Manager) shall be allocated from the gross rents received from the Properties and deposited into a separate interest-bearing trust account for capital repairs and replacements to the improvements, fixtures and equipment at the Properties that are normally capitalized under generally accepted accounting principles, including, without limitation, the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs, showers, toilets, lavatories, sinks, and faucets; air conditioning and heating replacement; asphalt repair, replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Properties and all common areas and common improvements in the manner prescribed herein. Pursuant to the procedure for submittal of each annual Operating Budget to City Manager by Developer, City Manager will evaluate the cumulative amount on deposit in the Capital Replacement Reserve account and exercise his sole, reasonable discretion to determine if existing balance(s) in, proposed deposits to, shortfalls, if any, and/or a cumulative unexpended/unencumbered account balance in such Capital Replacement Reserve account are adequate to provide for necessary capital repairs and improvement to the Properties (provided that required annual deposits thereto are not required to exceed $300/per Housing Unit.)

"**Capitalized Operating Reserve**" shall mean the capitalized operating reserve for the Project, which shall be funded by Primary Loan proceeds and Tax Credit equity in the Target Amount as provided in Section 1213. The Capitalized Operating Reserve shall thereafter be replenished from Annual Project Revenue if and to the extent required by the Lender or Developer's Tax Credit Investor.

"**Certification of Continuing Program Compliance**" shall mean the form of annual certification of the affordable housing requirements for operation of the Project, substantially in the form of Attachment No. 13 attached hereto and fully incorporated by this reference.

"**CHDO**" is defined in Recital A.

"**City**" shall mean the City of Garden Grove, a California municipal corporation.

"**City Council**" shall mean the City Council of the City of Garden Grove.

"**City Loan**" shall mean the financial assistance of $1,200.000.00 sourced solely from HOME Program funds provided by City with respect to the Project and Properties, as more particularly provided in Section 201.

"**City Loan Deed of Trust**" shall mean a deed of trust securing the City Loan Note and other obligations of Developer hereunder substantially in the form of Attachment No. 4, attached hereto and fully incorporated herein by this reference.

"**City Loan Note**" shall mean the promissory note, substantially in the form of Attachment No. 3 attached hereto and fully incorporated herein by this reference, which evidences the City Loan.

"**City Manager**" shall mean the City Manager and his authorized designee(s). Whenever the consent, approval or other action of the "City Manager" is required herein such consent may be provided by the City Manager or his authorized designee(s), or the City Manager may submit to the City Council for action to approve or disapprove such request.

"**City Title Policy**" shall have the meaning set forth in Section 401.8 and shall be a lender's policy of title insurance insuring the full amount of the City Loan.

"**Closing**" means the close of Escrow and recordation of the City Loan Deed of Trust and Regulatory Agreement in the Official Records of Orange County, California.

"**Commitment**" means the commitment of HOME Funds to the Developer for the Project within the meaning of 24 CFR 92.2, as amended by the Final Rule. This Agreement is intended to serve as the City's Commitment of HOME Funds to the Project, but no monies will be disbursed unless and until the requirements of 24 CFR 92.2 are met. Specifically, the City, as a participating jurisdiction and recipient of HOME Program funds is prohibited from providing a commitment (as the term is defined therein) of HOME Program funds to any specific local project until "the [City] and project owner [Developer] have executed a written legally binding agreement under which HOME assistance will be provided to the owner for an identifiable project for which all necessary financing has been secured, a budget and schedule have been established, and underwriting has been completed and under which construction is scheduled to start within twelve months of the agreement date."

"**Completion and Labor Compliance Guaranty**" means a guaranty to be executed by Developer and delivered to City at or prior to the Closing, in substantially the form attached hereto as Attachment No. 12.

"**Conditions Precedent**" shall mean the conditions precedent to the disbursement of any portion of the City Loan and commencement of the Rehabilitation, as set forth in Sections 401, *et seq.*, through 403, *et seq.*

"**Costs of Rehabilitation**" shall mean all reasonable costs and expenses to complete the approved Scope of Rehabilitation described in this Agreement and set forth in the fully itemized Final Budget (or under approved change orders as provided herein) for such work that are actually incurred by Developer for the Rehabilitation of Properties pursuant to this Agreement. The Costs of Rehabilitation shall include, without limitation, the following: environmental assessment, testing, and remediation, if any, of the land/soils and existing improvements (such as asbestos, mold, etc.); construction cost; construction and design fees; architectural and engineering costs and fees (if any);

construction financing interest, fees, bond fees and "points"; property taxes and assessments; security services; off-site Improvements (if any); Building Permits; utilities fees; insurance; legal and accounting fees; title and title insurance; Escrow fees and closing costs; performance, labor and materials bonds; fees for letter(s) of credit; appraisals; and such other costs, fees and expenses, as agreed to in writing by City Manager; provided, however, that payment to parties related to Developer for Costs of Rehabilitation shall not exceed reasonable and customary market rates, as reasonably determined by City Manager.

"**County**" shall mean the County of Orange, California.

"CPI" shall mean the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for Urban Wage Earners and Clerical Workers, Subgroup "All Items," for the Los Angeles-Costa Mesa-Riverside area, 1982 – 84 = 100, or successor or equivalent index in case such index is no longer published. CPI adjustments under this Agreement shall commence not earlier than one year following the issuance of a certificate of substantial completion for the Project by Developer's architect.

"**Date of Agreement**" shall mean the date the governing body of the City considers, takes action, and approves this Agreement, which date for purposes of this Agreement is June 13, 2017.

"**Debt Service**" means payments made in a calendar year pursuant to the approved loans (including the Primary Loan (Bonds) and other approved financing) obtained for the acquisition, rehabilitation, ownership, and operation of the Project in accordance with this Agreement, but excluding payments made pursuant to the City Loan Note.

"**Default**" or "**Event of Default**" means the failure of a party to perform any action or covenant required by this Agreement within the time periods provided herein following notice and opportunity to cure, as set forth in Section 1500, *et seq.* hereof.

"**Deferred Developer Fee**" shall mean any deferred developer fee allowable under the financing which has been approved by City pursuant to Section 207 hereof. The parties anticipate that the Deferred Developer Fee shall be approximately $1,801,562.00. In no event shall Developer be eligible for disbursement of the Deferred Developer Fee or any part thereof prior to completion of the Rehabilitation of the Project, including all on-site and off-site improvements, as approved by the City Manager and as evidenced by the issuance by City of the Release of Construction Covenants for the Project.

"**Developer**" shall mean 10632 Bolsa Avenue, LP, a California limited liability company, and its permitted successors and assignees.

"**Developer Fee**" shall mean a fee in a cumulative amount not to exceed the limitations imposed thereon by TCAC, to be paid to Mariman & Co. by the Developer, which fee is compensation to perform, or to engage and supervise others to perform, services in connection with the negotiating, coordinating, and supervising the planning, architectural, engineering and construction activities necessary to complete the Project, including all other on-site and off-site improvements required to be constructed in connection therewith, in accordance with the Scope of Rehabilitation and the Rehabilitation Plans, as set forth in the Final Budget and approved as a part of the evidence of financing pursuant to Section 207 herein. The parties anticipate that the Developer Fee shall be approximately $2,463,993.00.

"**Disbursement Procedures**" shall mean the method, procedure, conditions and requirements for disbursement of any and all disbursements, and each of the four installment payments of the City Loan proceeds to be made post-Closing that are set forth in the Disbursement Procedures attached hereto as Attachment No. 17 and incorporated herein by this reference.

"**Escrow**" shall mean the escrow established for the sale of the Properties by the current private owner to Developer. First American Title Insurance Company is the Escrow Holder; reference number is: NCS-728192-SA1.

"**Escrow Holder**" shall mean the holder of the Escrow.

"**Federal Program Limitations**" shall mean compliance with the HOME Program and HOME Regulations, as amended by the 2013 HOME Final Rule, as applicable to the Project, and also includes any and all other applicable federal regulations relating and applicable to fair housing and non-discrimination in the ownership and operation of the Project and rules and regulations made applicable to the Project due to the provision of Section 8 project-based assistance under the HAP Contract as to the HAP Units. Developer covenants, acknowledges, and agrees it is subject to all applicable federal, state and local laws and regulations including in particular all Federal Program Limitations, including the HOME Program and HOME Regulations (whichever are most restrictive and to the extent applicable to the Project), in connection with its performance under this Agreement, and agrees it shall endeavor to cause the use and operation of the Properties to conform to the Federal Program Limitations.

"**Final Budget**" means the final budget for the Rehabilitation of the Project, including all hard and soft costs therefor, as approved by City pursuant to Sections 207.2(a) and 401.3.

"**Final Disbursement**" is defined in Section 202.1(c).

"**Governmental Requirements**" means all laws, ordinances, statutes, codes, rules, regulations, orders, and decrees of the United States, the state, the County, the City, or any other political subdivision in which the Properties are located, and of any other political subdivision, agency, or instrumentality exercising jurisdiction over Developer or the Project.

"**HAP Contract**" means the contract anticipated to be entered into by and between Developer and HUD under the Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA), which established and authorized a "Mark-to-Market" program by which HUD will agree to renew the existing housing assistance payments contract and thereby provide Project Based Section 8 assistance to thirty-one (31) Housing Units at the Project, through Developer.

"**HAP Units**" means the thirty-one (31) HAP Units at the Project to be assisted pursuant to the HAP Contract, which will include:

- Two (2) 1-Bedroom Housing Units at 50% AMI Very Low Income
- Six (6) 1-Bedroom Housing Units at 60% AMI Low Income
- Five (5) 2-Bedroom Housing Units at 50% AMI Very Low Income
- Thirteen (13) 2-Bedroom Housing Units at 60% AMI Low Income
- One (1) 3-Bedroom Housing Unit at 50% AMI Very Low Income
- Four (4) 3-Bedroom Housing Units at 60% AMI Low Income

"**High Quality**" means and refers to the condition of the Project and the standard of maintenance and upkeep of the improvements (interior and exterior), hardscape, and landscaping commensurate with the high quality, well-managed affordable rental housing projects in Orange County, specifically including apartment complexes owned and operated by Mariman & Co., or The Related Companies of California, or Jamboree Housing Corporation or other highly reputable owners and developers of high quality affordable rental housing projects in the County. When determining comparable apartment complexes, the age of the improvements shall be considered. Further, comparable High Quality apartment complexes shall be those that are subject to enhanced maintenance and property management standards comparable to those set forth in this Agreement, and which are managed by experienced, professional property management companies.

"**HOME Compliance Period**" means the period of time commencing upon the date the first HOME Unit is rented to a tenant household and ending on the fifteenth (15^{th}) anniversary of the issuance of the final certificate of occupancy for the Project by the City. The end of the HOME Compliance Period in no manner affects the 55-year Affordability Period under the Regulatory Agreement.

"**HOME Matching Requirement**" shall mean the requirement to expend moneys at the Project which satisfy the HOME matching contribution requirement set forth in 24 CFR 92.218 through 24 CFR 92.222 of the HOME Regulations.

"**HOME Program**" is defined in Recital A.

"**HOME Regulations**" shall mean the implementing regulations of the HOME Program set forth at 24 CFR §92.1, *et seq.* as such regulations now exist (as amended by the 2013 HOME Final Rule) and as they may hereafter be amended, to the extent applicable to the Project. Developer covenants hereunder to comply with all applicable state and local laws and all applicable HOME Regulations in the performance of this Agreement, whichever are more restrictive. In implementation of these requirements, this Agreement, the Project, and all eligible contributions and expenditures hereunder shall conform to the following:

a. The housing developed hereunder does and shall qualify as affordable housing under 24 CFR §92.252 because each Housing Unit shall be rented at an Affordable Rent; and

b. This Agreement serves as the written agreement that imposes and enumerates (by meeting or exceeding) all of the affordability requirements from 24 CFR §92.252; the property standards requirements of 24 CFR §92.251; and income determinations made in accordance with 24 CFR §92.203.

"**HOME Units**" shall mean seven (7) of the Housing Units (specifically, two (2) of the one-bedroom units, four (4) of the two-bedroom units, and one (1) of the three-bedroom units) which Developer shall designate as HOME Units and which shall be subject to all applicable HOME Regulations. All seven (7) HOME Units shall be "Low HOME" units under the HOME Regulations. The HOME Units will be fixed HOME Units, such that the specific Housing Units designated as HOME Units shall not change. The designation of seven (7) Housing Units as Low HOME Units shall terminate at the end of the HOME Compliance Period, unless extended by agreement of the City and the Developer, but for the remaining term of the 55-year Affordability Period in the Regulatory Agreement all seven Housing Units shall be covenanted and restricted as 50% AMI Very Low Income Units and such covenant and restriction shall continue for the full term thereof.

"**Housing Unit**" or "**Housing Units**" means the seventy-eight (78) individual apartment units at the Properties to be acquired, substantially rehabilitated, managed, and operated by Developer as long term affordable housing and in implementation of the Project (inclusive of the HOME Units and the HAP Units). The Properties comprise: 20 one-bedroom Housing Units, 43 two-bedroom Housing Units and 15 three-bedroom Housing Units, one of which will be an on-site manager's unit.

"**HUD**" is defined in Recital A.

"**City**" shall mean the City of Garden Grove, a public body, corporate and politic.

"**Housing Unit**" or "**Housing Units**" means the seventy-eight (78) individual townhome apartment units at the Properties to be acquired, rehabilitated, leased, managed, and operated by Developer as long term affordable housing and in implementation of the Project (inclusive of the HOME Units and the HAP Units). The Properties comprise: 20 one-bedroom Housing Units, 43 two-bedroom Housing Units and 15 three-bedroom Housing Units, one 2-bedroom unit of which will be an on-site manager's unit.

"**HUD**" shall mean the United States Department of Housing and Urban Development.

"**Improvements**" means all improvements, improvements pertaining to the realty, fixtures, works of improvement now existing or hereafter comprising any portion of the Properties and all work of Rehabilitation, new construction, or other revitalization to the existing improvements at the Properties, including, without limitation, buildings; landscaping, trees and plant materials; and offsite improvements, including, without limitation, streets, curbs, storm drains, and adjacent street lighting, which will be caused to be undertaken by Developer in completion of the Project pursuant to this Agreement and all other Project Documents.

"**Indemnitees**" means City, Garden Grove Housing Authority, Successor Agency to the Garden Grove Agency for Community Development and their elected officials, officers, employees, attorneys, contractors, elective and appointive boards and commissions, representatives, agents, and volunteers.

"**Legal Description**" shall mean the legal description of the Properties set forth as Attachment No. 1, which is attached hereto and fully incorporated herein by this reference.

"**Lender**" or "**Senior Lender**" shall mean the California Public Finance Authority, as originating lender, and Jones Lang LaSalle Multifamily, LLC ("JLL") and Fannie Mae as the successors to the originating lender, as their interests may appear; and the term Lender shall include each of the responsible financial lending institutions or persons or entities authorized under the Lender Subordination Agreement dated of even date with all of the Senior Loan Documents (as that term is defined in the Subordination Agreement) and after the end of the term thereof and for the remaining years of the Regulatory Agreement as a new Lender may be approved by the City Manager in his/her reasonable discretion, including acquisition loan(s), construction loan(s) or permanent loan(s) for the construction, substantial rehabilitation, development, and operation of the Sycamore Court Project as set forth herein.

"**Material Adverse Change**" means any event the occurrence of which is reasonably likely to have a material adverse effect on Developer's ability to fulfill its obligations under any Transaction Document, including without limitation:

(a) a voluntary or involuntary bankruptcy of Developer (which is not dismissed within ninety (90) days of institution);

(b) a court order placing Developer under receivership;

(c) a sale of all or substantially all of the assets held by Developer;

(d) any violation of Developer or other failure of Developer to comply at all times with any applicable law, statute, ordinance, code, rule, regulation, judgment, order, ruling, condition or other requirement of a statutory, regulatory, administrative, judicial or quasi-judicial nature or any other legal or governmental requirement of whatever kind or nature related to the Sycamore Court Project, which violation is likely to have a material adverse effect on the ability of Developer to perform its duties and obligations under any Transaction Document; and/or

(e) Developer incurs one or more liabilities, contingent or otherwise, or pending or threatened litigation or any asserted or unasserted claim exists against Developer with respect to the Project, which would have a material adverse effect on its ability to perform its duties and obligations under any Transaction Document.

"**Memorandum of Agreement**" shall mean Attachment No. 7 attached hereto and fully incorporated by this reference and shall include notice of this Agreement and the obligations of Developer to acquire the Properties, complete the Rehabilitation, and operate the Project pursuant to the terms of this Agreement. The Memorandum shall terminate and be of no further force and effect upon Developer's full repayment of the City Loan and thereafter, the only terms and provisions of this Agreement that shall survive and remain in effect are those set forth in the Regulatory Agreement (Attachment No. 11), which has a term of 55 years as provided therein.

"**Operating Budget**" shall mean the annual operating budget for the Project that sets forth the projected Operating Expenses for the upcoming year that is submitted to and reviewed and approved by City Manager in his sole and reasonable discretion, not to be unreasonably conditioned, delayed or denied (and which may also be subject to review by Lender, if required by the Primary Loan documents). During the HOME Compliance Period, the City Manager's discretion in review and approval of each proposed annual Operating Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: extent, type, and amount for social/supportive services, if any, at or associated with the Project; existing balance(s) in and proposed deposits to the Capital Replacement Reserve and Capitalized Operating Reserve to evaluate shortfalls and/or cumulative unexpended/unencumbered deposits (provided that required annual deposits into the Capitalized Replacement Reserve are not required to exceed $300/per unit and the amount maintained in the Capitalized Operating Reserve is not required to exceed the Target Amount); conformity of any annual increases in the partnership management fee, asset management fee, and general partner guaranty fee with the increases permitted in the definition of "Residual Receipts"; reasonableness and conformity to prevailing market rates in Garden Grove and rates and fees for goods and services to be provided by Developer or any Affiliate. The Operating Budget is further described in Section 1212. After expiration of the HOME Compliance Period a copy of each Operating Budget shall be delivered to the City Manager, which shall be reviewed and his reasonable discretion exercised, but approval shall not be unreasonably conditioned, delayed or denied, with the standard of review that each Operating Budget shall be reasonably consistent with comparable affordable housing projects in Orange County, California.

"**Operating Expenses**" shall mean actual, reasonable and customary (for comparable high quality, fully rehabilitated, multi-family rental housing developments in Garden Grove) costs, fees and expenses directly incurred and attributable to the operation, maintenance, and management of the Project in a calendar year, which are in accordance with the Operating Budget (or any amendments thereto) approved by City through the City Manager pursuant to Section 1212 of this Agreement, and not a part or paid as a part of the Rehabilitation of the Properties, including, without limitation, Debt Service; painting, cleaning, repairs, alterations, landscaping; utilities, refuse removal, certificates, permits and licenses, sewer charges, taxes, filing fees, assessments, insurance, security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings which are not paid from the Capital Replacement Reserve, fees and expenses of property management (not exceeding five percent (5%) of gross scheduled income) and common area expenses, fees and expenses of accountants, attorneys and other professionals, the cost of social/supportive services, if any, in an amount equal to the social/supportive services requirement, if any, imposed by HUD with respect to the Project, and other actual, reasonable and customary operating costs which are directly incurred and paid by Developer, but which are not paid from reserve accounts, and provided however that any fees incurred or services provided by Developer or any Affiliate shall not exceed fair market fees or rates for goods or services that are customary and prevailing in Garden Grove for such fees, goods, or services. To the extent Developer's only asset is the Project, Operating Expenses shall include actual, reasonable and customary costs, fees and expenses paid to unaffiliated third parties for the operation of Developer, including administrative, accounting and legal fees and expenses. Operating Expenses may include costs, fees or expenses paid to unaffiliated third parties that were not set forth in the approved Operating Budget to the extent such costs, fees or expenses were not foreseen at the time the applicable Operating Budget was created, but nonetheless were actual, reasonable and customary for comparable affordable housing developments; provided, evidence of such expenses must be submitted to City Manager for verification purposes prior to payment thereof (except in emergency situations, in which case evidence of such expenses must be submitted to City Manager for verification purposes as soon as reasonably practicable).

The term "Operating Expenses" shall not include any of the following: (i) salaries of employees of Developer or Developer's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Developer, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in Garden Grove for the same work or services; (ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Developer, would be Operating Expenses; (iii) optional or elective payments with respect to any financing senior to the City Loan unless approved by City; (iv) any payments with respect to any Project-related loan or financing other than Debt Service; (v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Developer prior to completion of the Rehabilitation of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Developer in connection with the acquisition of the Properties, all pre development and pre Rehabilitation activities conducted by Developer in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the Rehabilitation of the Project and any on-site or off-site work performed in connection therewith; (vi) depreciation, amortization, and accrued principal and interest expense on deferred payment debt; (vii) any Partnership Related Fees/Expenses to the extent they are not paid as capitalized expenses; (viii) payment of the Excess Developer Fee; and (ix) other expenses not related to the operation, maintenance, or management of the Project.

"**Outside Closing Date**" shall mean July 31, 2017.

"**Outside Completion Date**" shall mean June 30, 2018, but in no event later than one (1) year following the close of Escrow.

"**Parties**" shall mean City and Developer.

"**Partnership Agreement**" means the agreement which sets forth the terms of Developer's limited partnership, as such agreement may be amended from time to time (so long as any and all material amendments are consistent with this Agreement and subject to prior submission to City Manager for review and approval). The Partnership Agreement shall include provisions that state and incorporate the Developer's obligation to make the annual simple interest payment of $36,000 on the City Loan from Residual Receipts and the Developer's obligation to pay off timely and in full, principal and interest, the City Loan upon maturity as provided herein and in the City Loan Promissory Note.

"**Partnership Related Fees/Expenses**" shall mean fees and expenses of the Developer entity (or partners or Affiliates thereof pursuant to the Partnership Agreement) actually incurred, which are reasonable and customary to developer/owner entities for similar projects in Southern California, and may include, but shall not exceed, (i) a limited partner administrative fee payable to the Investor Limited Partner of $15,000 (increased annually by 3%), and (ii) a managing general partner partnership management fee payable to the Managing General Partner of $15,000 (increased annually by 3%). In no event shall the foregoing Partnership Related Fees/Expenses cumulatively exceed Thirty Thousand Dollars ($30,000) in any one year (increased annually by 3%). In the event insufficient Annual Project Revenues exist to provide for payment of all or part of the specific Partnership Related Fees/Expenses listed above, no interest shall accrue on the unpaid portions of such Partnership Related Fees/Expenses, but the unpaid balance will be added to the Partnership Related Fees/Expenses due in the following year.

"**Primary Loan**" shall mean the loan for the acquisition and Rehabilitation of the Project obtained by Developer from Lender or the permitted refinancing or permitted modification thereof to the extent permitted pursuant to Section 1216 of this Agreement. Developer anticipates that Lender will purchase the Bonds and with the net proceeds thereof will provide financing for the Project in the form of a loan in the estimated and approximate principal amounts of $14,400,000.

"**Project**" shall mean Sycamore Court, an existing seventy-eight (78) unit development contained in seventy-eight (78) residential rental units in six (6) two-story buildings and associated and appurtenant Improvements, to be acquired, rehabilitated, and thereafter managed and operated by Developer as long term, affordable rental housing for 50% AMI Very Low Income Households and 60% AMI Low Income Households in accordance with this Agreement and the Regulatory Agreement.

"**Project Documents**" shall mean the following documents evidencing the City Loan and required as consideration for City to make the City Loan: (i) this Agreement, (ii) the City Loan Note; (iii) the City Loan Deed of Trust; (iv) the Memorandum of Agreement; (v) the Regulatory Agreement; (vi) the Security Agreement (UCC-1 Financing Statement); (vii) the Request for Notice of Default; and (viii) any other agreement, document, or instrument that City may reasonably require Developer to execute in connection with the execution of this Agreement or the provision of the City

Loan to Developer or otherwise, from time to time, to effectuate the purposes of and to implement this Agreement.

"**Properties**" shall mean those certain two (2) parcels of real property located at 10632 Bolsa Avenue in the City, improved with 78 Housing Units and appurtenant improvements (in six (6) two-story buildings) as more fully and legally described in the Legal Description attached hereto as Attachment No. 1 and incorporated herein.

"**Refinancing Net Proceeds**" shall mean until the City Loan Maturity Date the proceeds of any permitted refinancing of any of the Primary Loans or other financing secured by the Properties, net of: (i) the amount of the financing that is satisfied out of such proceeds; (ii) reasonable and customary costs and expenses incurred in connection with the refinancing; (iii) the balance, if any, of the Deferred Developer Fee for the Project; (iv) the balance of loans to the Project made by the partners of Developer for development or operating deficits, amounts expended to maintain compliance with the Tax Credit Regulatory Agreement, or contributions for capital expenditures in excess of available Project revenues, if any, including interest at the Applicable Federal Rate (as approved by City); (v) the return of capital contributions, if any, to the Project made by Developer that were used to pay the Deferred Developer Fee; (vi) payment of unpaid Tax Credit adjustment amounts or reimbursement of Tax Credit adjustment amounts paid by the administrative and/or managing general partners and/or the guarantors to the Project pursuant to the approved Partnership Agreement, if any; (vii) the payment to the administrative general partner of Developer's limited partnership entity of a refinancing fee under the terms of the Partnership Agreement but not to exceed six percent (6%) of the amount of the permitted refinancing; (viii) any unpaid Operating Expenses; (ix) the amount of proceeds required to be reserved for the repair, rehabilitation, reconstruction or refurbishment of the Project; and (x) the payment of any unpaid Partnership Related Fees/Expenses.

"**Regulatory Agreement**" shall mean the Regulatory Agreement that is to be recorded as an encumbrance to the Project, in accordance with this Agreement. The Regulatory Agreement includes conditions, covenants, and restrictions relating to the long term use, operation, management, and occupancy of the Properties, touches and concerns the land that comprises the Properties, and is intended to run with the land for the entire term of the Affordability Period provided therein. The Regulatory Agreement is attached hereto as Attachment No. 11 and fully incorporated by this Reference.

"**Rehabilitation**" shall mean the entire work of rehabilitation, repair, construction, and improvement to the Properties which is required pursuant to this Agreement, including as set forth in the Scope of Rehabilitation, Attachment No. 5.

"**Rehabilitation Plans**" is defined in Section 801.

"**Release of Construction Covenants**" shall mean Attachment No. 6 attached hereto and fully incorporated herein by this reference.

"**Relocation**" or "**Relocation Laws**" shall mean all applicable federal and state relocation laws and regulations, including without limitation, (i) the relocation obligations of the HOME Program and HOME Regulations, the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA"), 42 U.S.C. 4201–4655, and the implementing regulations thereto set forth in 49 CFR Part 24, (ii) the California Relocation Assistance Act, Government Code

Section 7260, *et seq.* and the implementing regulations thereto set forth in Title 25, Section 6000, *et seq.* of the California Code of Regulations, and (iii) any other applicable federal, state or local enactment, regulation or practice providing for relocation assistance, benefits, or compensation for moving and for property interests (including without limitation goodwill and furnishings, fixtures and equipment, and moving expenses), and (iv) any federal law or regulation prohibiting payment of relocation benefits or assistance to persons ineligible for relocation benefits or assistance. Developer shall be solely responsible for payment of all costs, expenses, and payments required to be made and/or incurred pursuant to any and all applicable Relocation Laws; City shall not incur any costs or expenses as a result of the application of the Relocation Laws to the Project or this Agreement, nor shall City Loan proceeds be used to pay costs of Relocation incurred by Developer in connection with the Project.

"**Rent**" shall mean the total of monthly payments by the tenants (inclusive of any and all payments by HUD or a third party attributable to project based Section 8 housing assistance under the HAP Contract, or from portable Section 8 vouchers, or from other rental subsidies, or other public subsidies by any local, state, or federal governmental agency) of a Housing Unit for use and occupancy for the Housing Unit and facilities associated therewith, including a reasonable allowance for utilities for an adequate level of service as defined in Title 25 California Code of Regulations §6918.

"**Request for Notice of Default**" shall mean a request for notice of default to be recorded against the Properties in connection with the Escrow, substantially in the form of Attachment No. 8, attached hereto and fully incorporated by this reference.

"Reservation" and **"Reservations"** mean, individually and collectively, the reservation of Tax Credits by TCAC and the reservation for issuance of the Bonds by CDLAC for the Project.

"**Reserve Deposits**" shall mean any payments to the Capital Replacement Reserve and/or the Capitalized Operating Reserve accounts as required hereunder.

"**Residual Receipts**" shall mean Annual Project Revenue less the sum of:

(i) Operating Expenses;

(ii) Debt Service;

(iii) Reserve Deposits to the Capital Replacement Reserve;

(iv) Reserve Deposits to the Capitalized Operating Reserve;

(v) Partnership Related Fees/Expenses;

(vi) payment of unpaid Tax Credit adjustment amounts or reimbursement of Tax Credit adjustment amounts paid by the administrative and/or managing general partners and/or the guarantors to the Project pursuant to the approved Partnership Agreement, if any;

(vii) repayment of loans, if any, made by the limited partner(s) of Developer's limited partnership entity, including interest at the Applicable Federal Rate;

(viii) property management fee for the Project which remains unpaid after payment of Operating Expenses, if any;

(ix) Deferred Developer Fee for the Project which remains unpaid, if any, including interest at the Applicable Federal Rate and subject to Section 207.1(f) payable from 80% of Annual Project Revenue remaining after payment of the items identified in (i) to (viii) above; and

(ix) repayment of outstanding development and operating loans and/or contributions for capital expenses for which no Project revenues are available, if any, made by the administrative and/or managing general partners and/or the guarantors to the Project, including interest at the Applicable Federal Rate payable from 50% of Annual Project Revenue remaining after payment of the items identified in (i) to (viii) above.

Developer's annual loan payments on the City Loan shall be paid by Developer to City under the City Loan and shall include the payment of simple interest of 3% per annum on the City Loan in an annual amount of $36,000 (subject to reduction in the event of prepayments of the City Loan) payable solely from up to 75% of the Residual Receipts received from operation of the Project until the City Loan Maturity Date at which time full payment, principal and interest, is due on the City Loan as set forth in the City Loan Promissory Note without regard to Residual Receipts. In the event such 75% of Residual Receipts is insufficient to provide for payment of the entire $36,000 interest only payment on the City Loan Note in any given year, then interest shall accrue at 3% simple interest on the unpaid portions of such annual interest payment and the unpaid balance shall be added to the next annual payment and shall be due in the next following year from 75% of Residual Receipts, or shall continue to accrue 3% simple interest until Developer brings all annual payments current with no unpaid or accrued interest on the City Loan Note.

The remaining 25% of Residual Receipts received from the operation of the Project shall be retained by Developer or used by Developer to pay any fees or charges not specifically deducted from Annual Project Revenues above.

In addition, none of the fees, costs, expenses, or items described above in calculation of Residual Receipts shall include any duplicate entry/item, or double accounting for a cost item. For example, an audit fee incurred by Developer (or any partner of Developer or an Affiliate) and deducted or included above in category/subsection (i) Operating Expenses shall not also be deducted or included in category/subsection (v) Partnership Related Fees in the calculation of Residual Receipts.

"**Schedule of Performance**" means that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, which generally sets forth the time for performing the various obligations of this Agreement.

It is understood the Schedule of Performance is subject to all of the terms and conditions set forth in the Agreement. The summary of the items of performance set forth in the Schedule of Performance is not intended to supersede or modify the more complete description in the text of the Agreement; in the event of any inconsistency between the Schedule of Performance and the text of the Agreement, the text shall govern.

The time periods set forth in the Schedule of Performance for City approval of submittals, including without limitation any plans and drawings, submitted to City by Developer shall only apply

and commence upon Developer's complete submittal of all the required information. In no event shall an incomplete submittal by Developer trigger any of City Manager's obligations of review and/or approval hereunder; provided, however, that the City Manager shall notify Developer of an incomplete submittal as soon as is practicable.

"**Scope of Rehabilitation**" shall mean the scope of work for the Rehabilitation of the Properties, as set forth in the Scope of Rehabilitation, Attachment No. 5, attached hereto and fully incorporated by this reference, and such Scope of Rehabilitation shall be automatically amended and updated to include the final Rehabilitation Plans approved by City, as herein further described.

"**Section 3 Clause**" and "**Section 3**" shall mean and refer to Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. 1701u, as amended. City has prepared a Section 3 "checklist" and other forms related to Section 3 compliance; and as provided by City to Developer, and each and all of its contractors and subcontractors, as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies and to the extent required by 24 CFR part 135. For purposes of this Section 3 Clause and compliance thereto, whenever the word "contractor" is used it shall mean and include, as applicable, Developer and each and all of its contractors and subcontractors.

Developer hereby acknowledges and agrees the responsibility for compliance with all Section 3 Clause federal requirements as to Developer and each and all of its contractors and subcontractors, and other agents is the primary obligation of Developer. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors, and other agents a checklist for compliance with Section 3 federal requirements, to obtain from and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 documentation and proof of compliance to the City Manager.

The particular text to be utilized in any and all contracts of any contractor doing work covered by Section 3, and to the extent required by 24 CFR part 135, shall be in substantially the form of the following, as reasonably determined by City Manager, or as directed by HUD or its representative, and shall be executed by the applicable contractor under penalty of perjury:

> "(i) The work to be performed under this contract is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u ("Section 3"). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons inclusive of 50% AMI Very Low Income Households, and 60% AMI Low Income Households served by the Project (as defined in the HOME Agreement and Regulatory Agreement), particularly persons who are recipients of HUD assistance for housing.
>
> "(ii) The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement Section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.
>
> "(iii) The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or

other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this Section 3 clause, and will post copies of notices in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number of job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; the name and location of person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

"(iv) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

"(v) The contractor will certify that any vacant employment positions, including training positions, that are filled (a) after the contractor is selected but before the contract is executed, and (b) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

"(vi) Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

"(vii) With respect to work performed in connection with Section 3 covered Indian Housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible, (a) preference and opportunities for training and employment shall be given to Indians, and (b) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b)."

After the foregoing Section 3 Clause, Developer and each and all of its contractors and subcontractors, as applicable, shall add the signature block of such contractor and/or subcontractor and add the following text immediately above the signature block: "The contractor or subcontractor or provider by this his signature affixed hereto declares under penalty of perjury that contractor has read the requirements of this Section 3 Clause and accepts all its requirements contained therein for all of his operations related to this contract."

"**Security Agreement**" and "**Financing Statement**" shall mean the Security Agreement and attached financings statements (including necessary UCC-1 form or forms) attached hereto as Attachment No. 9 and fully incorporated by this reference to be executed by Developer in substantially the form thereof, the filing of which will give City a perfected security interest in Developer's tangible personal property and fixtures located on or about the Properties.

"**Seller**" shall mean Garden Grove Manor, Inc., a California nonprofit corporation, the current owner of the Properties and seller to Developer.

"**Tax Credit Equity**" is defined in Section 207.1(a).

"**Tax Credit Rules**" means the provisions of Section 42 of the Internal Revenue Code and/or, if applicable, California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, as the foregoing may be amended from time to time, to the extent applicable to the Project and the rules and regulations implementing the foregoing, including the regulations set forth in Title 4 Cal. Code Regs. Section 10300, *et seq.*

"**Tax Credit Regulatory Agreement**" shall mean the regulatory agreement that may be required to be recorded against the Properties with respect to the Project's Tax Credits.

"**Tax Credits**" shall mean federal 4% low income housing tax credits awarded pursuant to Section 42 of the Internal Revenue Code and/or, if applicable, State tax credits pursuant to California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Sections 50199, *et seq.*

"**TCAC**" means the California Tax Credit Allocation Committee, the allocating agency for Tax Credits in California.

"**Title Company**" means First American Title Insurance Company or another title insurer mutually acceptable to City and Developer; the title officer's reference number for this transaction is: NCS-728192-SA1. The named Title Company shall in no event be changed by either party without first obtaining the express written consent of the other party. If either party changes the Title Company and any third party expenses are incurred due to such change, for example additional review and clearance of title exceptions, then the party who changed the Title Company shall be fully indebted to the other party for any and all out of pocket expenses incurred due to such change in Title Company.

"**Transaction Documents**" shall mean all Project Documents and any and all financing documents in connection with the Primary Loan or other financing sources for the Project.

"**Transfer Net Proceeds**" shall mean the proceeds of any transfer, in whole or in part, of Developer's interest in the Properties or any sale, assignment, sublease, or other transfer (but excluding residential leases to tenants of Housing Units), in whole or in part of Developer's interests in the Properties, net only of (i) the reasonable and customary costs and expenses incurred in connection with such transfer; (ii) the amount of the financing which is satisfied out of such proceeds, (iii) the balance, if any, of the Deferred Developer Fee (but not the Excess Developer Fee), (iv) the balance, if any, of loans to the Project made by the limited partners of Developer, including interest thereon as provided in the Partnership Agreement (as approved by City after review and verification by City Manager of documentation provided by Developer showing the propriety of such loans), (v) the balance, if any, of operating loans or development loans made by the general partners of Developer, including interest thereon as provided in the Partnership Agreement (as approved by City after review and verification by City Manager of documentation provided by Developer showing the propriety of such loans), (vi) the return of capital contributions, if any, to the Project made by the general partners of Developer that were used to pay the Deferred Developer Fee (as

approved by City after review and verification by City Manager of documentation provided by Developer showing the propriety of such contributions), (vii) the payment of any unpaid Partnership Related Fees/Expenses, and (viii) the payment of any unpaid Operating Expenses.

"**50% AMI Very Low Income Households**" shall mean those households earning not greater than fifty percent (50%) of Orange County Area Median Income, adjusted for household size, which is set forth by regulation of TCAC.

"**60% AMI Low Income Households**" shall mean those households earning not greater than sixty percent (60%) of Orange County Area Median Income, adjusted for household size, which is set forth by regulation of TCAC.

200. FINANCING.

201. City Loan. The City hereby agrees to loan to Developer and Developer hereby agrees to borrow from City the City Loan in an amount not to exceed One Million Two Hundred Thousand Dollars ($1,200,000) subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the Project Documents, including the "City Loan Note," the "City Loan Deed of Trust," and the "Regulatory Agreement." City currently has not less than One Million Two Hundred Thousand Dollars ($1,200,000) of HOME Program funds available, which City will allocate to the City Loan.

201.1 Proceeds of City Loan Disbursed in Installment Payments. City will make and disburse to Developer five (5) installment payments of the City Loan as follows:

(a) 30% of the City Loan ($360,000) at Closing;

(b) 20% of the City Loan ($252,000) when Developer meets the completion milestone of 30% completion of the Rehabilitation;

(c) 20% of the City Loan ($252,000) when Developer meets the completion milestone of 60% completion of the Rehabilitation;

(d) 20% of the City Loan ($252,000) when Developer meets the completion milestone of 90% completion of the Rehabilitation; and

(e) 10% of the City Loan ($84,000) concurrent with the City's issuance of the final certificate of occupancy by the City's Building Official and recordation of the Release of Construction Covenants evidencing that all of the Rehabilitation is complete.

201.2 Sole Source of City Loan HOME Program Funds. In no event shall City be obligated to use any source of funding other than HOME Program funds to make the City Loan to Developer.

201.3 City Loan Note, City Loan Deed of Trust and Security Agreement. The City Loan shall be evidenced by the City Loan Note and secured by the City Loan Deed of Trust and the Security Agreement, which shall be recorded against the Properties in the Official Records of the County in a position junior and subordinate to the Primary Loan.

201.4 Terms of City Loan. The City Loan Note shall be for a term commencing upon the date of initial disbursement of funds at Closing and continuing until September 30, 2033, which date is ninety (90) days after the maturity date of the Primary Loan (herein, "City Loan Maturity Date"). The City Loan Note shall bear simple interest at the rate of three percent (3%) per annum from the date of disbursement of City Loan proceeds. Commencing on March 18, 2018 and annually on or before the 75th calendar date of each succeeding year, Developer shall make the interest-only annual payments to the City of $36,000. On the City Loan Maturity Date of the City Loan Note, all principal and interest shall be due in full by Developer to City (without regard to Residual Receipts calculation).

(a) The City Loan Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project. The City Loan Note shall be payable from seventy-five percent (75%) of Residual Receipts for the Project until the City Loan Note has been paid in full, but all amounts due, including the full principal amount principal and any and all accrued interest, shall be due and payable in full on the City Loan Maturity Date.

(i) Developer shall make annual payments of simple interest of 3% per annum on the City Loan in an annual amount of $36,000 payable from seventy-five percent (75%) of the Residual Receipts received from operation of the Project until the City Loan matures and full payment, principal and any accrued and unpaid interest, is due on the City Loan as set forth in the City Loan Promissory Note. In the event that seventy-five percent (75%) of Residual Receipts is insufficient to provide for payment of the entire annual interest payment due under the City Loan Note, then such unpaid interest (referred to as the "past-due interest amount") shall begin to accrue interest from the date on which such interest payment was due at the interest rate applicable to outstanding principal under the City Loan Note. The next annual payment shall be increased by the amount of the past-due interest amount plus interest accrued thereon. All past-due interest amounts shall continue to accrue interest until all such amounts and accrued interest thereon have been paid to the City.

(b) In addition, the City Loan Note shall be accelerated and due in full in the event Developer refinances or transfers the Project or any part thereof (but excluding residential leases to tenants) and the City Loan Note shall be paid in full from Refinancing Net Proceeds., if any, immediately upon any refinancing of the Project (or any part thereof) or as applicable from Transfer Net Proceeds, if any, immediately upon any transfer in whole or in part of the Project (excluding residential leases to tenants). The terms of the City Loan are more particularly described in the City Loan Note.

201.5 Security for City Loan. The City Loan shall be secured by the City Loan Deed of Trust, Attachment No. 4, which shall be recorded against the Properties in the Official Records of the County in second lien position. In addition, Developer hereby grants to City a security interest in all of Developer's right, title and interest in and to the Collateral as defined in and substantially in the form of the Security Agreement, Attachment No. 9, and Financing Statements attached thereto. Developer shall execute the Security Agreement, the Financing Statements attached thereto, and such other documents requested by City to the extent necessary to perfect and maintain the security interest in the Collateral granted to City thereby.

202. Disbursement of City Loan Proceeds. Subject to satisfaction by Developer or waiver by City of each and every Condition Precedent to the City Loan set forth in Sections 401 through 403, as applicable, the proceeds of the City Loan shall be disbursed only to pay for a portion

of the purchase price to acquire the Properties and for certain eligible Costs of Rehabilitation set forth in the Scope of Rehabilitation and approved Final Budget (or as otherwise modified under change orders approved by City Manager.) City's obligation to commence disbursement, disburse, and continue disbursement of the City Loan proceeds within the time table set forth in Section 201.1 above is subject to the fulfillment by Developer or waiver by City of the Conditions Precedent set forth in Section 400, *et seq.* hereof, as well as compliance with the Disbursement Procedures, as applicable.

202.1 Prohibited Use of Proceeds. The proceeds of the City Loan shall not be used for Project reserve accounts, monitoring, or servicing and origination fees, or for expenditures incurred more than one year after the issuance of the Release of Construction Covenants.

203. Calculation of Residual Receipts.

(a) During the entire term of the City Loan Note, annually commencing on March 18, 2018 and on or before the 75th calendar date of each succeeding year, Developer shall have caused to be calculated total gross Annual Project Revenue from the Project for that year, and shall pay to City an amount equal to the specified percentage of the Residual Receipts from the Project as required by the City Loan Note.

(b) Residual Receipts shall be determined on the basis of the Annual Financial Statement and the Residual Receipts report submitted therewith, which shall be in a form provided by City. City shall review and approve such statement, or request revisions, within thirty (30) days after receipt. In the event City reasonably determines as a result of its review that Developer has underpaid City's share of Residual Receipts pursuant to the terms of the City Loan Note, and has provided Developer with written notice thereof identifying the basis for City's determination and Developer is not able to provide evidence to City correcting such determination by City, Developer shall promptly deliver the amount of the underpayment to City, but in any event not later than twenty (20) days from the notice of such underpayment.

204. Consent Required for Assignment and Assumption. Except for Transfers permitted pursuant to Section 1216.1 below, the City Loan Note shall not be assignable or assumable by any successor or assignee of Developer without the prior written consent of City, which consent may be withheld in the sole and absolute discretion of City Manager.

205. Project-Based Section 8 Assistance. Developer and HUD will be entering into the renewal of the HAP Contract for project-based Section 8 assistance under applicable federal laws and regulations for the thirty-one HAP Units at the Project. HUD will be making project-based Section 8 assistance payments to Developer for the Project in compliance with the terms, conditions, and restrictions contained in the HAP Contract. The HAP Contract generally provides that HUD shall pay a rental subsidy to Developer to fill the gap between the Affordable Rent permitted to be charged for occupancy and use of the Housing Units at the Project and the fair market rent for such Housing Units, to ensure that Developer will rent the Housing Units designated to receive project-based Section 8 assistance to eligible households at a rental amount not to exceed thirty percent (30%) of the tenants' actual income throughout the term of the HAP Contract. This Agreement does not impose any obligation on City to provide project-based Section 8 assistance to the Project; HUD's obligation to provide project-based Section 8 assistance to the Project is governed entirely by the HAP Contract and documents executed in connection therewith. This Agreement does not restrict or

otherwise limit the Developer's right and power to receive HAP Contract payments in respect of any of the Housing Units.

206. Additional Financing.

206.1 Sources of Financing. Developer and City anticipate the following funding sources to be obtained by Developer and utilized in addition to the City Loan for the acquisition, Rehabilitation, and operation of the Project. The final sources and amounts of funding for the Project as well as the final cost estimates with respect to the acquisition, Rehabilitation and operation of the Project shall be set forth in the Final Budget which is required to be submitted to City as a Condition Precedent pursuant to Section 401.

(a) Tax Credit Equity. Developer shall use its reasonable and best efforts to apply for and secure an allocation of federal 4% Tax Credits in an amount not less than reasonably expected to yield approximately $6,364,000 in equity from the tax credit investor ("Tax Credit Equity").

(b) Primary Loan. Developer shall obtain the Primary Loan from the Lender in an approximate original principal amount of not less than $13,370,000.

(c) Deferred Developer Fees. Developer shall defer acceptance of $1,801,562 from the total Developer Fee payable in connection with the Project (the Developer Fee has been calculated in accordance with the Tax Credit Rules) in the currently-estimated amount of $2,463,993. The portion of the Deferred Developer Fee shall be repaid from 80% of remaining Annual Project Revenues as specified in the definition of Residual Receipts above, but after payment of Operating Expenses, Debt Service, and Reserve Deposits. The Deferred Developer Fee may accrue interest at the Applicable Federal Rate.

206.2 Required Financing Submittals. Within the time established therefor in the Schedule of Performance, Attachment No. 2, and as a Condition Precedent to the disbursement of any portion of the City Loan pursuant to Section 401, *et seq.*, Developer shall submit to City evidence that Developer has obtained sufficient equity capital and firm and binding commitments (subject to customary conditions) for financing necessary to undertake the acquisition of the Properties, Rehabilitation of the Properties, and completion and operation of the Project in accordance with this Agreement. Such evidence of financing shall include all of the following:

(a) Final Budget. An updated pro forma and Final Budget for the Project showing all sources, uses, costs for acquisition of the Properties, all Rehabilitation and other Improvements, estimated Operating Expenses, and all anticipated construction and permanent financing and funding sources and amounts thereof. City Manager shall have the right to approve or disapprove the Final Budget (and any specific line items therein) for the Project in his reasonable discretion.

(b) Tax Credits. Developer shall submit the following documents to City:

(i) The draft Partnership Agreement or funding commitment letter from the equity investors in the Project and Properties that demonstrates Developer has sufficient funds for such acquisition, Rehabilitation and operation of the Project, and that includes

provisions conforming to the cash flow priorities provided herein, and that such investor funds have been committed to the acquisition, Rehabilitation and operation of the Project, and a current financial statement of Developer and any entities providing Developer's other sources of equity capital.

(ii) A copy of a preliminary reservation letter from TCAC notifying Developer that Tax Credits have been reserved for the acquisition, Rehabilitation, and operation of the Project.

(iii) A copy of applications to, financing approvals and commitment(s) received (if any) with respect to any other affordable housing subsidy programs from which Developer has applied to obtain financial subsidies.

(iv) Other documentation reasonably satisfactory to City as evidence of other sources of capital, all of which together are sufficient to demonstrate that Developer has adequate funds, together with the proceeds of any other financing, to acquire, Rehabilitate and operate the Project.

(c) Primary Loan. A copy of the Lender's binding commitment obtained by Developer for the Primary Loan and copies of all loan documents evidencing the Primary Loan. The Primary Loan commitment for financing shall be in such form and content reasonably acceptable to City and shall provide reasonably satisfactory evidence of a legally binding, firm and enforceable commitment, subject only to the Lender's customary and normal conditions and terms. The commitment also shall state the terms and requirements, if any, by the Lender relating to subordination of the City Loan and, if applicable, the Regulatory Agreement subject to the requirements of Section 1107 hereinafter. Developer shall provide written certification to City that the loan documents submitted are correct copies of the actual loan documents to be executed by Developer concurrently with the close of Escrow for the acquisition of the Properties. If the Lender requires a subordination agreement and/or an estoppel certificate, the suggested form of such instruments shall be submitted by Developer to City's legal counsel for review and comment in a reasonable and sufficient time for review, comment, and negotiation of mutually acceptable terms and conditions thereof. Execution of any estoppel or subordination agreement or any reaffirmation thereof shall be subject to the provisions of Section 1107 and the form and content of any such subordination agreement or reaffirmation thereof shall be reasonably satisfactory to the City Manager and City's legal counsel. All costs incurred for the review, negotiation, and completion of a mutually acceptable subordination agreement or estoppel documents and any amendment, modification or other reaffirmation thereof shall be expressly subject to Developer (or Lender or other third party, but in no event City) paying all third party costs incurred by City in connection therewith, with payment of such incurred costs a condition precedent to any obligation of City to sign and deliver such subordination or estoppel document, except as to the first subordination agreement and first estoppel certificate, for which City will assume the costs.

(d) Current Financial Statement. A current financial statement of the Developer entity (and all partners and members thereof, except tax credit investor limited partners) and/or other documentation satisfactory to City Manager as evidence of other sources of capital sufficient to demonstrate that Developer has adequate funds to cover the difference, if any, between acquisition, Rehabilitation, and completion costs, and the financing secured by Developer, including the Tax Credit Equity, Primary Loan and City Loan; and

(e) Construction Subcontracts. A draft of the form of each and all subcontracts in an amount equal or greater than $200,000 to be executed between Developer and each subcontractor for the Rehabilitation of the Improvements, certified by Developer to be true and correct copies thereof, and which shall include reference to this Agreement and such subcontractor's specific obligation to carry out the construction and completion of the Rehabilitation (or part thereof) in conformity with the HOME Regulations, the Federal Program Limitations, and other applicable federal, state, and local laws and regulations. Such subcontract(s) shall include: (i) a full recitation of the Section 3 Clause with an express acknowledgement and agreement by each subcontractor to fully comply with the Section 3 Clause, (ii) an express acknowledgement and agreement by each subcontractor that as a condition precedent to the final payment under its subcontract, subcontractor shall provide written evidence and a certification (in the form attached hereto as Attachment No. 14) to City, showing that each and subcontractor(s) have complied with the Section 3 Clause in completing the Rehabilitation, and (iii) express reference to all other applicable federal regulations and laws to which such each subcontractor must comply in undertaking all or any part of the work of the Rehabilitation for Developer; provided, it is understood by the parties that it is and shall remain Developer's primary obligation to obtain and submit all required Section 3 Clause documentation. In furtherance of evidencing Section 3 Clause compliance during the Rehabilitation and prior to final disbursement of the proceeds of the City Loan not disbursed into Escrow, Developer expressly acknowledges and agrees under this Agreement that it shall cause each subcontractor to provide evidence, in a form reasonably satisfactory to City Manager and/or HUD, that the Section 3 Clause checklist(s) and other forms related thereto (as such forms may be provided by City to Developer) have been fully completed and all back up information has been submitted to the City Manager. The form of each subcontract shall be reasonably satisfactory to City Manager and shall be approved within the applicable time periods set forth in the Schedule of Performance.

206.3 Approval of Evidence of Financing. If Developer has submitted all evidence of financing required by Section 207.2 within the time established in the Schedule of Performance, City shall reasonably approve or disapprove such evidence of financing within thirty (30) days of submission by Developer to City of all complete items required by this Section 207, *et seq.* If City disapproves any such evidence of financing, City shall do so by written notice to Developer stating the reasons for such disapproval and Developer shall promptly obtain and submit to City new evidence of financing. If Developer's submission of new evidence of financing is timely and provides City with adequate time to review such evidence within the time established in this Section 207.3, City shall approve or disapprove such new evidence of financing in the same manner and within the same times established in this Section 207.3 for the approval or disapproval of the evidence of financing as initially submitted to City. The evidence of financing shall be deemed to be an ongoing representation by Developer that, based on information then available to Developer, the sum total of all sources of financing are equal to and not greater than the amount of the approved Project costs as set forth in the Final Budget for the Project. Once the evidence of financing is approved by City, Developer shall promptly notify City in writing of any change in or additional sources of financing, including without limitation, the award of Tax Credits. The representations made by Developer with respect to the sources of financing for the Project are the basis used by City to negotiate the financial terms of the City Loan and any substantial change in such sources of Project financing, at the sole discretion of City, shall be cause to renegotiate the financial terms of, or withdraw the commitment for, the City Loan and, subject to such renegotiation and/or the provisions of Section 200, *et seq.*, may require payments by Developer to reduce the outstanding principal balance of the City Loan.

207. Tax Credit Equity. The following requirements must be satisfied in order for the equity financing for Tax Credit funding to be approved by City pursuant to this Agreement (which requirements may be waived in the sole and absolute discretion of City Manager):

(a) The equity investment of the limited partners of the limited partnership shall not be less than the approximate prevailing price for Tax Credits at such time, taking into consideration all relevant factors such as timing of required payments and amount of the Tax Credits.

(b) The identity of the syndicator and the initial limited partners of the limited partnership shall be reasonably acceptable to City.

(c) In connection with the formation of such limited partnership for the equity financing, Developer or an affiliate of Developer controlled by Developer shall be the general partner of the limited partnership at all times.

(d) Developer or its affiliates shall be entitled to a developer fee from the equity financing of not greater than the Developer Fee set forth in the approved financing plan.

300. CONDITION OF PROPERTY.

301. Developer Representations to City re Existing Condition of Properties. Except as disclosed in the following report: *Phase One Environmental Assessment, Sycamore Court Apartments, 10642 Bolsa Avenue, Garden Grove, California 92843, prepared by Consulting Solutions, Inc. (CSI Project 17-3920) and prepared for Jones Lang LaSalle Multifamily, LLC, Inspection Date: January 27, 2017 and Report Date: February 3, 2017*, Developer represents, to and for the benefit of City, to the best of its knowledge, that it is not aware of and it has not received any notice or communication from any governmental agency having jurisdiction over the Properties, the owner of the Properties, or any other person or entity, notifying it of the presence of Hazardous Materials or Hazardous Materials Contamination (both as hereinafter defined) in, on, or under the Properties, or any portion thereof or the violation of any Environmental Laws (hereinafter defined). Developer represents that any inspection reports with respect to the Properties, environmental audits, reports and studies which concern the Properties, or inspection reports from applicable regulatory authorities with respect to the Properties, which Developer has received, have been delivered to the City. Developer knows of no circumstances, conditions or events that may, now or with the passage of time, give rise to any Environmental Claim (hereinafter defined) against or affecting the Properties. As and when obtained or received by Developer from the current owner or from any other person or entity, true and correct copies of internal inspection reports with respect to the Properties, environmental audits, reports and studies which concern the Properties, and inspection reports from applicable regulatory authorities with respect to the Properties, if any, shall be promptly delivered to City.

Developer acknowledges that Developer located the Properties without any assistance from (or involvement by) City; prior to the Date of Agreement, Developer has independently conducted all necessary and appropriate due diligence and determined that the condition of the Properties and all improvements located thereon were suitable for the development and operation of the Project; and all such due diligence and Developer's investigations of the condition of the Properties were conducted independently and not in consultation with City or City's officers, employees, agents, or consultants.

City reasonable approval of the environmental condition of the Properties is a Condition Precedent, as set forth in Section 401.

302. Environmental Condition Prior to City Loan Disbursement. As set forth herein as a Condition Precedent, Developer shall evidence to City that it is prepared to take the steps necessary to undertake and complete, upon the conveyance of the Properties to Developer, any necessary and recommended remediation of Hazardous Materials (which remediation has not been completed by the existing owner prior to the conveyance of the Properties) in full conformity with all Environmental Laws.

302.1 Lead-Based Paint. City, as recipient(s) of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821–4846, and the implementing regulations thereto, which are aimed to take advantage of Rehabilitation events as a cost-effective opportunity to reduce lead based paint and lead based paint hazards (LBP) in existing housing.

(a) The implementing regulations to Title X, set forth in 24 CFR Part 35 (LBP Regs), were adopted by HUD on September 15, 1999 and are now effective for compliance by all recipients and sub-recipients of federal funds. Subpart J of the LBP Regs focuses on the requirements for programs that provide assistance for housing Rehabilitation, such as this Project. In this regard, Developer shall comply with the requirements, as and to the extent applicable, of Title X and the implementing LBP Regs for the Project.

(i) The Rehabilitation of Properties comprising the Project shall be undertaken and completed by qualified contractor(s) selected by Developer and, if applicable, meeting the requirements of the LBP Regs. All work relating to LBP and LBP hazards and the reduction and clearance thereof shall be undertaken using safe work practices and shall be conducted by qualified contractor(s) and inspectors(s) meeting the requirements of the LBP Regs. Under the LBP Regs, treatment and clearance shall be conducted by separate contractors. All treatment and clearance using safe work practices of LBP and LBP hazards at the Properties shall be completed first and prior to any other part of the Rehabilitation work.

(ii) Prior to commencing any part of the Rehabilitation, if applicable, Developer shall cause each household in occupancy at the Properties to receive (and shall obtain proof of receipt through signature) (1) a complete copy of the HUD issued informational pamphlet/brochure about LBP and LBP hazards, (2) any necessary disclosure forms relating to information about LBP and LBP Hazards, and (3) the results of any evaluation for LBP or LBP hazards at the applicable Housing Unit within the Properties.

303. Developer's Obligation to Investigate and Remediate the Properties after City Loan Disbursement. After the disbursement of all or any portion of the City Loan to or on behalf of Developer, and notwithstanding the obligation of Developer to indemnify City pursuant to Section 304 herein or any other obligations of Developer pursuant to this Agreement, Developer shall, at its sole cost and expense, promptly take all actions required by any federal, state or local governmental agency or political subdivision or any Environmental Laws with respect to the Properties, which actions, requirements or necessity arise from the presence upon, about or beneath the Properties of any Hazardous Materials or Hazardous Materials Contamination in violation of Environmental Laws regardless of when such Hazardous Materials or Hazardous Materials

Contamination were introduced to the Properties and regardless of who is responsible for introducing such Hazardous Materials or Hazardous Materials Contamination to the Properties, or portion thereof ("Remediation"). Remediation shall include, but not be limited to, an initial investigation of the environmental condition of the Properties, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, abatement, removal, or restoration work required. Developer shall take all actions necessary to restore promptly the Properties to an environmentally sound condition for uses, ownership, and occupancy contemplated by this Agreement, notwithstanding any lesser standard of remediation allowable under applicable Environmental Laws. Developer's obligations under this Section 303 shall survive the issuance of the Release of Construction Covenants.

304. Environmental Indemnification. Developer shall save, protect, pay for, defend (with counsel acceptable to City), indemnify and hold harmless the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (for purposes of this Section 300, *et seq.*, the foregoing shall be collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the Indemnitees by reason of, resulting from, in connection with, or arising in any manner whatsoever as a direct or indirect result of (i) the ownership or operation of all or any part of the Properties, (ii) any act or omission on the part of Developer, or its agents, employees, representatives, agents, contractors, occupants, or invitees, (iii) the presence on, under, or about, or the escape, seepage, leakage, spillage, discharge, emission or release from the Properties of any Hazardous Materials or Hazardous Materials Contamination in violation of Environmental Laws, (iv) the environmental condition of the Properties, and (v) any Liabilities incurred under any Environmental Laws relating to Hazardous Materials. Developer's obligations hereunder shall survive this Agreement and the issuance of the Release of Construction Covenants, and shall be and remain covenants running with the land for the full 55-year term of the Regulatory Agreement, binding on all successors and assigns of Developer's interest in either this Agreement or any part of the Properties. Developer may assign its obligations hereunder to an approved or permitted successor or assignee of Developer's interest in this Agreement or the Properties for those events or conditions related to the requirements in this Section that may occur subsequent to Developer's conveyance to such successor or assign, provided that Developer shall remain liable for all of its obligations hereunder to the extent related to events occurring prior to such assignment. Notwithstanding the foregoing, Developer shall not have any obligation to indemnify, defend or hold harmless the Indemnitees where the Liabilities have arisen as a result of the negligence or willful misconduct of any of the Indemnitees. At the request of Developer, City shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

305. Release of City by Developer. Developer hereby waives, releases and discharges forever City and its employees, officers, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with Developer's ownership, improvement and/or disposition of the Properties, any Hazardous Materials on the Properties, or the existence of Hazardous Materials Contamination in any state on the Properties, however they came to be located there.

305.1 Civil Code 1542 Release. Developer acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code that provides as follows:

> **"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."**

As such relates to this Section, Developer hereby waives and relinquishes all rights and benefits that it may have under Section 1542 of the California Civil Code.

Developer Initials: _____

Notwithstanding the foregoing, the releases provided under Sections 305 and 305.1 shall not be effective in the event the presence or release of Hazardous Materials on the Properties occurs as a result of the negligence or willful misconduct of any of the Indemnitees.

306. Duty to Prevent Hazardous Material Contamination. Upon the execution of this Agreement and after the Closing, Developer shall take such actions as necessary or prudent to prevent the release of any Hazardous Materials into the environment in, on, under, or about the Properties in violation of Environmental Laws. Such precautions shall include reasonable means to prevent or discourage dumping or other releases of Hazardous Materials on the Properties in violation of Environmental Laws by third parties and trespassers, including without limitation the erection of a fence surrounding the Properties, if warranted. In the event any Remediation is required on the Properties prior to the disbursement of any portion of the City Loan, such Remediation shall be conducted in accordance with this Section.

During the Rehabilitation of the Properties, Developer shall take all necessary precautions to prevent the release of any Hazardous Materials (with particular regard to any asbestos, or asbestos-containing materials, or lead-based paint or other lead containing products which are regulated by the HOME Program) into the environment or onto or under the Properties in violation of Environmental Laws. Such precautions shall include compliance with all Environmental Laws with respect to Hazardous Materials. In addition, Developer shall install and utilize such equipment and implement and adhere to such procedures as are consistent with applicable Environmental Laws and then-prevailing industry standards as respects the disclosure, storage, use, abatement, removal and disposal of Hazardous Materials.

307. Environmental Inquiries. Developer shall notify City, and provide to City a copy or copies, of the following environmental permits, disclosures, applications, entitlements or inquiries relating to the Properties: notices of violation, notices to comply, citations, inquiries, clean up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and Developer shall report to City, as soon as possible after each incident, all material information relating to or arising from such incident, including but not limited to, the following:

(a) All required reports of releases of Hazardous Materials, including notices of any release of Hazardous Materials as required by any Governmental Requirement;

(b) All notices of suspension of any permits;

(c) All notices of violation from Federal, State or local environmental authorities;

(d) All orders under the State Hazardous Waste Control Act and the State Hazardous Substance Account Act and corresponding federal statutes, concerning investigation, compliance schedules, clean up, or other remedial actions;

(e) All orders under the Porter Cologne Act, including corrective action orders, cease and desist orders, and clean up and abatement orders;

(f) Any notices of violation from OSHA or Cal OSHA concerning employees' exposure to Hazardous Materials;

(g) All complaints and other pleadings filed against Developer and/or City relating to Developer's storage, use, transportation, handling or disposal of Hazardous Materials on the Properties; and

(h) Any and all other notices, citations, inquiries, orders, filings or any other reports containing information which would have a material adverse effect on the City Loan, the Properties or City's liability or obligations.

In the event of a release of any Hazardous Materials into the environment, Developer shall, as soon as possible after the release, furnish to City a copy of any and all reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of City, Developer shall furnish to City a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Properties including, but not limited to, all permit applications, permits and reports including, without limitation, those reports and other matters which may be characterized as confidential.

308. Definitions. For the purposes of this Section 300, *et seq.*, the following terms shall have the meanings herein specified:

(a) As used in this Agreement, the term "**Hazardous Material**" or "**Hazardous Materials**" shall mean and include any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a "hazardous waste," "acutely hazardous waste," "restricted hazardous waste," or "extremely hazardous waste" under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos and/or asbestos containing materials; (vii) lead-based paint or any lead based or lead products; (viii) polychlorinated biphenyls, (ix) designated as a "hazardous

substance" pursuant to Section 311 of the Clean Water Act (33 U.S.C. Section 1317), (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, *et seq.* (42 U.S.C. Section 6903), (xi) Methyl tert-Butyl Ether; (xii) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. Section 9601 *et seq.* (42 U.S.C. Section 9601); (xiii) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any "Environmental Laws" (as defined in Paragraph (c) of this Section 308) either requires special handling in its use, transportation, generation, collection, storage, handling, treatment or disposal, or is defined as "hazardous" or harmful to the environment; and/or (xiv) lead based paint pursuant to and defined in the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821–4846, and the implementing regulations thereto. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, rehabilitation, management, operation and residence of residential developments or associated buildings and grounds, or typically used in residential activities in a manner typical of other comparable residential developments, or substances commonly ingested by a significant population living within the Project, including without limitation alcohol, aspirin, tobacco and saccharine.

(b) The term "**Hazardous Materials Contamination**" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Properties by Hazardous Materials, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on, in or of any other property as a result of Hazardous Materials at any time (whether before or after the date of this Agreement) emanating from the Properties.

(c) The term "**Environmental Laws**" as used in this Agreement shall mean all laws, ordinances and regulations relating to Hazardous Materials, including, without limitation: the Clean Air Act, as amended, 42 U.S.C. Section 7401, *et seq.*; the Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, *et seq.*; the Resource Conservation and Recovery Act of 1976, as amended, 42 U.S.C. Section 6901, *et seq.*; the Comprehensive Environment Response, Compensation and Liability Act of 1980, as amended (including the Superfund Amendments and Reauthorization Act of 1986), 42 U.S.C. Section 9601, *et seq.*; the Toxic Substances Control Act, as amended, 15 U.S.C. Section 2601, *et seq.*; the Occupational Safety and Health Act, as amended, 29 U.S.C. Section 651, *et seq.*, the Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. Section 11001, *et seq.*; the Mine Safety and Health Act of 1977, as amended, 30 U.S.C. Section 801, *et seq.*; the Safe Drinking Water Act, as amended, 42 U.S.C. Section 300f, *et seq.*; all comparable state and local laws, laws of other jurisdictions or orders and regulations; and all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the city, or any other political subdivision in which the Properties are located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, or the Properties.

(d) The term "**Environmental Claim**" shall mean (i) any judicial or administrative enforcement actions, proceedings, claims, orders (including consent orders and decrees), directives, notices (including notices of inspection, notices of abatement, notices of non-compliance or violation and notices to comply), requests for information or investigation instituted or threatened by any governmental authority pursuant to any Governmental Requirement; or, (ii) any suits, arbitrations, legal proceedings, actions or claims instituted, made or threatened that relate to any damage, contribution, cost recovery, compensation, loss or injury resulting from the

release or threatened release (whether sudden or non-sudden or accidental or non-accidental) of, or exposure to, any Hazardous Materials, or the violation or alleged violation of any Governmental Requirement, or the general, manufacture, use, storage, transportation, treatment, or disposal of Hazardous Materials.

400. LOAN DISBURSEMENT; CONDITIONS PRECEDENT.

401. Conditions Precedent to Initial Disbursement of City Loan Proceeds and Close of Escrow. The initial disbursement of the City Loan proceeds shall be deposited by City into Escrow on behalf of Developer to assist in the acquisition of the Properties, but City's obligation to commence such initial disbursement of the City Loan proceeds is subject to the fulfillment by Developer or waiver by City of each and all of the Conditions Precedent described in this Section 401, which are solely for the benefit of City, and each of which, if it requires action by Developer, shall also be a covenant of Developer, and any of which may be waived by the City Manager in his sole and absolute discretion.

401.1 Outside Closing Date. The close of Escrow for the acquisition of the Properties and the initial disbursement of the City Loan shall have occurred on or before the Outside Closing Date and as set forth in the Schedule of Performance, unless modified in writing by City and Developer.

401.2 Project Documents. Not later than one (1) day prior to the date set for the close of Escrow for Developer's acquisition of the Properties and initial disbursement of the proceeds of the City Loan, Developer shall have executed and delivered to the Escrow Holder, in recordable form where required: (i) City Loan Note, (ii) City Loan Deed of Trust, (iii) Security Agreement and Financing Statement, (iv) Regulatory Agreement, and (v) Memorandum of Agreement, and any other Project Documents required hereunder in connection with the City Loan and the acquisition and Rehabilitation of the Properties by Developer.

401.3 Final Budget. Developer shall have submitted to City for its approval an updated and final pro forma and detailed Final Budget for the acquisition, Rehabilitation and operation of the Project (consistent with the Scope of Rehabilitation) as required by Section 207.2(a), and City Manager shall have approved the Final Budget in his reasonable discretion. The use of City Loan proceeds shall be consistent with the approved Final Budget.

401.4 Lease/Rental Agreement. Developer shall have submitted to City, and City shall have approved the standard form lease/rental agreement in conformance with the Regulatory Agreement (Attachment No. 11) for rental of the Housing Units to eligible tenants in accordance with the terms of this Agreement. Developer shall include certain terms in the standard form lease/rental agreement which clearly describe the requirements of qualification and rental to 50% AMI Very Low Income Households and 60% AMI Low Income Households, including without limitation: (i) the obligation to provide complete and timely income verifications, as and when reasonably requested by Developer and/or City and/or City, but not less frequently than prior to initial occupancy and then annually during the term of tenancy, (ii) a description of the Affordable Rent for 50% AMI Very Low Income Households and 60% AMI Low Income Households, as applicable, (iv) the rules and regulations for use, occupancy, and quiet enjoyment of the Housing Units and the Properties, (v) tenant protections relating to notices, eviction, and such other matters as required by the HOME Program, and (vi) such other terms as Developer and/or City and/or City deem reasonably necessary. Further, Developer shall prepare or cause to be prepared and shall

provide to City copies of the written notice(s) (in a form reasonably satisfactory to the City Manager and in language(s) comprehensible to the existing occupants of the Properties) to be provided to all of the occupants of the Properties immediately after the close of the Escrow advising them of: (i) Developer's acquisition of the Properties, (ii) the new Rent which will be charged by Developer to the tenants in compliance with this Agreement, (iii) the obligation to enter into a rental agreement with the current tenants of the Housing Units (only those to be temporarily displaced and who will move back into the Properties after the Rehabilitation but not current tenants that will be permanently displaced and relocated), and (iv) a tentative schedule for the commencement and completion of the Rehabilitation, and the necessity and timing for temporary and/or permanent displacement, as applicable, of such occupants (as more fully described in Section 401.13). In the event Developer desires to use a different form lease/rental agreement for the HOME Units than for the remaining non-HOME Units, Developer shall submit both proposed form lease/rental agreements to City for approval of each such document.

401.5 Evidence of Financing. Developer shall have provided written proof reasonably acceptable to City that Developer has obtained a commitment for equity contributions, affordable housing subsidies and loans, subject to customary conditions, for construction and permanent financing of the Project, and City shall have reasonably approved such financing commitments pursuant to Section 207.3. In this regard, Developer shall have obtained, and City shall have approved, a commitment for equity contributions, a reservation of Tax Credits, the California Public Finance Authority shall be ready to issue the Bonds, JLL/Fannie Mae shall be ready to disburse the Primary Loan, Developer's Limited Partnership Agreement shall be executed and released and any other affordable housing subsidies and/or loans shall be ready to fund, all in form and substance acceptable to Developer, all subject to customary conditions, and City shall have reasonably approved such financing hereunder. The Bonds and Primary Loan financing for Sycamore Court shall be ready to close concurrently with the Closing for implementation of the Project.

(a) Certificate of Limited Partnership; Partnership Agreement. In addition as a part of the evidence of financing, a Partnership Agreement in form and content reasonably acceptable to City (and City's legal counsel and economic advisor) in accordance with this Agreement shall have been executed and a Certificate of Limited Partnership shall have been filed with the California Secretary of State, under which Developer's limited partners are committed (subject to conditions set forth in the Partnership Agreement) to make equity contributions in an amount which together with the proceeds of the Primary Loan, Tax Credit Equity, City Loan, and any additional affordable housing subsidies and loans, is sufficient to finance the Project. In addition, Developer shall have certified in writing to City that the City Loan, together with the Primary Loan, Tax Credit Equity, affordable housing subsidies and required equity contributions, are together projected to be sufficient to pay for the acquisition and Rehabilitation of the Properties through completion of the Project.

401.6 Insurance. City shall have received evidence, satisfactory to City Manager or a City risk management designee(s), that all of the insurance policies, certificates, and endorsements required by this Agreement have been duly submitted, reviewed and approved and such insurance policies, certificates and endorsements are and remain in full force and effect.

401.7 Title to Properties. Developer shall, as of the close of Escrow, have good and marketable fee simple title to the Properties and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than the financing

approved by City pursuant to Sections 401.5 and 207.3 and liens for current real property taxes and assessments not yet due and payable, and any other matters approved in writing by the City. City shall have no obligation to make the City Loan to Developer unless and until title to the Properties conforms to this Section 401.7 and is reasonably acceptable to City.

(a) Preliminary Report. Within five (5) days of the Date of Agreement, Developer shall submit to City a true copy of an up to date (not older than thirty (30) days) preliminary report issued by the Title Company and shall include and attach thereto legible copies of back-up documents for each of the title exceptions set forth in said preliminary report. Developer acknowledges that City must be reasonably satisfied concerning the exceptions to title. All monetary encumbrances and exceptions to title are hereby objected to by City, and Developer is on notice to cause the title company to remove such monetary exceptions (other than liens for current real property taxes and assessments not yet due and payable.)

(b) Condition of Title; Pre-approved Exceptions. City shall be reasonably satisfied that upon the close of Escrow Developer shall have good and marketable fee title to the Properties and there will exist thereon or with respect thereto no mortgage, lien, pledge, encroachment, exception, or other encumbrance of any character whatsoever, EXCEPT the following:

(i) liens for current real property taxes and assessments not yet due and payable;

(ii) the deed of trust for the Primary Loan approved by City, subject to City's right to review and approve such document;

(iii) the tax-exempt Bond regulatory agreement, subject to the City's right to review and approve such document;

(iv) the Tax Credit Regulatory Agreement, subject to City's right to review and approve such document;

(v) subordination agreement(s), subject to City's right to review and approve such document(s);

(vi) any other matters approved in writing by City.

401.8 Title Insurance. City shall have received (or Title Company shall be ready to issue) one or more 2006 ALTA lender's policies of title insurance excluding any survey, creditor's rights or arbitration exceptions, or one or more pro forma policies and evidence of a commitment therefor, reasonably satisfactory to City Manager ("City Title Policy") relating to the City Loan. Such City Title Policy shall have a liability limit of not less than the full amount of the City Loan and shall insure City's interest under the City Loan Deed of Trust as a valid lien or charge upon the Properties with the priority required by this Agreement. The City Title Policy shall include mechanics' lien coverage and such other endorsements as City may reasonably require, and except as provided above in Section 401.7, the City Title Policy shall contain only such exceptions from coverage as shall have been approved in writing by City Manager.

401.9 Recordation. At the close of Escrow, the Escrow Holder shall be prepared to record the Memorandum of Agreement, the City Loan Deed of Trust, the Regulatory Agreement, the Request for Notice, and any other documents required to be recorded against the Properties pursuant to the terms of this Agreement and the Project Documents.

401.10 Environmental Compliance. All Governmental Requirements including all Environmental Laws applicable to the Project, including without limitation, the National Environmental Policy Act of 1969, Public Law 91-190 as amended, 42 U.S.C. Sections 4321–4347, and §§92.352, 92.355 of the HOME Regulations, shall have been satisfied if and to the extent such satisfaction is required prior to disbursement of City Loan proceeds. City shall have conducted its environmental review in accordance with 24 CFR Part 58 before any HOME funds are released to Developer. In all events, City's obligation to make any disbursement of the City Loan is expressly conditioned upon the satisfactory completion of environmental review and the City's receipt of a release of federal funds from HUD. Accordingly:

(a) Notwithstanding any provision of this Agreement (or any Implementation Agreements), the parties hereto agree and acknowledge that this Agreement does not constitute a commitment of federal funds, and that such commitment of funds may occur only upon satisfactory completion of environmental review and receipt by City of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part 58. The parties further agree that the provision of any federal funds to the Project is conditioned on City's determination to proceed with, modify or cancel the City Loan based on the results of a subsequent environmental review.

(b) The parties hereto are further prohibited from undertaking or committing any federal funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance; the parties understand that the violation of this provision may result in the denial of any federal funds under this Agreement.

401.11 Environmental Condition. The environmental condition of the Properties shall be reasonably acceptable to City, as determined by City Manager and City legal counsel in their reasonable discretion.

401.12 Appraisals; Approval of Purchase Price. Developer shall have submitted to City a true and correct copy of each complete appraisal(s) obtained regarding the fair market value of the Properties.

401.13 Relocation. City shall be reasonably satisfied that the Relocation will be conducted in compliance with all applicable Relocation Laws, the relocation plan approved for the Project (including Developer's update thereof if required by the Relocation Laws), and this Agreement, and Developer and the Project shall be in compliance with all Relocation obligations pursuant to this Agreement, the relocation plan approved for the Project, and the Relocation Laws.

401.14 Management Plan; Property Manager. Developer shall have submitted to City, and City shall have approved, the Management Plan for the Project. Developer shall identify the Property Manager and provide relevant background information and evidence of its experience as a professional property manager for high quality affordable residential projects in Orange County comparable to the Project, as required by Section 1209.1.

401.15 Approval of Rehabilitation Plans. City shall have approved the Rehabilitation Plans for the Project prepared and submitted by Developer as being in substantial conformity with the Scope of Rehabilitation, Attachment No. 5, this Agreement, and the Garden Grove Municipal Code, all pursuant to the City's standard procedures and as set forth in more detail in Section 801. In addition, Developer shall have submitted to City detailed information regarding its methodology for the abatement of asbestos, lead based paint, and other required Hazardous Materials remediation at the Properties, if any, and such methodology shall be reasonably satisfactory to City.

401.16 Pre-Construction Meeting with City Representatives. Developer shall have attended pre-construction meeting(s) or conference(s) among City staff, Mariman & Co. and representatives of each and all subcontractors with contracts of $200,000 or more and relating to the commencement of the Rehabilitation, compliance with the Section 3 Clause (as required and hereinbefore described), and other issues related to undertaking and completing the Improvements in conformity with this Agreement and all applicable local, state, and federal laws.

401.17 Building Permits. Developer shall have delivered to City a list of all Building Permits to be obtained, if any, and Developer shall have received all of such Building Permits or shall be eligible to receive such Building Permits subject only to payment (or waiver) of the fees required to obtain such Building Permits for the full Rehabilitation.

(a) Developer acknowledges and agrees that the Rehabilitation Plans shall be subject to the City's normal development services, planning, and building review process.

(b) To the extent any decision relating to such permits is a discretionary decision of the City or any of its commission(s), administrator(s), or employee(s), then this Agreement in no respect does, or shall be construed to, pre-approve any discretionary decision relating to any Building Permit or other approval necessary to commence and complete the Rehabilitation of the Properties.

401.18 Escrow, Title and Closing Expenses. Developer shall have paid, or caused the payment of, all costs, fees, and expenses of the Escrow (other than City's deposit of that portion of the City Loan Proceeds constituting the first disbursement thereof), including all costs or fees in connection with the acquisition of the Properties, Escrow fees, title insurance costs, documentary transfer taxes, or recording fees.

401.19 Corporate Resolution. Developer shall deliver to City certified copies of Developer Resolutions of Developer's board of directors specifically authorizing (or ratifying) the execution of this Agreement, the City Loan Note, the City Loan Deed of Trust, the Security Agreement, the Regulatory Agreement, and all implementing Project Documents and identifying the individual(s) with authority to enter into non-material implementation agreements and/or amendments to this Agreement and make ongoing decisions relating to the acquisition, Rehabilitation, and operation of the Project.

401.20 No Material Adverse Change. Developer hereby represents and warrants, as of the date of this Agreement, that all documents, materials and information provided by Developer to City relating to Developer's qualifications, financial strength, and ability to perform its obligations hereunder are true, correct and complete in all material respects as of their respective dates and no Material Adverse Change has occurred or is reasonably likely to occur that would make

any such documents, materials or information incorrect, incomplete, or misleading in any material respect.

(a) Developer shall, upon learning of any fact or condition which would cause any of the warranties and representations in this Section 401.20 not to be true in all material respects as of Closing, immediately give written notice of such fact or condition to the City. Such exception(s) to a representation shall not be deemed a Default by the Developer hereunder, but shall constitute an exception which the City shall have a right to approve or disapprove if City, in its sole discretion, determines that such exception would have an effect on the value of the Project or Developer's ability to perform Developer's obligations under this Agreement. If City, acting in its sole discretion, elects to close the Escrow following disclosure of such information, Developer's representations and warranties contained in this subsection shall be deemed to have been made as of the Closing, subject to such exception(s). If, following the disclosure of such information, City elects, acting in its sole discretion, to not close the Escrow, then City shall give notice to the Developer of such election within ten (10) days after disclosure of such information and this Agreement and the Escrow shall thereafter automatically terminate and neither party shall have any further rights, obligations or liabilities hereunder.

401.21 Representations and Warranties. The representations and warranties of Developer contained in this Agreement shall be correct in all material respects as of the initial disbursement of the City Loan as though made on and as of those dates, and City Manager shall have received a certificate to that effect signed by an officer of Developer.

401.22 No Default. No Event of Default by Developer shall have occurred, and no event shall have occurred which, with the giving of notice or the passage of time or both, would constitute an Event of Default by Developer, and City Manager shall have received a certificate to that effect signed by an officer of Developer.

All Conditions Precedent set forth in this Section 401, *et seq.*, to the initial disbursement of the City Loan and close of the Escrow for Developer's acquisition of the Properties, or to City's obligations hereunder, are for City's benefit only and the City Manager may waive all or any part of such rights by written notice to Developer. If City Manager shall, within the applicable periods set forth herein, disapprove of any of the items which are subject to City's approval (and such items are not cured by Developer within applicable time frames), or if any of the conditions set forth in this Agreement are not met within the times called for, City may thereafter terminate this Agreement without any further liability on the part of City by giving written notice of termination to Developer. Escrow Holder shall thereupon, without further consent from Developer, return to each party the documents and funds deposited by them as to the Properties.

402. Additional Conditions Precedent for Post-Closing Disbursements for Rehabilitation. After the close of Escrow and after meeting all Conditions Precedent to the commencement of the Rehabilitation, the remaining City Loan proceeds and City's obligation to make each and every additional disbursement of the remaining City Loan proceeds for the Rehabilitation are subject to Developer's compliance with the Disbursement Procedures, Attachment No. 17, and Developer's fulfillment or waiver by City of each and all of the following Conditions Precedent described below:

402.1 Application for Payment. Developer shall have submitted a written request for payment to City in the form of the "Application for Disbursement" attached to the Disbursement

Procedures at least seven (7) business days prior to the requested disbursement. The Application for Disbursement shall be completed and certified to be accurate by an authorized representative of Developer. The Application for Disbursement shall specifically identify the nature of each expense for which City Loan proceeds are being requested, by reference to items in the approved Final Budget, and shall identify the percentage of the Rehabilitation that has been completed as of the date of the Application for Disbursement. Each Application for Disbursement shall be accompanied by invoices, as applicable, from and each and all of its contractors and subcontractors, and any other requested information and documents, and lien releases from each and all of its contractors and subcontractors, and/or mechanic's lien title endorsements reasonably acceptable to City.

402.2 Inspection of Work. City or its agent(s) shall have inspected the Rehabilitation work for which the Application for Disbursement is being requested and shall have determined, within seven (7) business days of receipt of a complete Application for Disbursement that (a) such Rehabilitation work has been completed substantially in accordance with this Agreement, the Scope of Rehabilitation, Attachment No. 5, and the approved Rehabilitation Plans, (b) the amount requested for each line item corresponds to the percentage of work completed for such item, (c) there are adequate funds remaining from the City Loan proceeds and other approved funding sources to complete the Rehabilitation and pay all remaining unpaid Costs of Rehabilitation and other Project costs, (d) the Rehabilitation work for which payment is being requested has been completed in a good and workmanlike manner in accordance with the standards of the construction industry, and (e) the expenses are in accordance with the approved Final Budget, as amended with the City's prior approval.

402.3 Relocation. City shall be reasonably satisfied that the Relocation has been and will continue to be conducted in compliance with all applicable Relocation Laws, the relocation plan approved for the Project, and this Agreement, and Developer and the Project shall be in compliance with all Relocation obligations pursuant to this Agreement, the relocation plan approved for the Project, and the Relocation Laws.

402.4 Lien Waivers. If requested by City, City shall have received appropriate conditional (conditioned solely on payment) waivers of mechanics' and materialmen's lien rights and stop notice rights executed by all contractors and other persons rendering services or delivering materials covered by requests made in the Application for Disbursement. City Loan proceeds used for hard Costs of Rehabilitation may, in the City Manager's sole and exclusive discretion, be subject to a retention of ten percent (10%), with retained proceeds to be released thirty-five (35) days after lien-free completion of the Rehabilitation and recordation of the Notice of Completion for the Project (except to the extent City has approved lesser retention or different timing for release of retention with respect to certain trades or line items).

402.5 Final Disbursement of City Loan. Notwithstanding Developer's compliance with all other Conditions Precedent set forth in this Section 403, *et seq.*, City shall not make the Final Disbursement of City Loan Proceeds in the amount of Eighty-Four Thousand Dollars ($84,000) until City's Building Official issues the final certificate of occupancy and City issues the Release of Construction Covenants for the Project.

500. INTENTIONALLY OMITTED.

600. RELOCATION.

601. Relocation Survey. Within sixty (60) days of the Date of Agreement, Developer shall use commercially reasonable efforts to cause a tenant survey to be completed by each tenant household currently residing in the Properties and shall obtain such other information as reasonably required by City and any Relocation Consultant retained by City, as necessary to evaluate the Relocation obligations under the Relocation Laws with respect to Developer's acquisition and Rehabilitation of the Properties.

602. Notice to Existing Tenants. Within thirty (30) days of the Date of Agreement, City and Developer shall cooperate in sending notices to the existing tenants of the Properties (a) notifying such persons of Developer's duty to complete the Project at the Properties within the time frame set forth in the Schedule of Performance, (b) notifying the tenants that they will be entitled to continue to lease their existing units as long as they continue to meet the income and household requirements under this Agreement, pay rent timely and meet other terms of tenancy, and (c) notifying the tenants that if they are required to relocate temporarily or permanently from their Housing Units they may be or become eligible for certain Relocation assistance and benefits. The form of each and all of such notice(s) shall be submitted to, reviewed by, and approved by City Manager (or his designee) prior to delivery and/or mailing to existing tenants. Each tenant household occupying any Housing Unit at the Properties shall be fully advised of all rights, if any, for Relocation assistance and benefits under applicable Relocation Laws.

603. Developer Responsible for All Costs of Relocation. In the event of temporary (or permanent) displacement of existing tenants at the Properties as a direct result of the implementation of this Agreement, Developer shall be fully responsible for administering determinations of eligibility, extent of advisory assistance, and amount of benefits payments pursuant to the applicable Relocation Laws, subject to review by City Manager. Developer shall cause to be provided and shall pay any and all Relocation assistance and benefits in accordance with Relocation Laws and in a manner and in amounts expressly approved by City Manager to each tenant household eligible and required to temporarily (or permanently) vacate a Housing Unit within the Properties for purposes of completing the Project or otherwise in implementation of this Agreement. City Manager's approval rights in the preceding sentence shall be limited solely to determining compliance with Relocation Laws. All costs of Relocation (including costs of Relocation consultants and attorneys' fees incurred in connection therewith, but not including any charge for City in-house staff time) shall be entirely paid by Developer using Developer's own funds, Primary Loan proceeds, or other moneys available to Developer or the Project. City Loan proceeds are expressly prohibited from being used to pay costs of Relocation. Developer is and shall remain solely responsible to pay all out-of-pocket costs for direct payments to eligible person(s) and household(s) for Relocation assistance and benefits due and paid and for any other costs incurred related to Relocation, including a Relocation Consultant, and any and all costs or fees incurred pursuant to Section 603.1 below.

603.1 Indemnification by Developer Relating to Relocation. Developer hereby covenants and agrees to indemnify, save, protect, hold harmless, pay for, and defend the Indemnitees from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including without limitation penalties, fines, and monetary sanctions), losses, costs, or expenses, including without limitation consultants' and attorneys' fees, or relocation benefits claimed or payable under the Relocation Laws (for purposes of this Section 603.1, the foregoing shall be referred to as

"Liabilities") which may now or in the future be incurred or suffered by Indemnitees by reason of, or resulting from, in full or in part, or in any respect whatsoever from the Relocation of residents of the Properties pursuant to or resulting from the implementation of this Agreement. At the request of Developer, City shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

(a) Developer, on behalf of itself and its Affiliates, and any and all successors and assigns hereby fully and finally releases the Indemnitees from any and all manner of actions, causes of action, suits, obligations, liabilities, judgments, executions, debts, claims and demands of every kind and nature whatsoever, known and unknown, which Developer and any of its affiliates, successors or assigns may now have or hereafter obtain against the Indemnitees by reason of, arising out of, relating to, or resulting from in full or in part, the election of Developer to proceed with the Project pursuant to this Agreement except to the extent arising out of the negligence or willful misconduct of any of the Indemnitees or a breach by City of any representation, warranty or covenant contained in this Agreement or any of the other Project Documents (collectively, "Claims"), which release shall include but not be limited to any Claims for Relocation assistance or benefits under federal, state, local, or any other applicable laws or Governmental Requirements. The parties agree that, with respect to the release of Claims as set forth above, all rights under Section 1542 of the California Civil Code and any similar law of any state or territory of the United States are expressly waived. Section 1542 reads as follows:

> **"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."**
>
> **Developer Initials:** _____

604. Completion of the Rehabilitation. Subject to force majeure delay, Developer shall complete the Rehabilitation by December 31, 2107. The Rehabilitation will be completed in phases such that tenants at not more than ten (10) Housing Units shall be temporarily displaced at any one time; the Rehabilitation work at each Housing Unit is not expected to exceed thirty (30) days. Developer shall complete the Rehabilitation of the Project not later than the Outside Completion Date and as set forth in the Schedule of Performance, unless extended by agreement of City and Developer.

700. DEVELOPER'S GENERAL REPRESENTATIONS AND WARRANTIES.

701. Developer Representations and Warranties. As a material inducement to City to enter into this Agreement, Developer represents and warrants to City:

701.1 Formation, Qualification and Compliance.

(a) Developer's managing general partner, AOF Sycamore Court, LLC, is a limited liability company, and its parent company (AOF/Golden State Community Development

Corp.) is a California nonprofit corporation and a federal community housing development corporation. Developer's managing general partner is experienced in development and operation of affordable housing projects.

(b) Developer's co-general partner, SC-MCO, LLC, is a limited liability company and its parent company, Mariman & Co., is a California corporation and experienced in development and operation of affordable housing projects.

(c) Developer has all required authority to conduct its business and acquire, own, purchase, improve and sell its property.

(d) To the best of Developer's knowledge, Developer is in compliance in all material respects with all laws applicable to its business and has obtained all approvals, licenses, exemptions and other authorizations from, and has accomplished all filings, registrations and qualifications with any governmental agency that are necessary for the transaction of its business;

(e) Developer has and will in the future duly authorize, execute and deliver this Agreement and any and all other agreements and documents required to be executed and delivered by Developer in order to carry out, give effect to, and consummate the transactions contemplated by this Agreement;

(f) To the best of Developer's knowledge, Developer does not have any material contingent obligations or any material contractual agreements which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(g) There are no material pending or, so far as is known to Developer, threatened, legal proceedings to which Developer is or may be made a party or to which any of its property is or may become subject, which have not been fully disclosed in the material submitted to City which could materially adversely affect the ability of Developer to carry out its obligations hereunder;

(h) There is no action or proceeding pending or, to Developer's best knowledge, threatened, looking toward the dissolution or liquidation of Developer and there is no action or proceeding pending or, to Developer's best knowledge, threatened by or against Developer which could affect the validity and enforceability of the terms of this Agreement, or materially and adversely affect the ability of Developer to carry out its obligations hereunder.

Each of the foregoing items (a) to (h), inclusive in this Section 701.1, shall be deemed to be an ongoing representation and warranty until the Closing. Developer shall advise City in writing if there is any change pertaining to any matters set forth or referenced in the foregoing items (a) to (h), inclusive. After the Closing and during the term of and under the provisions of the Regulatory Agreement recorded against title to the Properties at Closing, Developer has an affirmative ongoing obligation to promptly (but in no event later than thirty (30) days) inform City in the event any of the foregoing representations and warranties therein become(s) materially untrue.

701.2 Execution and Performance of Project Documents. Developer has all required authority to execute and perform all obligations under the Project Documents. The execution and delivery by Developer of, and the performance by Developer of its obligations under, each Project Document have been authorized by all necessary action and do not and will not violate

any provision of, or require any consent or approval not heretofore obtained under, any articles of incorporation, by-laws or other governing document applicable to Developer.

701.3 Purchase Agreement between Seller and Developer. Mariman & Co., a California corporation, sole member of SC-MCO, LLC, a California limited liability company, Developer's co-general partner, has entered into a valid and binding Purchase and Sale Agreement and Escrow Instructions, dated as of September 26, 2016, to purchase the Properties, to its knowledge, such agreement is in full force and effect, and there are no defaults thereunder, and to its knowledge, no events have occurred which would become a default thereunder upon the giving of notice or the passage of time or both. As of the Date of Agreement Developer represents to City that under such purchase agreement, Developer has until June 30, 2017 to close Escrow and acquire the Properties.

701.4 Leveraging Review. Developer acknowledges that the Project will be funded from monies from the City's HOME Program funds as well as Project Based Section 8 assistance pursuant to the HAP Contract. In this regard, Developer acknowledges, represents, and warrants to City that Developer has no other reasonable means of private financing or commercial financing to cause and complete acquisition and Rehabilitation of the Properties operation of the Project as affordable housing.

800. REHABILITATION OF THE PROPERTY.

801. Rehabilitation Plans. Within the time set forth in the Schedule of Performance, Developer shall submit to City detailed specifications describing the Rehabilitation of the Properties (collectively, "Rehabilitation Plans") pursuant to the Project, which are in conformity with the Scope of Rehabilitation, Attachment No. 5.

801.1 Submittal of Rehabilitation Plans. Developer shall submit to City the Rehabilitation Plans which may be required by City with respect to permits and entitlements, if any, that are required to be obtained and with respect to evaluation of the quality, type, specifications, and materials for all of the Rehabilitation and any other Improvements to the Properties. Within thirty (30) days after City's disapproval or conditional approval of such plans, which approval shall be in City's sole and absolute discretion, Developer shall revise the portions of such plans identified by City as requiring revisions and resubmit the revised Rehabilitation Plans to City. City shall have all rights to review and approve or disapprove all Rehabilitation Plans and other required submittals in accordance with the Garden Grove Municipal Code, and nothing set forth in this Agreement shall be construed as City's approval of any or all of the Rehabilitation Plans. Any and all change orders or revisions required by the City and its inspectors which are required under the Municipal Code and all other applicable Uniform Codes (e.g. Building, Plumbing, Fire, Electrical, etc.) and under other applicable laws and regulations shall be included by Developer in its Rehabilitation Plans and other required submittals and shall be completed during the Rehabilitation of the Properties.

801.2 Approval of Rehabilitation Plans. Developer acknowledges and agrees that City is entitled to approve or disapprove the Rehabilitation Plans in order to satisfy City's obligation to promote the sound redevelopment of land and to provide an environment for the social, economic and psychological growth and well-being of the citizens of the City and all residents of the Project. Developer shall perform all Rehabilitation at the Properties in compliance with the approved Rehabilitation Plans.

802. Consultation and Coordination. During the preparation of the Rehabilitation Plans, City staff and authorized representatives of Developer shall hold joint progress meetings to coordinate the preparation and submission to City of the Rehabilitation Plans by Developer and City's review of the Rehabilitation Plans. City staff and authorized Developer representatives shall communicate and consult informally as frequently as is necessary to ensure that the formal submittal of any documents to City can receive prompt and thorough consideration. City shall designate a Community Development Department employee to serve as the project manager for this Project, and such project manager shall be responsible for the coordination of City's activities under this Agreement and for coordinating the land use approval and permitting process.

803. Revisions. If Developer desires to propose any substantial revisions to the approved Rehabilitation Plans, it shall submit such proposed changes to City, and shall also proceed in accordance with any and all state and local laws and regulations regarding such revisions, within the time frame set forth in the Schedule of Performance for the submittal of the Rehabilitation Plans. Any such change proposed in the approved Rehabilitation Plans may be disapproved by City through City Manager in his sole and reasonable discretion.

804. Defects in Plans. City shall not be responsible either to Developer or to any third parties in any way for any defects in the Rehabilitation Plans, or for any structural or other defects in any work done according to the approved Rehabilitation Plans, or for any delays reasonably caused by the review and approval processes established by this Section 800, *et seq.* Developer shall hold harmless, indemnify and defend the Indemnitees from and against any claims or suits for damages to property or injuries to persons (including death) arising out of or in any way relating to defects, latent or patent, in the Rehabilitation Plans, or the actual construction work or other Improvements comprising the Rehabilitation and the Project, including without limitation the violation of any laws, or arising out of or in any way relating to any defects in any work done and/or improvements completed according to the approved Rehabilitation Plans.

805. City and Other Governmental Permits. Before commencement of any portion of the Rehabilitation of the Properties, Developer shall secure any and all permits and land use entitlements which may be required by the City or any other governmental agency with jurisdiction over such construction of the applicable portion of the Rehabilitation, including without limitation applicable Building Permits. Developer shall pay all necessary fees for such portion of the Rehabilitation and timely submit to City such information as may be required by City to obtain the applicable Building Permits, and City staff will, without obligation to incur liability or expense therefor, use reasonable efforts to expedite City's issuance of the applicable Building Permits meeting the requirements of the Garden Grove Municipal Code, and all other applicable federal, state, and local laws, rules, and regulations.

806. Completion of Project. Not later than the Outside Completion Date and as set forth in the Schedule of Performance, Developer shall commence and diligently proceed through completion the Rehabilitation of the Project.

807. Release of Construction Covenants. Promptly after the completion of the Rehabilitation in conformity with this Agreement (as reasonably determined by the City Manager), upon the written request of Developer, City shall furnish Developer with a Release of Construction Covenants (substantially in the form attached hereto as Attachment No. 6) which evidences and determines the satisfactory completion of the Rehabilitation of the Properties in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants with respect to

the Properties shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, uses, occupancy, payment of monies, or any other obligations with respect to the Properties, the Project, or this Agreement or any covenants recorded in connection herewith, except for the obligation to complete the Rehabilitation of the Properties.

900. INSURANCE AND INDEMNIFICATION.

901. Developer Insurance Requirements. In addition to the separate and severable indemnification covenants and provisions provided by Developer to City hereinafter in this Section 900, *et seq.*, Developer shall provide insurance according to the requirements set forth below, except to the extent alternative coverages are approved in writing by City's Risk Manager, in his or her sole and absolute discretion. Developer shall maintain the following coverages on behalf of the Indemnitees for all claims, damages to property and injuries to persons, including death (including attorneys' fees and litigation costs), which may be caused by any of Developer's activities under this Agreement or related in any respect whatsoever to the Project, regardless of whether such activities or performance thereof be by Developer or anyone directly or indirectly employed or contracted with by Developer and regardless of whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer shall cause all requirements of this Section to be obtained and maintained until expiration of the Affordability Period.

901.1 Commencement of Work. Developer shall not commence work under this Agreement until all certificates and endorsements have been received and approved by City. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance.

901.2 Workers Compensation Insurance. For the duration of this Agreement, Developer and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. The insurer shall waive its rights of subrogation against City and its respective officers, agents, employees, and volunteers, and shall issue an endorsement to the policy evidencing the same.

901.3 Insurance Amounts. Developer shall maintain the following insurance until expiration of the Affordability Period:

(a) Commercial General Liability in an amount not less than $3,000,000 per occurrence and $4,000,000 general aggregate. Claims made and modified occurrence policies are not acceptable. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City.

(b) Automobile liability in an amount not less than $3,000,000 combined single limit. Claims made and modified occurrence policies are not acceptable. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City.

(c) [intentionally omitted]

(d) [intentionally omitted]

(e) [intentionally omitted]

(f) [intentionally omitted]

(g) An umbrella "Excess Liability Policy in an amount of $10,000,000.

(i) The Parties intend that the Excess Liability Policy is intended both for increased coverage amounts related to the Commercial General Liability coverage of (a) above and in the event any other underlying policies required hereunder do not meet contractual policy limits.

(h) [omitted due to duplication in (t) below]

(i) An Additional Insured Endorsement(s), commercial general liability policy, for the policy under Section 901.3(a), shall designate the City, and its respective officers, officials, agents, employees, and volunteers (together, "Indemnitees") as additional insureds for liability arising out of work or operations performed by or on behalf of the Developer. (Form CG 20 26 11 85 or equivalent).

(j) An Additional Insured Endorsement(s), automobile liability policy, automobile liability, for the policy under Section 901.3(b), shall designate the Indemnitees as additional insureds for automobiles owned, leased, hired, or borrowed, by or on behalf of Developer and mobile equipment, if any. (Form CA 20 48 02 99 or equivalent for the automobile liability policy, and the mobile equipment coverage by separate endorsement).

(k) [intentionally omitted]

(l) [intentionally omitted]

(m) [intentionally omitted]

(n) [intentionally omitted]

(o) An Additional Insured Endorsement(s) for the Excess Liability Policy required under Section 901.3(g) shall designate the Indemnitees as additional insureds for liability arising out of work or operations performed by or on behalf of the Developer.

(p) A Schedule of Underlying Policies for the Excess Liability Policy, for the policy under Section 901.3(g), including policy numbers for the excess liability policy and underlying policies.

(q) An Insurance Certificate, Excess Liability Policy, for the policy under Section 901.3(g), stating that the excess liability policy "Follows Form."

(r) [intentionally omitted]

(s) All carriers shall provide an endorsement for each respective policy giving the City of Garden Grove thirty (30) days advance written notice prior to any material change, cancellation, or termination.

(t) All insurance companies providing insurance policies required by this Agreement must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. For all insurance policies and endorsements required by this Agreement Developer shall provide to City proof of insurance and endorsement forms that conform to the requirements set forth herein.

901.4 Primary Insurance. For any claims related to this Agreement, Developer's insurance coverage shall be primary insurance as respects the Indemnitees. Any insurance or self-insurance maintained by Indemnitees shall be in excess of the Developer's insurance and shall not contribute with it.

901.5 General Conditions Pertaining to Provision of Insurance Coverage by Developer. Developer agrees to the following provisions regarding all insurance provided by Developer for the Project:

(a) Developer agrees to provide insurance in accordance with the requirements set forth herein. If Developer uses existing coverage to comply with these requirements and that coverage does not meet the requirements set forth herein, Developer agrees to amend, supplement or endorse the existing coverage to do so. In the event any policy of insurance required under this Agreement does not comply with these requirements or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Developer.

(b) The coverage required here will be renewed annually by Developer as long as Developer continues to provide any services under this or any other contract or agreement with City relating to the Properties or the Project during the Affordability Period.

(c) No liability insurance coverage provided to comply with this Agreement shall prohibit Developer, or Developer's employees, or agents, from waiving the right of subrogation prior to a loss. Developer waives its right of subrogation against City.

(d) The provisions of any workers' compensation or similar act will not limit the obligations of Developer under this Agreement. Developer is and shall at all times be considered an independent contractor, and expressly agrees not to use any statutory immunity defenses under such laws with respect to City and its employees, officials and agents.

(e) No liability policy shall contain any provision or definition that would serve to eliminate so-called "third party action over" claims, including any exclusion for bodily injury to an employee of the insured.

(f) All insurance coverage and limits provided by Developer and available or applicable to this Agreement are intended to apply to the full extent of the policies. Nothing contained in this Agreement or any other agreement relating to City or its operations limits the application of such insurance coverage.

(g) Any "self-insured retention" must be declared and approved by City. Self-funding, policy fronting or other mechanisms to avoid risk transfer are not acceptable. If Developer has such a program, Developer must fully disclose such program to City.

(h) Developer shall provide proof that policies of insurance required herein expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Proof that such coverage has been ordered shall be submitted prior to expiration. A coverage binder or letter from Developer's insurance agent to this effect is acceptable. A certificate of insurance and/or additional insured endorsement as required in these specifications applicable to the renewing or new coverage must be provided to City within five (5) days of the expiration of the coverages.

(i) Developer agrees to provide evidence of the insurance required herein, satisfactory to City Manager and the City's Risk Manager, consisting of: certificate(s) of insurance evidencing all of the coverages required and an additional insured endorsement to Developer's general liability policy using Insurance Services Office endorsement form No. CG 20 26 1185 or an equivalent additional insured endorsement form(s) presented to and reviewed and approved by the City's Risk Manager in his or her sole, reasonable discretion. Developer agrees, upon request by City Manager or City Risk Manager, to provide complete, certified copies of any policies required by this Section, within ten (10) days of such request. Any actual or alleged failure on the part of City or any other additional insured under these requirements to obtain proof of insurance required under this Agreement in no way waives any right or remedy of City or any additional insured, in this or any other regard. Future insurance requirements will remain the same as long as the loss experience remains insignificant.

(j) Certificate(s) must reflect that the insurer will provide thirty (30) days' notice to City of any cancellation of coverage. Developer agrees to require its insurer to modify such certificates to delete any exculpatory wording which denies an obligation of the insurer to provide such notice or which states that failure of the insurer to mail written notice of cancellation imposes no liability, or that any party will "endeavor" (as opposed to being required) to comply with the requirements of the certificate. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance. An endorsement shall be provided for each policy wherein each carrier will give the City thirty (30) days written notice in the event of any material change, cancellation or termination of the respective policy.

(k) Developer agrees to require all contractors, subcontractors, or other parties hired for this Project to provide workers' compensation, general liability and automobile liability insurance, unless otherwise agreed to by City with minimum liability limits of One Million Dollars ($1,000,000) per occurrence and Two Million Dollars ($2,000,000) general aggregate. The contractor's and subcontractor's general liability insurance shall add as additional insureds the Indemnitees using Insurance Services Office additional insured endorsement form No. CG 20 26 1185 or equivalent additional insured endorsement form(s) presented to and reviewed and approved by the City risk management department in its sole, reasonable discretion. Developer agrees to obtain certificates evidencing such coverage and make reasonable efforts to ensure that such coverage is provided as required here.

(l) Requirements of specific coverage features or limits contained in this Section are not intended as a limitation on coverage, limits or other requirements, or a waiver of any coverage normally provided by any insurance. Specific reference to a given coverage feature is for purposes of clarification only as it pertains to a given issue and is not intended by any party or insured to be all inclusive, or to the exclusion of other coverage, or a waiver of any type.

(m) Developer agrees to provide prompt notice to City Manager and City's Risk Manager of any claim or loss against Developer that includes City as a defendant and of any claim or loss arising out of the work performed under this Agreement in which the demand or probable ultimate cost exceeds $25,000. City assumes no obligation or liability by such notice, but City shall have the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve City.

(n) The insurance requirements set forth in this Section 901 are intended to be separate and distinct from any other provision in this Agreement and are intended to be interpreted as such.

(o) The requirements in this Section 901 supersede all other Sections and provisions of this Agreement to the extent that any other Section or provision conflicts with or impairs the provisions of this Section.

(p) For purposes of insurance coverage only, this Agreement will be deemed to have been executed as of the Date of Agreement.

(q) If any contractor and/or any subcontractor maintains higher insurance limits than the minimums shown above, contractor and subcontractor, as applicable, shall provide coverage for the higher insurance limits otherwise maintained by the contractor and/or subcontractor.

902. Knowledge of Claim. If at any time Developer becomes aware of a claim or a potential claim related to the Project in which the demand or probable ultimate cost exceeds $25,000, Developer shall promptly provide written notice ("Claim Notice") to City which sets forth the nature of the claim or potential claim and the date on which Developer became aware of such claim or potential claim and shall provide City with copies of any documents relating to such claim or potential claim.

903. Notice of Change in Coverage. If, at any time, Developer becomes aware that any of the coverages provided above are going to be canceled, limited in scope or coverage, terminated or non-renewed, then Developer shall promptly provide City with written notice ("Insurance Notice") of such cancellation, limitation, termination or non-renewal. Upon the receipt of the Insurance Notice or the Claim Notice, or at any time when City has knowledge of (i) the cancellation, limitation, termination or non-renewal of one or more of Developer's insurance policies enumerated above or (ii) a claim or potential claim under one or more of such policies in accordance with Section 902 above, then, in addition to its other rights and remedies pursuant to this Agreement, City shall have the right to suspend City's obligations under this Agreement until such time as Developer furnishes, or causes to be furnished to City, duplicate originals or appropriate certificates of insurance for coverages in the amount of not less than those specified above or until the time such claim or potential claim has been resolved to the reasonable satisfaction of City, whichever occurs first.

904. Waiver of Subrogation. Developer hereby waive all rights to recover against City or Garden Grove Housing Authority (or any officer, employee, agent or representative thereof) for any loss incurred by Developer from any cause insured against or required by any Project Document to be insured against; provided, however, that this waiver of subrogation shall not be effective with respect to any insurance policy if the coverage thereunder would be materially reduced or impaired as a result. Developer shall use their best efforts to obtain only policies that permit the foregoing waiver of subrogation.

905. Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. Subject to the provisions below and to the rights of the Lender and any replacement primary Lender, if the Project shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall promptly proceed to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence the repair or replacement of the Project improvements to substantially the same condition as the Project improvements existed immediately prior to the casualty, if and to the extent the insurance proceeds are available and sufficient to cover the actual cost of repair, replacement, or restoration, and Developer shall complete the same as soon as possible thereafter so that the Project improvements can be occupied in accordance with this Agreement. Subject to force majeure delays as set forth in Section 1505 herein, in no event shall the repair, replacement, or restoration period exceed two (2) years from the date Developer obtains insurance proceeds unless City Manager, in his reasonable discretion, approves a longer period of time. City shall cooperate with Developer, at no expense to City, in obtaining any governmental permits required for the repair, replacement, or restoration. If, however, the then-existing laws of any other governmental agencies with jurisdiction over the Properties do not permit the repair, replacement, or restoration, Developer may elect not to repair, replace, or restore the Project Improvements by giving notice to City (in which event Developer will be entitled to all insurance proceeds but Developer shall be required to remove all debris from the applicable portion of the Properties) or Developer may reconstruct such other improvements on the Properties as are consistent with applicable land use regulations and approved by the City and the other governmental agency or agencies with jurisdiction.

906. Damage or Destruction Due to Cause Not Required to be Covered by Insurance. If the Project Improvements are completely destroyed or substantially damaged by a casualty for which Developer is not required to (and has not) insured against, or if insurance proceeds are insufficient to rebuild, and subject to the rights of the Lender and any replacement primary Lender, then Developer shall not be required to repair, replace, or restore such improvements and may elect not to do so by providing City with written notice of election not to repair, replace, or restore within ninety (90) days after such substantial damage or destruction. In such event, Developer shall concurrently repay the full outstanding balance of the City Loan to City and this Agreement shall be automatically terminated. As used in this Section 906, "substantial damage" caused by a casualty not required to be (and not) covered by insurance shall mean damage or destruction which is ten percent (10%) or more of the replacement cost of the improvements comprising the Project Improvements.

907. Non Liability of City. Developer acknowledges and agrees that:

(a) The relationship between Developer and City is and shall remain solely that of borrower and lender, and by this Agreement or any Project Documents, City neither undertakes nor assumes any responsibility to review, inspect, supervise, approve (other than for aesthetics) or inform Developer of any matter in connection with the Project, including matters relating to: (i) the Scope of Rehabilitation, (ii) architects, contractors, subcontractors and materialmen, or the workmanship of or materials used by any of them, or (iii) the progress of the Rehabilitation of the Project and its conformity with the Scope of Rehabilitation; and Developer shall rely entirely on its own judgment with respect to such matters and acknowledges that any review, inspection, supervision, approval or information supplied to Developer by City in connection with such matters is solely for the protection of City and that neither Developer nor any third party is entitled to rely on it;

(b) Notwithstanding any other provision of any Project Document: (a) City is not a partner, joint venturer, alter-ego, manager, controlling person or other business associate or participant of any kind of Developer and City does not intend to ever assume any such status; (b) City's activities in connection with the Properties shall not be "outside the scope of the activities of a lender of money" within the meaning of California Civil Code Section 3434, as modified or recodified from time to time, and City does not intend to ever assume any responsibility to any person for the quality or safety of the Properties; and (c) City shall not be deemed responsible for or a participant in any acts, omissions or decisions of Developer;

(c) City shall not be directly or indirectly liable or responsible for any loss or injury of any kind to any person or property resulting from any construction on, or occupancy or use of, the Properties, whether arising from: (a) any defect in any building, grading, landscaping or other on-site or off-site improvement; (b) any act or omission of Developer or any of Developer's agents, employees, independent contractors, licensees, invitees or volunteers; or (c) any accident on the Properties or any fire or other casualty or hazard thereon; and

(d) By accepting or approving anything required to be performed or given to City under the Project Documents, including any certificate, financial statement, survey, appraisal or insurance policy, City shall not be deemed to have warranted or represented the sufficiency or legal effect of the same, and no such acceptance or approval shall constitute a warranty or representation by City to anyone.

908. Indemnification. Developer shall defend, indemnify, assume all responsibility for, and save and hold the Indemnitees harmless from any and all claims, causes of action, settlements, court damages, demands, defense costs, reasonable attorneys' fees, expert witness fees, and other legal expenses, costs of evidence of title, costs of evidence of value, and other expenses which they may suffer or incur and any liability of any kind or nature arising from or relating to the subject matter of this Agreement or the validity, applicability, interpretation or implementation hereof and for any damages to property or injuries to persons directly or indirectly related to or in connection with the Rehabilitation, operation, management, or ownership of the Properties, including accidental death (including reasonable attorneys' fees and costs), whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer shall not be obligated to indemnify the Indemnitees to the extent occasioned by the negligence or willful misconduct of any of the Indemnitees or the breach of any of the Project Documents by any of them. Developer shall have the obligation to defend any such action; provided, however, that this obligation to defend shall not be effective if and to the extent that Developer determines in its reasonable discretion that such action is meritorious or that the interests of the parties justify a compromise or a settlement of such action, in which case Developer shall compromise or settle such action in a way that fully protects the Indemnitees from any liability or obligation. In this regard, Developer's obligation and right to defend shall include the right to hire (subject to reasonable written approval by City) attorneys and experts necessary to defend, the right to process and settle reasonable claims, the right to enter into reasonable settlement agreements and pay amounts as required by the terms of such settlement, and the right to pay any judgments assessed against Developer or any other Indemnitees. If Developer defends any such action, as set forth above, (i) to the extent of Developer's indemnification obligations as set forth herein, Developer shall indemnify and hold harmless Indemnitees from and against any claims, losses, liabilities, or damages assessed or awarded against either of them by way of judgment, settlement, or stipulation and (ii) City shall be entitled to settle any such claim only with the written consent of Developer and any settlement without Developer's consent shall release Developer's obligations under this Section 908 with respect to such settled claim. The foregoing

agreements are also set forth in the Regulatory Agreement. At the request of Developer, City shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

909. Reimbursement of City for Enforcement of Project Documents. Developer shall reimburse City within thirty (30) days upon written demand itemizing all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants, whether the same are independent contractors or employees of City) in connection with the enforcement of the Project Documents including the following: (a) City's commencement of, appearance in, or defense of any action or proceeding purporting to affect the rights or obligations of the parties to any Project Document, and (b) all claims, demands, causes of action, liabilities, losses, commissions and other costs against which City is indemnified under the Project Documents and defense of any action if City has tendered the defense of such action to Developer and Developer fails to defend any such action. Such reimbursement obligations shall bear interest from the date occurring 10 days after City gives written demand to Developer at the same rate as is provided in the City Loan Note (or if different interest rates are specified therein, the highest non-default interest rate), and shall be secured by the City Loan Deed of Trust. Such reimbursement obligations shall survive the cancellation of the City Loan Note, release and reconveyance of the City Loan Deed of Trust, issuance of the Release of Construction Covenants, and termination of this Agreement.

1000. TAXES AND ASSESSMENTS.

1001. Taxes and Impositions. After Developer's acquisition of the Properties from the Seller, Developer shall be responsible to and shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (a) all general and special real property taxes and assessments imposed on the Properties; and (b) all other taxes and assessments and charges of every kind that are assessed upon the Properties and that create or may create a lien upon the Properties (or upon any personal property or fixtures used in connection with the Properties), including non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions. If permitted by law, Developer may pay any Imposition in installments (together with any accrued interest).

1001.1 Right to Contest. Developer shall not be required to pay any Imposition so long as (a) the validity of such Imposition is being actively contested in good faith and by appropriate proceedings, and (b) either (i) Developer has demonstrated to City's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of any parcel in satisfaction of such Imposition or otherwise impair City's interests under the Project Documents, or (ii) Developer has furnished City with a bond or other security satisfactory to City in an amount not less than 120% of the applicable claim (including interest and penalties).

1001.2 Evidence of Payment. Upon demand by the City Manager from time to time, Developer shall deliver to the City Manager within thirty (30) days following the due date of any Imposition, evidence of payment of said Imposition reasonably satisfactory to the City Manager, unless Developer is contesting the imposition in conformity with Section 1001.1. In addition, upon demand by City from time to time, in the event Developer is not furnishing reasonably satisfactory evidence of payment of such Impositions. Developer shall furnish to City a tax reporting service for the Properties of a type and duration, and with a company, reasonably satisfactory to City.

1100. LENDER/HOLDER PROTECTIONS.

1101. Right of City to Satisfy Other Liens on Properties after Title Passes. After the disbursement of any portion of the City Loan and prior to the recordation of the Release of Construction Covenants, and after Developer has had written notice and has failed after a reasonable time, but in any event not less than the applicable cure period as set forth in the applicable Project Document, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Properties which are not otherwise permitted under this Agreement, City shall have the right, but not the obligation, to satisfy any such liens or encumbrances and to add the amount of any payment made by City under this Section to the outstanding balance of the City Loan, which additional amount shall be secured by the City Loan Deed of Trust. Notwithstanding the above, Developer shall have the right to assert any challenge to the validity or amounts of any tax, assessment, or encumbrance available to Developer with respect thereto.

1102. Liens and Stop Notices. Developer shall not allow to be placed on the Properties or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Project, Developer shall within thirty (30) days of such recording or service or within twenty (20) days of City's demand whichever first occurs:

(a) pay and discharge the same; or

(b) affect the release thereof by recording and delivering to City a surety bond in sufficient form and amount, or otherwise; or

(c) provide City with other assurance which City deems, in City's sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

1103. Holder Not Obligated to Complete Rehabilitation. The holder of the Primary Loan or any other any mortgage or deed of trust pre-approved by City and authorized by this Agreement shall not be obligated by the provisions of this Agreement to complete the Project or any portion thereof, or to guarantee such completion; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. Nothing in this Agreement shall be deemed to construe, permit or authorize any such holder to devote the Properties to any uses or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

1104. Subordination Agreement. Of even date with the Closing, City, Developer and the California Public Finance Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California ("CalPFA") will be entering into or have entered into that certain Subordination Agreement (Affordable) ("Subordination Agreement"). CalPFA is defined as the "Senior Lender" in the Subordination Agreement and such term includes its successors and assigns and any other Person who becomes the legal holder of the Senior Loan after the date of this Agreement (as such capitalized terms are defined therein). As Senior Lender, the Subordination Agreement agrees to permit the Subordinate Loan (which is the City loan hereunder) and to allow the subordinate mortgage lien against the Mortgaged Property subject to all of the conditions contained in such Subordination Agreement. Further, the Subordination Agreement establishes rights, benefits and obligations between and among the parties relating defaults, mortgagee protections, rights to cure, etc. and shall apply as and between City and Developer until the Maturity Date as defined and set forth therein.

1105. [intentionally omitted]

1106. [intentionally omitted]

1107. Subordination. In connection with City's review of Developer's financing prior to the Date of Agreement by the City Manager, the City hereby finds that an economically feasible method of financing for the construction and operation of the Project, without the subordination of the affordable housing covenants and other provisions of this Agreement and the Regulatory Agreement is not reasonably available, therefore the City has exercised its discretion authorized subordination as set forth in the Subordination Agreement. The City by approving this Agreement authorizes the City Manager and City Clerk and their authorized designees to sign and attest the Subordination Agreement in connection with the Closing, which contract has a term of and expires as of the Maturity Date defined therein.

1107.1 Estoppels and Reaffirmation of Subordination. The Subordination Agreement includes the terms and conditions relating to refinancing and modifications of the Senior Loan (as defined therein) and City agrees to provide estoppel(s) and reaffirmation thereof; provided, however, the reaffirmation shall be evidenced by an agreement in a form reasonably acceptable to City and City's legal counsel. If and to the extent any reaffirmation, new, or amended subordination, or any estoppel certificates, or similar documents are requested and/or necessary, Developer expressly acknowledges and agrees that any and all third party cost incurred or to be incurred by City, including for example attorney fees or other consultant's costs, are and shall be the sole financial responsibility of Developer (or its Lender or other third party, but in no event City). City shall have no obligation to commence work on such additional work relating to subordination or reaffirmation of subordination without a deposit of the estimated third party costs which City may draw upon to pay such third party costs.

1108. Failure to Obtain Financing. In the event Developer, despite exercising its best efforts to obtain the required Primary Loan and other financing and funding described in this Agreement for the Project, fails to obtain such financing and funding as specified in the Agreement by the time required in the Schedule of Performance, Developer may terminate this Agreement by notice thereof to City, and City may terminate this Agreement as provided herein.

1109. Subordination of City Loan Deed of Trust and Security Agreement. Subject to the terms of Section 1107, City agrees under the Subordination Agreement that its Deed of Trust and Security Agreement to the deed of trust under the Primary Loan (Senior Loan thereunder) is subordinate as provided in the Subordination Agreement.

1200. AFFORDABLE HOUSING COVENANTS; MAINTENANCE, PROPERTY MANAGEMENT, AND OPERATION OF PROJECT.

1201. Duration of Affordability Requirements; Affordability Period. The Project and all the Housing Units thereon shall be subject to the requirements of this Section 1200 *et seq.* for the full term of fifty-five (55) years from the date the Release of Construction Covenants is issued by City and recorded against the Properties ("Affordability Period").

1202. Tenant Selection Covenants.

1202.1 Compliance with *Limon* Judgment; Selection of Tenants. Developer shall be responsible for the selection of tenants for the Housing Units in compliance with the applicable federal, state and local laws, Federal Program Limitations, the HOME Program and all lawful and reasonable criteria as set forth in the Management Plan that is required to be submitted to and approved by the City as a Condition Precedent and under this Agreement. Developer shall adopt a tenant selection system for the seven (7) HOME Units in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by City Manager in his reasonable discretion, which establishes a chronological waiting list system for selection of tenants and meets the requirements of this Section 1202 and the Regulatory Agreement.

(a) Following the completion of the Rehabilitation and re-occupancy by the existing occupants of the Housing Units, as applicable, as a critical and essential part of its tenant selection for vacant Housing Units, if any, and as Housing Units available for occupancy by 60% AMI Low Income Households first become vacant, subject to applicable Fair Housing Laws, the Developer shall grant a first priority to 60% AMI Low Income Households who were displaced from the former improvements called the "Travel Country Recreational Vehicle Park" ("RV Park") by activities of the Garden Grove Agency for Community Development ("Former Agency"), now a dissolved redevelopment agency, or as otherwise described in that certain Judgment in *Marina Limon v. Garden Grove Agency for Community Development, et al.*, Orange County Superior Court Case No. 30-2009-00291597 ("*Limon* Judgment"), and a second priority to any 60% AMI Low Income Households who were otherwise displaced by activities of the Former Agency at the income category that corresponds to the income of the displaced households.

(i) Developer shall provide written notice to the City at least thirty (30) days prior to Developer commencing its marketing activities for the initial lease-up of the Project in conformance with the approved Management Plan. In addition, this prior notice from Developer to City also shall include a complete copy of the form of the "application" with a description of necessary supporting materials to be completed by applicants for prospective tenancy at the Project, in particular so that the displacees described in the subsections below (and the plaintiffs' counsels in the *Limon* Judgment) can be notified in writing and have an adequate time to prepare and submit an application and in order for the Garden Grove Housing Authority or the Successor Agency to the Garden Grove Agency for Community Development (or the City) to perform under and implement the requirements of such *Limon* Judgment.

(ii) Subject to applicable Fair Housing Laws, Developer's waiting list of prospective, eligible tenants for Housing Units at the Project shall include and follow the following order of priority for selection of tenants:

A. first priority to 60% AMI Low Income Households who were displaced from the RV Park by activities of the Former Agency or as otherwise described in the *Limon* Judgment;

B. second priority to 60% AMI Low Income Households who were otherwise displaced by activities of the Former Agency at the income category that corresponds to the income of the previously displaced households;

C. third priority to 50% AMI Very Low Income Households and 60% AMI Low Income Households, as applicable, who were previously displaced

from their residences within the City due to programs or projects implemented by the Garden Grove Housing Authority, the City or another governmental entity that operates within the City; and

D. fourth priority to 50% AMI Very Low Income Households and 60% AMI Low Income Households, as applicable, who then currently live and/or currently work in the City as of the date of application to Developer for prospective tenancy at the Project.

1202.2 Selection of Tenants. In addition to Developer's compliance with Section 1202.1 above, the Developer shall be responsible for the selection of tenants for the Housing Units in compliance with the HOME Program, Federal Program Limitations and all lawful and reasonable criteria, as set forth in the Management Plan that is required to be submitted to and approved by City pursuant to this Agreement. Subject to Developer's first compliance with Section 1202.1 above, Developer shall use its best efforts to rent vacant Housing Units to eligible households on the Garden Grove Housing Authority's tenant waiting list and eligible households currently holding portable Section 8 vouchers, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. In addition, with respect to tenants selected to occupy Housing Units receiving Project Based Section 8 assistance, Developer shall give preference to eligible tenants who are elderly or disabled or to eligible tenant households receiving supportive services, in accordance with 24 CFR Section 983.56, who are otherwise qualified to be tenants in accordance with the approved tenant selection criteria. Developer shall adopt a tenant selection system for the seven (7) HOME Units in conformance with Section 92.253(e) of the HOME Regulations, which shall be approved by City Manager in his reasonable discretion, which establishes a chronological waiting list system for selection of tenants. The tenant selection system shall include, without limitation, a method for investigation of the credit history of proposed tenants through obtaining a credit report on the proposed tenant. To the extent Housing Units are available, Developer shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program solely on the basis of such certificate, voucher, or comparable document, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria.

1202.3 Income and Occupancy Restrictions. As included in the annual income certification provided by Developer or as otherwise reasonably requested by City, Developer shall endeavor to make available for City Manager's review and approval such information as Developer has reviewed and considered in its selection process, together with the statement by Developer that Developer has determined that each selected tenant will comply with all applicable terms and conditions of this Agreement in each tenant's occupancy of a Housing Unit, including without limitation, that each corresponding household satisfies the income eligibility requirements, Affordable Rent requirements, and other requirements of this Agreement.

(a) In this regard, Developer covenants and agrees that (i) each tenant (other than the on-site Property Manager) shall and will be a 50% AMI Very Low Income Household or a 60% AMI Low Income Household as defined herein, and (ii) the cost to each tenant household (other than the on-site Property Manager) for the corresponding Housing Unit on the Properties shall be at and within the defined Affordable Rent for the applicable 50% AMI Very Low Income Household or 60% AMI Low Income Household, and (iii) each tenant household (other than the on-site Property Manager) shall meet HQS occupancy standards for the Housing Unit (subject to

Section 1202.5 below), and (iv) the occupancy and use of the Properties shall comply with all other covenants and obligations of this Agreement (collectively, "Tenant Selection Covenants").

1202.4 Income/Unit Mix. Developer covenants that:

(a) Two (2) of the 1-bedroom Housing Units at the Project shall be occupied by 50% AMI Very Low Income Households at an Affordable Rent and two (2) of which units shall be designated as Low HOME Units;

(b) Eighteen (18) of the 1-bedroom Housing Units at the Project shall be occupied by 60% AMI Low Income Households at an Affordable Rent;

(c) Five (5) of the 2-bedroom Housing Units at the Project shall be occupied by 50% AMI Very Low Income Households at an Affordable Rent and four (4) of which units shall be designated as Low HOME Units;

(d) Thirty-seven (37) of the 2-bedroom Housing Units at the Project shall be occupied by 60% AMI Low Income Households at an Affordable Rent;

(e) One (1) of the 3-bedroom Housing Units at the Project shall be occupied by 50% AMI Very Low Income Households at an Affordable Rent and such unit too shall be designated as a Low HOME Unit; and

(f) Fourteen (14) of the 3-bedroom Housing Units at the Project shall be occupied by 60% AMI Low Income Households at an Affordable Rent; and

(g) one (1) 2-bedroom Housing Unit at the Project shall be occupied by an on-site property manager. The on-site manager is not required to income qualify as a 50% AMI Very Low Income Household or 60% AMI Low Income Household; nor shall the monthly housing payment charged for the on-site manager's Housing Unit be restricted to an Affordable Rent, nor shall Developer be required to comply with any other requirements set forth in this Agreement relating to the income or other Tenant Selection Covenants when selecting and retaining such on-site manager.

1202.5 Minimum and Maximum Occupancy Limits. The minimum occupancy of the Housing Units in the Project shall not be less than one person per bedroom. The maximum occupancy of the Housing Units in the Project shall not exceed more than such number of persons as is equal to two persons per bedroom, plus one; thus: (i) for the one-bedroom Housing Units the maximum occupancy shall not exceed three (3) persons, (ii) for the two (2) bedroom Housing Units the maximum occupancy shall not exceed five (5) persons; and (iii) for the three (3) bedroom Housing Units the maximum occupancy shall not exceed seven (7) persons.

1202.6 Housing Units Intended as Replacement Housing by City and its Affiliated Entities. Developer acknowledges that City is investing in the Project and providing the City Loan to Developer to cause long-term affordable housing, qualifying under the HOME Program as HOME Units during the HOME Compliance Period, qualifying as replacement housing required under that certain *Limon* Judgment (defined in Section 1201.1 herein) and qualifying as reserved or banked replacement housing under federal or state laws, as, if, and when applicable to the City or its affiliated entities such as the Garden Grove Housing Authority and the Successor Agency to the

Garden Grove Agency for Community Development. Therefore, this Agreement shall serve as notice and evidence that the City is investing in the Project and providing the City Loan to Developer to qualify, use, and bank all 78 affordable housing units in this Project (excluding the onsite manager's unit) for purposes of replacement housing (i) as defined and required under federal and state laws, as, if and when applicable, to the City, Housing Authority or Successor Agency, and (ii) in satisfaction of the Successor Agency's replacement housing obligations that may remain under and in implementation of the *Limon* Judgment.

1203. Income Certification Requirements. Following the completion of the Rehabilitation and re-occupancy by the existing occupants of the Housing Units, and annually thereafter (on or before March 31 of each year), Developer shall submit to City, at Developer's expense, a written summary of the income, household size and rent payable by each of the tenants of the Housing Units. At City's request, but not less frequently than prior to each initial and subsequent rental of each Housing Unit to a new tenant household (but not lease renewals) and annually thereafter, Developer shall also provide to City completed income computation, asset evaluation, and certification forms, for any such tenant or tenants. Developer shall obtain, or shall cause to be obtained by the Property Manager, an annual certification from each household leasing a Housing Unit demonstrating that such household is a 50% AMI Very Low Income Household or 60% AMI Low Income Household, as applicable, and meets the eligibility requirements established for the Housing Unit. Developer shall verify, or shall cause to be verified by the Property Manager, the income certification of each tenant household. In order to comply with this Section, Developer shall submit to City any and all tenant income and occupancy certifications and supporting documentation required to be submitted to TCAC pursuant to the Tax Credit Rules and the Tax Credit Regulatory Agreement for the Project; provided, City may request (and Developer shall provide) additional documentation to assist City's evaluation of Developer's compliance with this Agreement, if determined to be necessary in the reasonable discretion of the City Manager, specifically including (without limitation) any documentation or additional certifications that may be necessary to verify compliance with the HOME Regulations and Federal Program Limitations, as applicable. This requirement is in addition to and does not replace or supersede Developer's obligation to annually submit the Certificate of Continuing Program Compliance to City.

1203.1 Verification of Income of New and Continuing Tenants. Gross income calculations for prospective (and continuing) tenants shall be determined in accordance with 25 Cal. Code Regs. Section 6914. Developer shall verify the income and information provided in the income certification of the proposed tenant as set forth below.

(a) Developer shall verify the income of each proposed tenant of the Project pursuant to the Tenant Selection Covenants set forth in Section 1202 herein, and by at least one of the following methods as appropriate to the proposed tenant:

(i) obtain two (2) paycheck stubs from the person's two (2) most recent pay periods.

(ii) obtain a true copy of an income tax return from the person for the most recent tax year in which a return was filed.

(iii) obtain an income verification certification from the employer of the person.

(iv) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the person receives assistance from such agencies.

(v) obtain an alternate form of income verification reasonably requested by City, if none of the above forms of verification is available to Developer.

1204. Affordable Rent.

1204.1 Maximum Monthly Rent. The maximum monthly rent chargeable for the HOME Units shall be annually determined by City in accordance with Section 92.252 of the HOME Regulations and the maximum monthly rent chargeable for the balance of the Housing Units shall be governed by the Tax Credit Regulatory Agreement and Tax Credit Rules, as applicable, under the following formulas. The City's Regulatory Agreement shall reflect the same maximum monthly rent chargeable for the units as provided in the prior sentence.

(a) The Affordable Rent for the Housing Units to be rented to 50% AMI Very Low Income Households shall not exceed:

(i) for the seven (7) Low HOME Units: the rent shall be the lesser of: (A) one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by TCAC for a family of a size appropriate for the unit pursuant to the Tax Credit Rules or (B) the applicable Low HOME rent amount in compliance with the HOME Regulations;

A. In clarification of the Affordable Rent for the seven (7) Low HOME Units as of June 6, 2016, HUD set the maximum rent inclusive of any utility allowance as listed below and adjustments (annual or more often as promulgated by HUD) shall be made by Developer in compliance with the HOME Regulations during the HOME Compliance Period:

- One bedroom Low HOME rent - $914
- Two bedroom Low HOME rent - $1,097
- Three bedroom Low HOME rent - $1,267; and

(ii) for the Housing Units that are not HOME Units (and for the HOME Units after the HOME Compliance Period for the remaining term of the Affordability Period) the rent shall be one-twelfth (1/12) of thirty percent (30%) of fifty percent (50%) of AMI for Orange County as determined and published by TCAC for a family of a size appropriate to the unit pursuant to the Tax Credit Rules.

(b) The Affordable Rent for the Housing Units to be rented to 60% AMI Low Income Households shall not exceed:

(i) one-twelfth (1/12) of thirty percent (30%) of sixty percent (60%) of AMI for Orange County as determined and published by TCAC for a family of a size appropriate to the unit pursuant to the Tax Credit Rules.

For purposes of this Regulatory Agreement, "Affordable Rent" means the total of monthly payments by the 50% AMI Very Low Income Households and 60% AMI Low Income Households occupying the Housing Units in the Project for (a) use and occupancy of each Housing Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by Developer which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, or cable TV or internet services, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Developer.

1204.2 Initial Rents for Existing Tenants. For the existing tenants of the Housing Units initially designated as one of the seven (7) HOME Units, who (1) were tenants at the Properties as of the date Developer acquires the Properties, (2) will be temporarily displaced (and not be permanently displaced) from the Project, and (3) will return to a Housing Unit after the completion of the Rehabilitation, for the first twelve (12) months of tenancy/occupancy after the completion of the Rehabilitation the tenant's monthly rent (inclusive of a utilities allowance) for such twelve month period shall be the greater of (i) thirty percent (30%) of such household's actual monthly gross income, or (ii) the actual gross Rent (inclusive of utilities) paid by such household as of the date Developer acquires the Properties, but in no event shall such Rent paid by such household exceed the Affordable Rent for the Housing Units under this Agreement.

1204.3 Rent Schedule and Utility Allowance. City will review and approve the Affordable Rents proposed by Developer for all of the Housing Units together with the monthly allowances proposed by Developer for utilities and services to be paid by the tenant. Developer must annually reexamine the income of each tenant household living in the Housing Units annually in accordance with Sections 1203 and 1214 herein. The maximum monthly rent must be recalculated by Developer and the City shall have the right to review and approve such recalculated rent levels annually with respect to the HOME Units, and may change as changes in the applicable gross Rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in Rents for the Housing Units is subject to the provisions of outstanding leases. Developer must provide all tenants not less than thirty (30) days prior written notice before implementing any increase in Rents.

1204.4 Increases in Tenant Income. A tenant who qualifies as a 50% AMI Very Low Income Household or a 60% AMI Low Income Household prior to occupancy of a Housing Unit in compliance with the Agreement shall be deemed to continue to be so qualified until such time as the annual re-verification of such tenant's income demonstrates that such tenant no longer qualifies as a 50% AMI Very Low Income Household or a 60% AMI Low Income Household, as applicable. A tenant occupying a Housing Unit whose income increases, causing that tenant household to cease to be income qualified in the same category shall, if that tenant household continues to qualify in a higher income category provided for under this Agreement, be deemed to so qualify and the Housing Unit occupied by such tenant household shall be counted towards Developer's obligation to provide a Housing Unit for households in such income category. A tenant household whose income increases such that such tenant household ceases to be income qualified to occupy any Housing Unit at the Project, may continue to occupy his Housing Unit and be charged rent including a reasonable utility allowance, not greater than the lesser of thirty percent (30%) of the household's adjusted monthly income, recertified annually, or the market rent applicable to the Housing Unit as published by HUD.

1204.5 Most Restrictive Affordable Rent Covenants Govern. To the extent of an inconsistency between or among the foregoing covenants relating to Affordable Rent and other covenants or agreements applicable to the Project, the most restrictive covenants or agreement regarding the Affordable Rent for the Housing Units in the Project shall prevail.

1204.6 Affordable Rent Calculation Chart. In illustration of the foregoing description of Affordable Rent, attached hereto as Attachment No. 10 and fully incorporated by this reference is an "Affordable Rent Calculation Chart (Sycamore Court Housing Project)." The chart is illustrative only and in the event of any inconsistency between such chart and the specific provisions of this Agreement, the provisions of this Agreement shall prevail.

1205. Leases; Rental Agreements for Housing Units. As set forth in the Conditions Precedent, Developer shall submit a standard lease form, which shall comply with HOME Regulations (including 24 CFR 92.253), and all requirements of this Agreement, to City for approval. City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the HOME Program, the HOME Regulations, and Federal Program Limitations. Developer shall enter into a written lease, in the form approved by City, with each tenant/tenant household of the Project. No lease shall contain any of the provisions that are prohibited pursuant to Section 92.253 of the HOME Regulations. In the event Developer desires to use a different form lease/rental agreement for the HOME Units than for the remaining non-HOME Units, Developer shall submit both proposed form lease/rental agreements to City for their approval of each such document (except immaterial modifications to the approved lease form are permitted without prior approval).

1206. [Reserved.]

1207. Supportive Services. Developer shall provide supportive services to the tenant households of the Project as and to the extent required by HUD pursuant to the HAP Contract.

1208. Maintenance. Developer shall, at its sole cost and expense, maintain or cause to be maintained the interior and exterior of the Project and all Housing Units thereof and the Properties in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards (HQS) and the maintenance standards required by Section 92.251 of the HOME Regulations, and in accordance with the standard of maintenance of comparable high quality, well-managed affordable rental housing projects within Orange County, California such as and comparable to those owned or operated by Mariman & Co., or The Related Companies of California, or Jamboree Housing Corporation or other highly reputable owners and developers of high quality affordable rental housing projects in the County. None of the Housing Units in the Project shall at any time be utilized on a transient basis, nor shall the Properties or any portion of any unit or the Properties ever be used as a hotel, motel, vacation rental, dormitory, fraternity or sorority house, rooming house, hospital, nursing home, sanitarium or rest home, or be converted to condominium ownership. If at any time Developer fails to maintain the Project or the Properties in accordance with this Agreement and such condition is not corrected within ten (10) days after written notice from City with respect to graffiti, debris, and waste material, or thirty days after written notice from City with respect to general maintenance, landscaping and building improvements, then City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Project or the Properties and perform all acts and work necessary to protect, maintain, and preserve the Project and the Properties, and to attach a lien upon the Properties, or to assess the Properties, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by

City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Developer to City upon demand. The liens created under this Section shall be subject and subordinate to the lien of the mortgage or deed of trust encumbering the Properties (or any part of the Properties) for the Primary Loan approved pursuant to the terms of this Agreement.

1209. Management of the Project.

1209.1 Property Manager. Developer shall cause the Project, and all appurtenances thereto that are a part of the Project, to be managed in a prudent and business-like manner, consistent with property management standards for other comparable high quality, well-managed rental housing projects in Orange County, California. Developer shall contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Section 1209 ("Property Manager"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee Property Manager) is and shall be subject to prior written approval of City Manager in his sole and reasonable discretion; provided, further the QRM Corp. is hereby approved as the initial Property Manager for the Project. The Property Manager shall not be an Affiliate of Developer without the express prior written approval of the City Manager, which consent shall not be unreasonably withheld, delayed, or conditioned. Developer shall conduct due diligence and background evaluation of any potential outside property manager or property management company to evaluate experience, references, credit worthiness, and related qualifications as a property manager. Any proposed property manager shall have prior experience with rental housing projects and properties comparable to the Project and the references and credit record of such manager/company shall be investigated (or caused to be investigated) by Developer prior to submitting the name and qualifications of such proposed property manager to the City Manager for review and approval. A complete and true copy of the results of such background evaluation shall be provided to the City Manager. Approval of a Property Manager by City Manager shall not be unreasonably delayed but shall be in his sole and reasonable discretion, and City Manager shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing management of the Project. Furthermore, the identity and retention of any approved Property Manager shall not be changed without the prior written approval of the City Manager, which approval shall not be unreasonably withheld or delayed, but shall be in his sole and reasonable discretion. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements. The annual fee to be paid to the Property Manager shall not exceed five percent (5%) of annual scheduled gross income of the Project.

1209.2 Management Plan. Prior to and as a Condition Precedent of the initial or any subsequent installment payment of the City Loan proceeds, Developer shall prepare and submit to the City Manager for review and approval an updated and supplemented management plan which includes a detailed plan and strategy for long term operation, maintenance, repair, security, social/supportive services, if any, for, and marketing of the Project, method of selection of tenants, rules and regulations for tenants, and other rental and operational policies for the Project ("Management Plan"). City Manager approval of the Management Plan shall not be unreasonably withheld or delayed. Subsequent to approval of the Management Plan by the City Manager the ongoing management and operation of the Project shall be in compliance with the approved Management Plan. Developer and Property Manager may from time to time submit to the City Manager proposed amendments to the Management Plan, which are also subject to the prior written approval of the City Manager.

(a) Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project or any part of the Project, City Manager shall have and retain the authority to direct and require any condition(s), acts, or inactions of Gross Mismanagement to cease and/or be corrected immediately, and further to direct and require the immediate removal of the Property Manager and replacement with a new qualified and approved Property Manager, if such condition(s) is/are not ceased and/or corrected after expiration of thirty (30) days from the date of written notice from City Manager. If Developer or Property Manager has commenced to cure such Gross Mismanagement condition(s) on or before the 20th day from the date of written notice (with evidence of such submitted to the City Manager), but has failed to complete such cure by the thirtieth (30th) day, then Developer or Property Manager shall have an additional ten (10) days to complete the cure of such Gross Mismanagement condition(s). In no event shall any condition of Gross Mismanagement continue uncured for a period exceeding forty-five (45) days from date of the initial written notice of such condition(s). If such condition(s) do persist beyond such period City Manager shall have the sole and absolute right to immediately and without further notice to Developer (or to Property Manager or any other person/entity) replace the Property Manager with a new property manager of the City Manager's selection at the sole cost and expense of Developer. If Developer takes steps to select a new Property Manager that selection is subject to the requirements set forth above for selection of a Property Manager.

(i) For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project (or any part of the Project) in a manner which violates the terms and/or intention of this Agreement to operate a high quality rental housing complex comparable to other similar complexes in Orange County, California, and shall include, but is not limited to, any one or more of the following:

A. Knowingly leasing to tenants who exceed the prescribed income levels;

B. Knowingly allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

C. Knowingly allowing the tenants to allow or use any Housing Unit for vacation rental purposes without taking immediate action to stop such activity;

D. Underfunding required reserve accounts, unless funds are reasonably not available to deposit in such accounts;

E. Failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

F. Failing to submit timely and/or adequate annual reports to City as required herein;

G. Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

H. Failing to reasonably cooperate with the Garden Grove Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

I. Failing to reasonably cooperate with the Garden Grove Fire Department or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project;

J. Failing to reasonably cooperate with the Garden Grove Planning & Building Department, including the Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project; and

K. Spending funds from the Capital Replacement Reserve account(s) for items that are not defined as capital costs under the standards imposed by generally accepted accounting principles (GAAP) (and/or, as applicable, generally accepted auditing principles.)

(ii) Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use commercially reasonable efforts to correct any defects in property management or operations at the earliest feasible time and, if necessary, to replace the Property Manager as provided above. Developer shall include advisement and provisions of the foregoing requirements and requirements of this Agreement within any contract between Developer and its Property Manager.

(b) Marketing. Developer shall comply with an affirmative marketing plan reasonably approved by City, including methods for informing the public and potential tenants about the federal fair housing laws, procedures to inform and solicit applications from persons in the housing market area not likely to apply for tenancy at the Housing Units without special outreach and recordkeeping methods that will permit City to evaluate the actions taken by Developer (or Property Manager) to affirmatively market the Housing Units at the Project. Specific procedures for marketing and releasing Housing Units shall be set forth in the Management Plan and shall include:

(i) Posting advertisements and notices of the availability of the Housing Unit(s) in local newspapers and other publications. Such advertisements and notices shall include a description of the age and income requirements applicable to the Housing Unit(s).

(ii) Posting advertisements and notices of the vacancy(ies) at local religious institutions, community centers, public buildings such as post-offices and City Hall, and the Garden Grove Senior Center.

(iii) Posting advertisements and notices of the vacancy(ies) anywhere Developer believes tenant households eligible for occupancy in the Housing Units at the Project are likely to become informed.

1209.3 Operation and Management of Properties Post-closing Pending Commencement of Rehabilitation. After the close of the Escrow and Developer's acquisition of the Properties, the day to-day management and operation of the existing seventy-eight (78) townhome apartment units and the overall Properties shall be undertaken by and shall be the sole legal and financial responsibility of Developer. Developer is and shall remain responsible for and shall exercise its best efforts to manage and operate the Properties consistent with good property management standards of comparable affordable residential rental properties in Orange County, California such as those owned or operated by Mariman & Co., or The Related Companies of

California, or Jamboree Housing Corporation or other highly reputable owners and developers of high quality affordable rental housing projects in the County. In connection with such property management by Developer: (i) all rents and other income derived from such property management shall be retained by Developer in compensation for such management, and (ii) Developer shall be responsible to undertake, maintain, and pay for all ongoing maintenance, repair, security, and other upkeep of the Properties, (iii) City shall not be required to pay any property management fees to Developer for such management, operation and upkeep; and (iv) Developer shall be responsible to monitor, administer and oversee tenancies so as to not adversely impact the relocation objections triggered by this Project.

1210. Code Enforcement. Developer acknowledges and agrees that City and City's employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual units, both exterior and interior, during normal business hours and upon reasonable notice (not less than 72 hours prior notice) to Developer and/or an individual tenant. If such notice is provided by City representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenant of such upcoming inspection and cause access to the area(s) and/or units on the Project to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the approved lease/rental agreements for each Housing Unit in the Project in order for each and every tenant and tenant household to be aware of this inspection right.

1211. Capital Reserve Requirements. Developer shall annually set aside and fund the Capital Replacement Reserve amounts defined and required under this Agreement (Three Hundred Dollars ($300) per year for each Housing Unit) or shall cause the Property Manager to do so; provided, that funding of replacement reserves under the requirements of the Primary Loan, so long as such replacement reserve deposits are not less than the amount required under this Section 1211, shall satisfy this requirement. The Capital Replacement Reserve deposits shall be allocated from the gross collections for all rents received from the operation of the Properties and shall be deposited into a separate interest-bearing trust account. Funds in the Capital Replacement Reserve shall be used for capital replacements to the fixtures and equipment on the Properties (including common areas) that are normally capitalized under generally accepted accounting principles and shall include the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs, showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement; irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement; and common area repainting. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve Developer of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Properties and all common areas and common improvements in the manner prescribed herein.

1211.1 Annual Accounting of Reserve. Not less than once per year, Developer, at its expense, shall submit to City an accounting for the Capital Replacement Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 1211.

1212. Operating Budget. Developer shall submit to City on not less than an annual basis the Operating Budget for the Project that sets forth the projected Operating Expenses for the upcoming year.

1213. Capitalized Operating Reserve. Commencing on or before Conversion, Developer shall, or shall cause the Property Manager to, set aside an amount equal to three (3) months of (i) Debt Service on the Primary Loan and (ii) Operating Expenses for the Project ("Target Amount") in an Capitalized Operating Reserve to be held in a separate interest bearing trust account, which initial deposit shall be funded using proceeds of the Primary Loan and Tax Credit equity, provided that funding of, and disbursements from, a capitalized operating reserve under the requirements of the Primary Loan or the Partnership Agreement, so long as such capitalized operating reserve amounts are no less than the amount required under this Section 1213, shall satisfy this requirement. The Capitalized Operating Reserve shall thereafter be replenished from Annual Project Revenue (if any) only to the extent required by the Lender or Developer's Tax Credit investor. The amount in the Capitalized Operating Reserve shall be retained to cover shortfalls between Annual Project Revenue and actual Operating Expenses, but shall in no event be used to pay for capital items or capital costs properly payable from the Capital Replacement Reserve.

1213.1 Annual Accounting of Reserve. Not less than once per year, Developer, at its expense, shall submit to City an accounting for the Capitalized Operating Reserve set forth in the Annual Financial Statement, demonstrating compliance with this Section 1213.

1214. Monitoring and Recordkeeping. Throughout the Affordability Period, Developer shall comply with all applicable recordkeeping and monitoring requirements set forth in the HOME Program, including Section 92.508 (or successor regulation) of the HOME Regulations, and shall annually complete and submit to City a Certification of Continuing Program Compliance substantially in the form of Attachment No. 13, or other form provided by City Manager. Representatives of City shall be entitled to enter the Properties, upon at least seventy-two (72) hours' notice, to monitor compliance with this Agreement, to inspect the records of the Project, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Properties and all Housing Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, to make such records available to City upon seventy-two (72) hours' notice, and to maintain such records for the entire Affordability Period.

1214.1 HOME Matching Requirement. Developer acknowledges that City will use HOME Funds to make the City Loan and that the HOME Program, specifically 24 CFR 92.218 through 24 CFR 92.222, contains a HOME Matching Requirement. Developer shall deliver documentation to City to assist City in evaluating whether any Developer expenditures or other subsidies to the Project are eligible to be applied to the HOME Matching Requirement in each annual progress report submitted by Developer pursuant to Section 2 of Exhibit C to the Regulatory Agreement and shall maintain such records pursuant to Section 1 of Exhibit C to the Regulatory Agreement.

1215. Regulatory Agreement. The requirements of this Agreement that are applicable after the disbursement of the City Loan are set forth in the Regulatory Agreement. The execution of the Regulatory Agreement is a condition precedent to the initial or any subsequent disbursement of the City Loan.

1216. Transfers; General Prohibition of Transfer without City Consent. The qualifications and identity of Developer as the qualified Developer and as an experienced and successful developer and operator/manager of affordable housing are of particular concern to City. It is because of these identities and the qualifications of each of the partners that comprise the

Developer entity that City has entered into this Agreement with Developer. Accordingly, commencing upon Developer's acquisition of the Properties and continuing through and including the completion of the Rehabilitation of the Properties and the final payment on the City Loan Note or the end of the Affordability Period, whichever occurs later, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement, nor shall Developer make any total or partial sale, transfer, conveyance, assignment, subdivision, refinancing or lease of the Properties, or any part thereof, or this Agreement (collectively referred to herein as a "Transfer") without the prior written approval of City, except as expressly set forth herein, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, the Subordination Agreement during the term thereof provides for the terms under which the Primary Loan may be refinanced prior to the City Loan Maturity Date.

1216.1 Permitted Transfers. Notwithstanding the provisions of this Agreement or any other Project Document prohibiting transfer of any interest in Developer, the Properties, the Project, this Agreement, or any of the Project Documents, City approval of a Transfer shall not be required in connection with any of the following:

(a) The conveyance or dedication of any portion of the Properties to the City or other appropriate governmental agency, or the granting of easements or permits to facilitate the Rehabilitation (as defined herein).

(b) An assignment for financing purposes to secure the funds necessary for the acquisition of the Properties and undertaking through completion of the Rehabilitation or a refinancing thereof, so long as such construction and/or permanent loan documents have been duly reviewed and approved by City, and City has approved such financing or refinancing pursuant to this Agreement.

(c) Leasing of individual Housing Units to qualified tenants in accordance with Section 1200, *et seq*. and the Regulatory Agreement.

(d) The transfer of or all or any part of the Properties or the Project, or assignment of any Project Document to AOF/Golden State Community Development Corp. ("Parent"), a nonprofit corporation in which a majority of the board of directors are members of the board of directors of the Parent (collectively "Parent Affiliate Entity"), or an entity or entities in which a Parent Affiliate Entity is a general partner or managing member.

(e) The substitution of the general partner of Developer (the "General Partner") as directed by the limited partner of Developer that is the tax credit equity investor (the "Investor Limited Partner") in accordance with the terms of the Partnership Agreement, subject to the following terms and conditions. Such Investor Limited Partner may substitute an affiliate (the "Interim General Partner") on an interim basis for a period reasonably calculated to identify and admit into the partnership a new general partner as set forth below (the "Substitute General Partner"). The Interim General Partner is hereby approved by the City. The Substitute General Partner must be an entity reasonably acceptable to the City Manager, which approval shall not be unreasonably withheld or delayed.

(f) The pledge by the General Partner of Developer to the Investor Limited Partner of the General Partner's interest in Developer, as security for the performance of all of the General Partner's obligations under the Partnership Agreement.

(g) The pledge by the General Partner of Developer to Lender of the General Partner's interest in Developer, as security for the performance of all of Developer's obligations under the Primary Loan (or any approved refinancing thereof).

(h) The pledge by the Investor Limited Partner to Lender of the Investor Limited Partner's interest in Developer, as security for the performance of all of the Developer's obligations under the Primary Loan (or any approved refinancing thereof).

(i) The sale, transfer or pledge of any limited partnership interest or non-managing member's interest in Developer or of any partnership or membership interest in the Limited Partner.

(j) Any dilution of the General Partner's interest in Developer in accordance with the Partnership Agreement.

(k) The sale, transfer, or conveyance of the General Partner's interest in Developer to a Parent Affiliate Entity.

In the event of a Transfer by Developer not requiring City's prior approval, Developer nevertheless agrees that at least fifteen (15) days prior to such Transfer it shall give written notice to City of such assignment and satisfactory evidence that the assignee will and shall assume all of the obligations of this Agreement in writing through an assignment and assumption agreement in a form reasonably acceptable to City. The form of each assignment and assumption agreement shall be submitted to City for review and approval by City's legal counsel not later than fifteen (15) days prior to the proposed date of the Transfer.

1216.2 City Consideration of Requested Transfer. City agrees that it will not unreasonably withhold, condition, or delay approval of a request for approval of a Transfer made pursuant to this Section 1216, *et seq.*, provided Developer delivers written notice to City requesting such approval and includes the proposed assignment and assumption contract and, if required by City, all necessary and relevant background and experience information related to the proposed transferee.

An assignment and assumption agreement in form satisfactory to City's legal counsel shall be required for each proposed Transfer. Within fifteen (15) days after the receipt of Developer's written notice requesting City approval of a Transfer pursuant to this Section 1216, *et seq.*, City shall either approve or disapprove such proposed assignment or shall respond in writing by stating what further information, if any, City reasonably requires in order to determine the request complete and determine whether or not to grant the requested approval. Upon receipt of such a response, Developer shall promptly furnish to City such further information as may be reasonably requested. Upon the effective date of the approved or permitted Transfer, the assignor shall be released by City from any and all obligations assumed by the assignee.

(a) Payment of City Third Party Costs re Proposed Transfer. Any and all third party costs incurred by City in connection with consideration and approval (or disapproval) of a proposed transferee for any Transfer shall be paid by Developer, and payment thereof shall be and remain a condition precedent to City's obligation to approve and execute any Transfer document, including without limitation any assignment and assumption agreement.

1216.3 Successors and Assigns. All of the terms, covenants and conditions of this Agreement shall be binding upon Developer and its permitted successors and assigns. Whenever the term "Developer" is used in this Agreement, such term shall include any other permitted successors and assigns of Developer, as applicable, and as herein provided. Upon the effective date of the approved or permitted Transfer, if an assignment and assumption agreement reasonably acceptable to City has been executed and delivered to City, the assignor Developer shall be released by City from any and all obligations assumed by the approved or permitted assignee.

1300. FEDERAL PROGRAM LIMITATIONS; COMPLIANCE WITH LAWS.

1301. HOME Program. Because the City Loan to Developer will be provided with HOME Program funds, Developer shall carry out the Rehabilitation of the Housing Units and the operation of the Project in conformity with all requirements of the HOME Program (including the 2013 HOME Final Rule) to the extent applicable to the Project. In the event Developer desires to change the affordable housing or maintenance requirements for the Properties from the specific requirements set forth in this Agreement in order to comply with a subsequently enacted amendment to the HOME Program, Developer shall notify City in writing of such proposed change and the amendment related thereto at least thirty (30) days prior to implementing such change. In the event City disapproves of such change and Developer's interpretation of the amendment related thereto, City shall notify Developer of its disapproval in writing and the parties shall seek clarification from the appropriate HUD Field Office. Only if HUD concurs with Developer's interpretation of the HOME Program shall Developer be permitted to implement the proposed change.

1302. Federal Funding of City Loan. Due to the source of funding for the City Loan from HOME Program funds, which is a federal revenue source, Developer shall comply with all applicable Federal Program Limitations, including without limitation, the following federal provisions.

1302.1 Property Standards. Developer agrees to ensure that Rehabilitation of the Project will comply with all applicable requirements of the HOME Regulations, including 24 CFR §92.251, including the following requirements:

(a) **State and Local Requirements**. The Project and all Housing Units and common areas at the Properties shall meet all applicable State and local codes, ordinances, and zoning requirements, including all applicable requirements set forth in the Garden Grove Municipal Code and all applicable State and local residential and building codes. The Project and all Housing Units and common areas at the Properties must meet all such applicable requirements upon Project completion.

(b) **HUD Requirements**. The Project and all Housing Units and common areas at the Properties shall also meet the requirements described in paragraphs (i) through (iv) of this Section 1302.1(b):

(i) **Accessibility**. The Project and all Housing Units and common areas at the Properties shall meet the accessibility requirements of 24 CFR part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. Covered multifamily dwellings, as defined at 24 CFR 100.201, must also meet any applicable design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619).

(ii) **Disaster Mitigation.** Where relevant, the Project must be constructed to mitigate the impact of potential disasters (e.g., earthquakes, hurricanes, flooding, and wildfires), in accordance with State and local codes, ordinances, or other State and local requirements, or such other requirements as HUD may establish.

(iii) **Written Cost Estimates, Subcontracts and Construction Documents.** The material subcontracts and the Rehabilitation Plans must describe the construction work to be undertaken in adequate detail so that the City can conduct inspections in accordance with the HOME Regulations. The Developer shall also provide written cost estimates for construction for the City's review; City shall determine whether such cost estimates are reasonable.

(iv) **Construction Progress Inspections.** Developer shall permit and facilitate progress and final inspections of the Rehabilitation by the City to ensure that work is done in accordance with the applicable codes, the contract(s), subcontracts, Scope of Rehabilitation and approved construction plans.

(c) **Ongoing Property Condition Standards: Rental Housing.** City has established property standards for rental housing ("City Property Standards"), which standards include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures (Uniform Physical Condition Standards (UPCS)) prescribed by HUD pursuant to 24 CFR 5.705. Developer shall ensure that the Project, including all Housing Units and common areas at the Properties, shall comply with the City's Property Standards throughout the Affordability Period. In accordance with the City's Property Standards, Developer shall maintain the Project, including all Housing Units and common areas at the Properties: (i) as decent, safe, and sanitary housing in good repair, (ii) free of all health and safety defects and all life-threatening deficiencies, and (iii) in compliance with the lead-based paint regulations and requirements in 24 CFR Part 35.

(d) **Inspections; Corrective and Remedial Actions.** In accordance with the HOME Regulations, City shall undertake ongoing inspections of the Project in accordance with §92.504(d). City has developed written inspection procedures and procedures for ensuring that timely corrective and remedial actions are taken by the Developer to address identified deficiencies.

1302.2 Federal Davis-Bacon Labor Standards. Due to only seven (7) HOME Units (i.e., < 11), the provisions of the Secretary of the United States Department of Labor under the Davis-Bacon Act (40 U.S.C. §276a–276a-5) ("Davis-Bacon") are not triggered for this Project. Further, the HAP Contract renewal, if implemented under Chapter 15 of the Section 8 Renewal Policy – Guidance for the Renewal of Project-Based Section 8 HAP Contracts memorandum effective as of November 1, 2015, and in the absence of FHA financing, will not trigger Davis-Bacon requirements. Developer acknowledges and understands that other federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. The highest applicable wage requirements will apply.

1302.3 Handicapped Accessibility. Developer shall comply with, as and to the extent applicable, (a) Section 504 of the Rehabilitation Act of 1973, and implementing regulations at 24 CFR 8C governing accessibility of projects assisted with federal funds; and (b) the Americans with Disabilities Act of 1990, and implementing regulations at 28 CFR 35–36 in order to provide handicapped accessibility to the extent readily achievable; and (c) the Uniform Federal Accessibility Standards (UFAS) pursuant to the Architectural Barriers Act of 1968, 42 U.S.C. 4151-4157, as amended.

1302.4 Use of Debarred, Suspended, or Ineligible Participants. Developer shall comply with the provisions of 24 CFR 24 relating to the employment, engagement of services, awarding of contracts, or funding of any contractor or subcontractor during any period of debarment, suspension, or placement in ineligibility status. Developer, each subcontractor, and any other contractors or subcontractors or agents of Developer (subject to compliance with 24 CFR part 135) shall have provided to City the certification in appendix B of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this Project, and City shall be responsible for determining whether each contractor has been debarred.

1302.5 Maintenance of Drug-Free Workplace. Developer shall certify that Developer will provide a drug-free workplace in accordance with 2 CFR 2429.

1302.6 Lead-Based Paint. City, as a recipient of federal funds, has modified and conformed all of its federally funded housing programs to the Lead-Based Paint Poisoning Prevention Act, Title X of the 1992 Housing and Community Development Act, 42 U.S.C. §4800, *et seq.*, specifically §§4821-4846, and the implementing regulations thereto. In this regard, Developer shall comply with all applicable federal requirements relating to lead-based paint.

1302.7 Affirmative Marketing. Developer shall adopt and implement affirmative marketing procedures and requirements at the Properties in accordance with Section 92.351 of the HOME Regulations.

1302.8 Nondiscrimination, Equal Opportunity and Fair Housing. Developer shall carry out the Project and perform its obligations under this Agreement in compliance with all of the federal laws and regulations regarding nondiscrimination equal opportunity and fair housing described in 24 CFR 92.350 and 24 CFR 5.105.

1302.9 Energy Conservation Standards. As applicable to the Project, Developer shall cause the Properties to meet the cost-effective energy conservation and effectiveness standards in 24 CFR 965 and 24 CFR 990.185.

1302.10 Displacement and Relocation. Developer acknowledges and agrees that, pursuant to Federal Program Limitations and consistent with the other goals and objectives of that part and pursuant to the adopted relocation plan, City must ensure that it has taken all reasonable steps to minimize the displacement of persons as a result of the Rehabilitation work. Furthermore, to the extent feasible, and subject to the tenant screening criteria set forth in the Management Plan, residential tenants must be provided a reasonable opportunity to lease and occupy a suitable, decent, safe, sanitary and affordable Housing Unit at the Properties or comparable outside property upon completion of the Construction work. Developer shall cause all Relocation of tenants and occupants of the Properties to be conducted in accordance with the Relocation Laws and all Federal Program Limitations. Developer further agrees to cooperate with City in meeting the requirements of the Federal Program Limitations and shall take all actions and measures reasonably required by the City Manager (or his duly authorized representative) in connection therewith.

1302.11 Requests for Disbursements of Funds. Developer may not request disbursements of funds hereunder until the funds are needed for payment of eligible costs of the Project. The amount of each request shall be limited to the amount needed for the acquisition of the

Properties and the Rehabilitation as set forth in the Final Budget and to be paid in installments as set forth herein.

1302.12 Eligible Costs. Developer shall only use HOME Program funds to pay costs defined as "eligible costs" under Federal Program Limitations.

1302.13 Records and Reports. Developer shall maintain and from time to time submit to City such records, reports and information as City Manager may reasonably require in order to permit City to meet the recordkeeping and reporting requirements required of them under 24 CFR 92.508. Without limiting the following, Developer shall maintain records and submit annual reports as required by this Agreement and Exhibit C to the Regulatory Agreement.

1302.14 Conflict of Interest. Developer shall comply with and be bound by the conflict of interest provisions set forth at 24 CFR 570.611.

1302.15 Conflicts between and among Federal Program Limitations and State or Local Law. If and to the extent applicable for any source of federal revenue expended to implement the Project and in the event of any conflict or inconsistency between applicable Federal Program Limitations and/or and State or local law, then the more stringent requirement(s) shall control.

1302.16 Layering Review. Developer acknowledges that a layering review will be performed in accordance with Federal Program Limitations. In connection with such review Developer acknowledges and agrees it shall be required to represent and certify to City that no government assistance other than the City Loan, the proceeds of the Bonds, the Tax Credits, the welfare exemption under California Revenue and Taxation Code Section 214(g), and the HAP Contract assistance has been obtained or is contemplated to be obtained for the acquisition, Rehabilitation and operation of the Properties. If such layering review is conducted, Developer agrees to notify City in the event that it applies for or proposes to use governmental funds, other than as listed in the previous sentence, for the Properties or the Project.

1303. Compliance with Laws. Developer shall comply with all applicable federal, state and local statutes, ordinances, regulations and laws, (including the Governmental Requirements) with respect to Developer's ownership and the Construction and the operation and management of the Properties by Developer (all of which comprises the Project hereunder). Developer shall carry out the design, construction and completion of the Rehabilitation, and operation and management of the Project, in conformity with all applicable laws, including all applicable federal, state, and local labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the Garden Grove Municipal Code, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Act, Civil Code Section 51, *et seq.*

1303.1 Prevailing Wage Laws. Developer shall carry out the Rehabilitation through completion of the Project and the overall development of the Properties in conformity with all applicable state and local labor laws and regulations, including without limitation, Davis-Bacon and California law (Labor Code Section 1720, *et seq.*)

(a) In this regard, Developer shall be solely responsible, expressly or impliedly, for determining and effectuating compliance with all applicable federal, state and local

public works requirements, prevailing wage laws, labor laws and standards, and City makes no representations, either legally or financially, as to the applicability or non-applicability of any federal, state or local laws to the Project or any part thereof, either onsite or offsite. Developer expressly, knowingly and voluntarily acknowledges and agrees that City has not previously represented to Developer or to any representative, agent or Affiliate of Developer, or any of its contractors and subcontractors for the construction or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction undertaken pursuant to this Agreement is (or is not) a "public work," as defined in Section 1720 of the Labor Code or under Davis-Bacon.

(b) Developer knowingly and voluntarily agrees that Developer shall have the obligation to provide any and all required disclosures or identifications as required by Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. Developer shall indemnify, protect, pay for, defend (with legal counsel acceptable to City) and hold harmless the Indemnitees, with counsel reasonably acceptable to City and its elected and appointed public officials, employees and agents, from and against any and all loss, liability, damage, claim, cost, expense and/or "increased costs" (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development, Construction (as defined by applicable law) and/or operation of the Project, including, without limitation, any and all public works (as defined by applicable law), results or arises in any way from any of the following: (i) the noncompliance by Developer of any applicable local, state and/or federal law or regulation, including, without limitation, any applicable federal and/or state labor laws or regulations (including, without limitation, if applicable, the requirement to pay state and/or federal prevailing wages); (ii) the implementation of Section 1781 of the Labor Code and/or Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation; and/or (iii) failure by Developer to provide any required disclosure or identification as required by Labor Code Section 1781 and/or by Davis-Bacon, as the same may be amended from time to time, or any other similar law or regulation. It is agreed by the parties that, in connection with the development and construction (as defined by applicable law or regulation) of the Project, including, without limitation, any and all public works (as defined by applicable law or regulation), Developer shall bear all risks of payment or non-payment of prevailing wages under applicable federal, state and local law or regulation and/or the implementation of Labor Code Section 1781 and/or Davis-Bacon, as the same may be amended from time to time, and/or any other similar law or regulation. "Increased costs," as used in this Section 1303.1, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the Construction and development of the Project by Developer. At the request of Developer, City shall cooperate with and assist Developer in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

1303.2 Labor Compliance.

(a) Labor Compliance Consultant. In connection with the City's oversight and compliance by the Project contractors and subcontractors as to all applicable federal and state labor laws, and if applicable, prevailing wage laws, Developer acknowledges that City already has retained and has under contract a professional services agreement with an experienced, professional labor compliance consultant--Labor Compliance Management ("Labor Compliance Consultant"). In this regard, Developer agrees to pay for and reimburse the City for the services

provided by the Labor Compliance Consultant within thirty (30) days of the City's submittal of an invoice therefor. Developer shall maintain records, and the Labor Compliance Consultant, will oversee Developer's compliance with and submittal of all labor-related reports including certified payroll records for review by the City not less frequently than once per month. In the event the City is required to conduct an audit of Developer, its contractors', or any of its subcontractors' labor compliance activities and/or records to evaluate noncompliance with labor laws evidenced in Developer's submittals under this Section 1303.2, Developer shall pay the City's third party costs incurred in accordance with such labor compliance audit by the Labor Compliance Consultant.

(i) In the event City becomes aware of any noncompliance with federal Section 3 requirements, Labor Code Section 1720, *et seq.*, or other applicable labor requirements, City shall have the right to require the Developer to set aside into a third party escrow account moneys in an amount reasonably determined by City to be sufficient to remedy such noncompliance.

(b) Completion and Labor Compliance Guaranty. At the Closing, Developer shall deliver to City a Completion and Labor Compliance Guaranty in substantially the form of Attachment No. 12.

(c) Implementation of HAP Contract Subject to Labor Compliance. As provided herein and as an express condition precedent to implementation of the HAP Contract the City or City's third party labor compliance consultant (as applicable) shall have certified to the City that the Rehabilitation was completed in accordance with all applicable labor and prevailing wage laws.

1303.3 Section 3 Compliance. Developer agrees to comply with and to cause each and all of its contractors and subcontractors and any and all or agents of Developer or any Affiliate of Developer to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u, and the implementing regulations, in connection with the construction of the Project to the extent applicable. Developer shall submit to City each subcontract with appropriate provisions providing for the Rehabilitation of the Project in conformance with the terms of this Agreement, including the Section 3 Clause. Developer and each and all of its contractors and subcontractors shall register with the City of Garden Grove Workforce Center.

(a) City has prepared a Section 3 "checklist" and other forms related to Section 3 compliance, attached hereto as Attachment No. 18 and fully incorporated by this reference; and as provided by City to Developer, and its contractor(s) or subcontractor(s), if any, and as applicable, such forms shall be utilized in all contracts and subcontracts to which Section 3 applies. Developer hereby acknowledges and agrees to take all responsibility for compliance with all Section 3 Clause federal requirements as to Developer, and each and all of its contractors and subcontractors, and other agents. Developer shall provide or cause to be provided to each and all of its contractors and subcontractors and other agents the checklist for compliance with the Section 3 Clause federal requirements provided by City, to obtain from Developer and each and all of its contractors and subcontractors, and other agents all applicable items, documents, and other evidence of compliance with the items, actions, and other provisions within the checklist, and to submit all such completed Section 3 Clause documentation and proof of compliance to the City Manager. To the extent applicable, Developer shall comply and/or cause compliance with all Section 3 Clause requirements for the Project. For example, when and if Developer or its contractor(s) hire(s) full

time employees, rather than volunteer labor or materials, Section 3 is applicable and all disclosure and reporting requirements apply.

1400. NONDISCRIMINATION COVENANTS.

1401. Nondiscrimination and Equal Opportunity. Developer hereby covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, to comply with the following laws relating to nondiscrimination and equal opportunity: (1) The Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 et seq.; Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107; title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1; the Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146; section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title; title II of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq.; 24 CFR part 8; section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135; Executive Order 11246, as amended by Executive Orders 11375, 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-1970 Comp., p. 684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60; Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development); and Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise).

1402. Prohibition of Inquiries on Sexual Orientation or Gender Identity. Developer further covenants, by and for itself, its successors and assigns, and all persons claiming under or through them, not to inquire about the sexual orientation or gender identity of an applicant for, or occupant of, the Project or any Housing Unit at the Properties, for the purpose of determining eligibility for occupancy of such Housing Units or otherwise making such Housing Units available. This prohibition on inquiries regarding sexual orientation or gender identity does not prohibit any individual from voluntarily self-identifying sexual orientation or gender identity. Further, determinations of eligibility for occupancy of Housing Units at the Project shall be made in accordance with the eligibility requirements provided for such program by HUD, and such Housing Units shall be made available without regard to actual or perceived sexual orientation, gender identity, or marital status.

The covenants established in this Section 1400, *et seq.*, shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

1500. DEFAULTS AND REMEDIES.

1501. Defaults—General. Subject to the permitted extensions of time and other cure periods set forth in this Agreement and in the Project Documents, failure or delay by any party to perform any term or provision of this Agreement constitutes a Default hereunder and under Project

Documents. The party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence.

1501.1 Events of Default by Developer. The occurrence of any of the following, whatever the reason therefor, shall specifically constitute an Event of Default by Developer:

(a) Developer fails to make payment under the City Loan Note when due, and such failure is not cured within ten (10) days after Developer's receipt of written notice that such payment was not received when due; or

(b) Developer fails to perform any other obligation for the payment of money (other than payments of principal or interest) under any Project Document, and such failure is not cured within ten (10) days after Developer's receipt of written notice that such obligation was not performed when due, and Developer has not exercised its right to contest the obligation to make such payments in conformity with this Agreement; or

(c) Developer fails to perform any obligation (other than obligations described in subsections (a) and (b), above) under any Project Document, and such failure is not cured within thirty (30) days after Developer's receipt of written notice that such obligation was not performed; provided that, if cure cannot reasonably be effected within such thirty (30)-day period, such failure shall not be an Event of Default so long as Developer (in any event, within thirty (30) days after receipt of such notice) commences cure, and thereafter diligently prosecutes such cure to completion; or

(d) The work of Rehabilitation on the Project ceases for thirty (30) consecutive days for any reason (other than and limited to: governmental orders, decrees or regulations, acts of God, strikes or other causes beyond Developer's reasonable control) and such causes, in the aggregate and in the City Manager's reasonable judgment, threaten to delay the completion of the Project beyond the required Outside Completion Date set forth in this Agreement; or

(e) Developer is enjoined or otherwise prohibited by any governmental agency from constructing and/or occupying the Improvements and such injunction or prohibition continues unstayed for thirty (30) days or more for any reason; or

(f) Developer is dissolved, liquidated or terminated, or all or substantially all of the assets of Developer are sold or otherwise transferred without the City Manager's prior written consent to the extent consent is required; or

(g) Developer is the subject of an order for relief by a bankruptcy court, or is unable or admits its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or Developer applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or any part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of Developer and the appointment continues undischarged or unstayed for ninety (90) days; or Developer institutes or consents to any bankruptcy, insolvency, reorganization, arrangement, readjustment of debt, dissolution, custodianship, conservatorship, liquidation, reorganization, or similar proceeding relating to it or any part of its property; or any similar proceeding is instituted without the consent of Developer and continues undismissed or

unstayed for ninety (90) days; or any judgment, writ, warrant of attachment or execution, or similar process is issued or levied against any property of Developer is not released, vacated or fully bonded within ninety (90) days after its issue or levy; or

(h) City exercises City's right to cure a default by Developer under the Primary Loan, or other financing senior to the City Loan and Developer does not reimburse City for the cost to cure such default within ten (10) days following written demand for payment from City.

1502. Notice of Default. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice or, provided that the party is proceeding with diligence to cure, such greater time as may be necessary to cure given the nature of the Default. Failure or delay in giving such notice shall not constitute a waiver of any Default, nor shall it change the time of Default. If City fails to approve or disapprove any request by Developer within the time period set forth in this Agreement or any other Project Document (or, if no time period is set forth herein or therein, within thirty (30) days after the initial request), such failure shall be a Default by City ten (10) days after Developer gives City notice of the Default.

1502.1 Notice to Tax Credit Investor. The City hereby agrees that the Investor Limited Partner shall receive concurrent notice of any Default hereunder, and shall have a thirty (30) day period to cure such Default on behalf of the Developer. The City shall give Investor Limited Partner notice at the address set forth below or such other address as Investor Limited Partner may instruct the City in writing from time to time:

Pacific Premier Bank
17901 Von Karman Ave., Suite 1200
Irvine, CA 92614
Attention: Mark Whalen, Senior Vice President

1503. Termination Prior to Developer's Acquisition of Properties.

1503.1 Termination by Developer. In the event that prior to the Closing of the Escrow:

(a) Developer is unable to obtain the Primary Loan or other financing necessary for the acquisition and Rehabilitation of the Properties; or

(b) City is in default of the Agreement and has not cured or commenced to cure such default within the applicable cure periods; then, subject to any applicable cure provisions contained in this Agreement, at the option of Developer, all provisions of this Agreement shall terminate and be of no further force and effect. Thereafter, neither City nor Developer shall have any further rights against or liability to the other with respect to this Agreement.

1504. Remedies Upon Default.

1504.1 Institution of Legal Actions. The occurrence of any Event of Default shall give the non-defaulting party the right to proceed with any and all remedies set forth in this Agreement or any other implementing or ancillary agreements related to the Project, including an

action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants hereunder or thereunder or to enjoin acts or things which may be unlawful or in violation of the provisions hereof or thereof, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Developer will relieve City of any obligation to perform hereunder, including without limitation to fund the City Loan, and the right to cause any indebtedness of Developer to City hereunder to become immediately due and payable.

(a) Acceptance of Service of Process. In the event that any legal arbitration or action is commenced against City, service of process on City shall be made by personal service upon the City Clerk or in such other manner as may be provided by law. In the event that any legal action is commenced against Developer, service of process on Developer shall be made by personal service upon a partner or an officer of Developer and shall be valid whether made within or outside the State of California or in such other manner as may be provided by law.

1504.2 Other City Remedies upon Developer Default. Upon the occurrence and during the continuance of any Event of Default by Developer, City may, at its option and in its sole and absolute discretion, do any or all of the following:

(a) By written notice to Developer, declare the principal of all amounts owing under the City Loan Note secured by the City Loan Deed of Trust and/or other Project Documents, together with all accrued interest and other amounts owing in connection therewith, to be immediately due and payable, regardless of any other specified due date;

(b) In its own right or by a court-appointed receiver, take possession of the Properties, enter into contracts for and otherwise proceed with the completion of the work of improvement on the Properties by expenditure of its own funds;

(c) Exercise any of its rights under the Project Documents and any rights provided by law, including the right to foreclose on any security and exercise any other rights with respect to any security, all in such order and manner as City elects in its sole and absolute discretion; and/or

(d) Seek and obtain an order for specific performance as allowed by law or in equity.

1505. Force Majeure. Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include, without limitation, the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, or acts or failures to act of any public or governmental entity (except that City's acts or failure to act shall not excuse performance of City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause.

1506. Attorney's Fees. In the event any legal action is instituted between City and Developer (including any member or partner of Developer or its successor(s) and assign(s)) in connection with this Agreement, then the prevailing party shall be entitled to recover from the losing party all of its costs and expenses, including court costs and reasonable attorneys' fees, and all fees, costs, and expenses incurred on any appeal or in collection of any judgment.

1507. Inaction Not a Waiver of Default. Any failures or delays by any party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

1508. Cumulative Remedies; No Waiver. The parties' rights and remedies under this Agreement are cumulative and in addition to all rights and remedies provided by law from time to time. The exercise by a party of any right or remedy shall not constitute a cure or waiver of any default, nor invalidate any notice of default or any act done pursuant to any such notice, nor prejudice such party in the exercise of any other right or remedy. No waiver of any default shall be implied from any omission by a party to take action on account of such default if such default persists or is repeated. No waiver of any default shall affect any default other than the default expressly waived, and any such waiver shall be operative only for the time and to the extent stated. No waiver of any provision of this Agreement shall be construed as a waiver of any subsequent breach of the same provision. A party's consent to or approval of any act by another party requiring further consent or approval shall not be deemed to waive or render unnecessary such party's consent to or approval of any subsequent act. A party's acceptance of the late performance of any obligation shall not constitute a waiver by such party of the right to require prompt performance of all further obligations; a party's acceptance of any performance following the sending or filing of any notice of default shall not constitute a waiver of such party's right to proceed with the exercise of its remedies for any unfulfilled obligations; and such party's acceptance of any partial performance shall not constitute a waiver by such party of any rights relating to the unfulfilled portion of the applicable obligation.

1600. MISCELLANEOUS.

1601. General Interpretation Terms.

1601.1 Singular and Plural Terms; Masculine and Feminine Terms. Any defined term used in the plural in any Project Document shall refer to both the singular and the plural form thereof. Any provision herein or defined term used that refers to the masculine shall also refer to the feminine, and any provision herein or defined term used that refers to the feminine shall also refer to the masculine.

1601.2 Accounting Principles. Any accounting term used and not specifically defined in any Project Document shall be construed in conformity with, and all financial data required to be submitted under any Project Document shall be prepared in conformity with, generally accepted accounting principles applied on a consistent basis or in accordance with such other principles or methods as are reasonably acceptable to City.

1601.3 References and Other Terms. Any reference to any Project Document or other document shall include such document both as originally executed and as it may from time to time be modified. References herein to Articles, Sections, Exhibits, and Attachments shall be

construed as references to this Agreement unless a different document is named. References to subparagraphs shall be construed as references to the same Section in which the reference appears except as otherwise noted. The term "document" is used in its broadest sense and encompasses agreements, certificates, opinions, consents, instruments and other written material of every kind. The terms "including" and "include" mean "including (include) without limitation".

1601.4 Attachments and Other Exhibits Incorporated. All attachments and other exhibits to this Agreement, as now existing and as the same may from time to time be modified, are incorporated herein by this reference.

1602. Notice of Certain Matters. Developer shall give notice to City, within ten (10) days after Developer's learning thereof, of each of the following:

(a) any material pending or, so far as is known to Developer, threatened, legal proceedings to which Developer or an Affiliate is or may be made a party or to which any portion of the Properties is or may become subject, which have not been fully disclosed in the material submitted to City which could materially adversely affect the ability of Developer to carry out its obligations hereunder, whether covered by insurance or not;

(b) any dispute between Developer and any governmental agency relating to the Properties, the adverse determination of which might materially affect the Properties;

(c) any change in Developer's principal place of business;

(d) any aspect of the Project that is not in substantial conformity with the Scope of Rehabilitation;

(e) any Event of Default or event which, with the giving of notice or the passage of time or both, would constitute an Event of Default;

(f) the creation or imposition of any mechanics' lien or other lien against the Properties;

(g) any material adverse change in the financial condition of Developer;

(h) any material change affecting the eligibility of a selected Tenant; and

(i) any material change to Developer's Application to TCAC, which shall not occur without City's prior consent, which consent shall not be unreasonably withheld.

1603. Further Assurances. Developer and City shall each execute and acknowledge (or cause to be executed and acknowledged) and deliver to the other party all documents, and take all actions, reasonably required by the other party from time to time to confirm the rights created or now or hereafter intended to be created under the Project Documents, to protect and further the validity, priority and enforceability of the Regulatory Agreement, City Loan Deed of Trust, Security Agreement and Financing Statement or otherwise to carry out the purposes of the Project Documents.

1604. Obligations Unconditional and Independent. Notwithstanding the existence at any time of any obligation or liability of City to Developer, or any other claim by Developer against City, in connection with the Properties or otherwise, Developer hereby waives any right it might otherwise

have (a) to offset any such obligation, liability or claim against Developer's obligations under the Project Documents, or (b) to claim that the existence of any such outstanding obligation, liability or claim excuses the nonperformance by Developer of any of its obligations under the Project Documents.

1605. Notices. All notices, demands, approvals and other communications provided for in the Project Documents shall be in writing and be delivered to the appropriate party at its address as follows:

If to Developer:	10632 Bolsa Avenue, LP c/o SC-MCO, LLC 500 Newport Center Drive, Suite 200 Newport Beach, CA 92660 Attn: Shawn Boyd
with copy to:	10632 Bolsa Avenue, LP c/o AOF Sycamore Court, LLC 7755 Center Ave., Suite 575 Huntington Beach, CA 92647 Attention: Ajay Nayar
If to City:	City of Garden Grove 11222 Acacia Parkway Garden Grove, CA 92840 Attn: City Manager
With copies to:	Omar Sandoval, Esq., City Attorney 11222 Acacia Parkway Garden Grove, CA 92840
	Stradling Yocca Carlson & Rauth 660 Newport Center Drive, Suite 1600 Newport Beach, CA 92660-6422 Attn: Celeste Stahl Brady, Esq.

Addresses for notice may be changed from time to time by written notice to all other parties. Written notice, demands and communications between City and Developer shall be deemed sufficient if dispatched by personal delivery, overnight delivery by a reputable courier service, registered or certified mail, postage prepaid, return receipt requested to the principal offices of City and Developer, the addresses of which are hereinafter set forth. Such written notices, demands and communications may be sent in the manner prescribed to each other's addresses as either party may, from time to time, designate by mail, or the same may be delivered in person to representatives of either party upon such premises. Notices herein shall be deemed given as of the date of personal service or three (3) consecutive calendar days after deposit of the same in the custody of the United States Postal Service.

1606. Survival of Representations and Warranties. All representations and warranties in the Project Documents shall survive the conveyance of the Properties and have been or will be relied on by City notwithstanding any investigation made by City.

1607. No Third Parties Benefited. Except as to the Garden Grove Housing Authority, this Agreement is made for the purpose of setting forth rights and obligations of Developer and City, and no other person shall have any rights hereunder or by reason hereof. The Garden Grove Housing Authority is an intended third party beneficiary of this Agreement with beneficial rights to the covenants herein and rights of enforcement, but no performance obligations.

1608. Binding Effect; Assignment of Obligations. This Agreement shall bind, and shall inure to the benefit of, Developer and City and their respective and permitted successors and assigns. Except as otherwise permitted pursuant to Section 1216.1 above, Developer shall not assign any of its rights or obligations under any Project Document without the prior written consent of City Manager, which consent may be withheld in the City Manager's sole and absolute discretion. Any such assignment without such consent shall, at City's option, be void. In connection with the foregoing consent requirement, Developer acknowledges that City relied upon Developer's particular expertise in entering this Agreement and continues to rely on such expertise to ensure the satisfactory completion of the Project.

1609. Counterparts. Provided that the written approval of City Manager is first obtained, any Project Document, other than the City Loan Note, may be executed in counterparts, all of which, taken together, shall be deemed to be one and the same document.

1610. Prior Agreements; Amendments; Consents; Integration. This Agreement (together with the other Project Documents) contains the entire agreement between City and Developer with respect to the Properties, and all prior negotiations, understandings and agreements are superseded by this Agreement and such other Project Documents. No modification of any Project Document (including waivers of rights and conditions) shall be effective unless in writing and signed by the party against whom enforcement of such modification is sought, and then only in the specific instance and for the specific purpose given. This Agreement is executed in three (3) duplicate originals, each of which is deemed to be an original. This Agreement includes pages 1 through 86 and Attachment Nos. 1 through 18, which constitutes the entire understanding and agreement of the parties.

1611. Waivers. All waivers of the provisions of this Agreement must be in writing by the appropriate authorities of City and Developer, and all amendments hereto must be in writing by the appropriate authorities of City and Developer.

1612. Governing Law. All of the Project Documents shall be governed by, and construed and enforced in accordance with, the laws of the State of California and applicable Federal Program Limitations. Developer irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Orange or the United States District Court of the Central District of California, as City may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Agreement or the other Project Documents. Developer also waives any objection regarding personal or in rem jurisdiction or venue.

1613. Severability of Provisions. No provision of this Agreement or of any Project Document that is held to be unenforceable or invalid shall affect the remaining provisions, and to this end all provisions of this Agreement and the Project Documents are hereby declared to be severable.

1614. Headings. Article and Section headings included in this Agreement, the Attachments, and any Project Documents are for convenience of reference only and shall not be used in construing such documents.

1615. Conflicts. In the event of any conflict between the provisions of this Agreement and those of the Promissory Note or the Regulatory Agreement, the provisions of the Promissory Note and the Regulatory Agreement shall prevail; however, in the event of a conflict between the provisions of this Agreement and any other Project Document, this Agreement shall prevail. Notwithstanding the foregoing, with respect to any matter addressed in both this Agreement and any other Project Document, the fact that one document provides for greater, lesser or different rights or obligations than the other shall not be deemed a conflict unless the applicable provisions are inconsistent and could not be simultaneously enforced or performed.

1616. Time of the Essence. Time is of the essence in this Agreement and in all of the Project Documents.

1617. Conflict of Interest. No member, official or employee of City shall have any direct or indirect interest in this Agreement, nor participate in any decision relating to the Agreement that is prohibited by law.

1618. Warranty Against Payment of Consideration. Developer warrants that it has not paid or given, and will not pay or give, any third person any money or other consideration for obtaining this Agreement.

1619. Nonliability of City and Developer Officials and Employees. No member, official, director, officer, board official, or employee of any party to this Agreement shall be personally liable to any other party, or any successor in interest of any other party, in the event of any default or breach by the party or for any amount which may become due to the other party(ies) or successor, or on any obligation under the terms of this Agreement.

1620. Broker's Commissions. No broker was contracted with in connection with the City Loan. Developer and Seller have engaged a broker in connection with Developer's acquisition of the Properties; however, City shall not be liable for any real estate commissions or brokerage fees that may arise from this Agreement or the Escrow. Developer represents to City that other than as disclosed above in this Section 1620, it has engaged no broker, agent, or finder in connection with this transaction, and Developer agrees to hold City harmless from any claim by any broker, agent or finder retained by Developer. City acknowledges that City has not engaged any broker, agent, or finder in connection with this transaction, and City agrees to hold Developer harmless from any claim by any broker, agent or finder retained by City.

1621. City Approvals and Actions through City Manager. City shall maintain authority of this Agreement and the authority to implement this Agreement through City Manager. City Manager shall have the authority to issue interpretations, waive provisions, and/or enter into certain amendments of this Agreement on behalf of City so long as such actions do not materially or substantively change the uses or development planned and required on the Properties, or add to the costs incurred or to be incurred by City as specified herein, and such interpretations, waivers and/or amendments may include extensions of time to perform as specified in the Schedule of Performance. All other material and/or substantive interpretations, waivers, or amendments shall require the consideration, action and written consent of the City Council.

1622. Implementation of Agreement and the Project. The parties acknowledge that, due to the long term nature of the Project, it may be necessary and/or appropriate at some time in the future, or from time to time, for the parties to enter into one or more implementation agreement(s) or to otherwise execute additional documentation to clarify and implement the provisions of this Agreement and provide for the incorporation of additional or different funding and/or financing sources for the development and operation of the Project, as may become necessary or appropriate for the successful development of the Project and implementation of this Agreement. Each party agrees to cooperate in good faith to negotiate and enter into such implementation agreement(s) for the Project as may be determined to be reasonably necessary and/or appropriate by Developer or City Manager, in either of their reasonable discretion.

1623. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day (such as the day escrow opens), and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Section 6700 and 6701 of the California Government Code. If any act is to be done by a particular time during a day, that time shall be Pacific Time Zone time.

1624. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

1625. Non-Recourse Obligation. In the event of any Default under the terms of this Agreement or any of the other Project Documents, the sole recourse of City for any such Default shall be Developer's interest in the Properties and the Project and Developer and its partners and Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights City may have hereunder, or any right of City to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by City as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by City in connection therewith (including without limitation reasonable attorneys' fees and costs).

IN WITNESS WHEREOF, the parties hereto have caused this HOME Investment Partnership Affordable Housing and Loan Agreement (Sycamore Court Housing Project) to be executed on the dates hereinafter respectively set forth.

DEVELOPER:

10632 BOLSA AVENUE, LP,
a California limited partnership

By: AOF SYCAMORE COURT, LLC,
a California limited liability company,
its Managing General Partner

By: AOF / GOLDEN STATE COMMUNITY DEVELOPMENT CORP., a California nonprofit public benefit corporation,
its Manager

By:_____
Ajay Nayar, Vice President

By: SC-MCO, LLC,
a California limited liability company,
its Co-General Partner

By: MARIMAN & CO., a California corporation,
its Sole Member

By:_____
Rudy Mariman, President

[Signatures continue on following page.]

[Signatures continue from previous page.]

CITY:

CITY OF GARDEN GROVE,
a California municipal corporation

By:_____
City Manager or Authorized Designee

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

STRADLING YOCCA CARLSON & RAUTH

_____
Special Counsel to City

ATTACHMENT NO. 1

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

PARCEL 1:

THE NORTH 350.00 FEET OF THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 17, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE WEST 462.00 FEET THEREOF.

ALSO EXCEPT ONE-HALF OF ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, EXCEPT THE GRANTOR WILL NOT HAVE ANY SURFACE RIGHTS TO A DEPTH OF 500 FEET, AS RESERVED BY CARL JACOBER AND EDNA JACOBER, HUSBAND AND WIFE, IN DEED RECORDED MARCH 16, 1955 IN BOOK 2997, PAGE 52, OFFICIAL RECORDS.

ALSO EXCEPT ALL WATER IN OR UNDER SAID LAND.

PARCEL 2:

THE NORTH 350.00 FEET OF THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 17, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 260.00 FEET THEREOF.

ALSO EXCEPT ONE-HALF OF ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND EXCEPT THAT THE GRANTORS WILL NOT HAVE ANY SURFACE RIGHTS TO A DEPTH OF 500 FEET AS RESERVED BY LOUIS JACOBER AND CORA JACOBER, HUSBAND AND WIFE, IN DEED RECORDED MARCH 16, 1955 IN BOOK 2997, PAGE 59, OFFICIAL RECORDS.

ALSO EXCEPT ALL WATER IN OR UNDER SAID LAND.

APNs: 108-492-77 (Parcel 1) and 108-083-38 (Parcel 2)

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

A. GENERAL

1.	Submittal of Agreement. Developer shall execute and submit the Agreement to City for consideration and action at a public meeting.	Fourteen (14) days prior to City Council consideration and action on the Agreement.
2.	City Approval/Disapproval of Exceptions. City shall provide Developer with written notification of City's approval or disapproval of the exception(s) set forth in the preliminary report for the Properties.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
3.	Insurance. Developer shall furnish or cause to be furnished appropriate certificates of insurance and/or endorsements to City which meet all requirements of the Agreement.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
4.	Developer Signage. Developer shall identify the Project with temporary construction signage designed and located as approved by City on the Properties (but not on each Property).	Within forty-five (45) days following the close of Escrow.

B. PROJECT FINANCING

1.	Submission of Evidence of Financing. Developer shall submit to City evidence of financing for the Project as set forth in Section 206, *et seq*. and Section 207 of the Agreement.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan..
2.	Receipt of All Funding Commitments Necessary to Complete Acquisition of the Properties. Developer shall use its best and good faith efforts to secure irrevocable funding commitments from Developer's Investor Limited Partner and Lender, which when combined with available City funding for this Project shall equal no less than all sums necessary to complete acquisition of the Properties and the Rehabilitation. Developer shall submit such commitments to City for review.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
3.	Approval of Developer's Evidence of Financing. City shall approve, conditionally approve, or disapprove Developer's Evidence of Financing as required by the Agreement.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.

C. ACQUISITION OF THE PROPERTY

1.	Open Escrow. Developer shall open Escrow with the Seller to acquire the Properties.	On or before June 30, 2017.
2.	Environmental Investigation. Developer shall complete physical and environmental investigation of the Properties and submit copies of the report and recommended remedial actions to City and Seller.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
3.	Remediation Contracts. Developer shall enter into contracts necessary to complete required remediation, if any, and set a schedule for completion thereof as a part of the Rehabilitation.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
4.	Deposit of Documents into Escrow. Seller shall obtain and cause to be fully executed and deposited with Escrow Holder the Grant Deed. City and Developer shall cause to be fully executed the final form of the Memorandum of Agreement, City Loan Note, City Loan Deed of Trust, Security Agreement, Regulatory Agreement, Completion Guaranty, Request for Notice of Default, and such other Project Documents necessary for the Close of Escrow.	Not fewer than one (1) calendar day prior to Close of Escrow.
5.	Conditions Precedent to Developer's Acquisition of the Properties and Initial Funding of the City Loan. City must notify Escrow that all Conditions Precedent to Developer's acquisition of the Properties and City funding therefor from the proceeds of the City Loan have been satisfied by Developer or waived by City prior to the close of Escrow.	Not fewer than five (5) days prior to Close of Escrow but no later than June 23, 2017.
6.	Close of Escrow. Escrow shall close when all Conditions Precedent thereof have been waived or satisfied.	Within five (5) days of notification by City to Escrow Holder that all Conditions Precedent are satisfied and/or waived, but not later than the Outside Closing Date.

D. REHABILITATION OF PROPERTY

1.	Submission of Final Budget and Development Schedule. Developer shall submit to City the Final Budget and updated construction schedule for the Rehabilitation pursuant to the Agreement.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.

2.	Approval of Costs of Rehabilitation and Development Schedule. City shall approve, conditionally approve, or disapprove Developer's Final Budget and schedule for the Rehabilitation.	Within ten (10) days after receipt of a complete submittal of the Final Budget and schedule and as a Condition Precedent to City funding any portion of the City Loan.
3.	Rehabilitation Plans. Developer shall prepare and submit Rehabilitation Plans (as defined in the Agreement) to City for review and approval.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
4.	Approval of Rehabilitation Plans. City shall review and approve, approve with conditions, or disapprove the Rehabilitation Plans.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
7.	Revision to Rehabilitation Plans. Developer shall revise and resubmit Rehabilitation Plans to address conditions or disapproval to the satisfaction of City.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
8.	Management Plan. Developer shall submit its proposed Management Plan to City for review and approval.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
9.	Approval of Management Plan. City shall review and approve, approve with conditions, or disapprove the Management Plan.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
10.	Revision to Management Plan. Developer shall revise Management Plan if conditionally approved or disapproved by City.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
11.	Approval of Revised Management Plan. City shall review and approve, approve with conditions, or disapprove revised Management Plan.	As a Condition Precedent to Close of Escrow and the City releasing any proceeds of the City Loan.
12.	Progress Reports. During construction Developer shall prepare monthly written progress reports and submit to City Manager.	Commencing thirty (30) days after start of the Rehabilitation work through completion.

13. Commencement of Rehabilitation. Developer shall cause the Rehabilitation to be commenced by Mariman & Co.	Within thirty (30) days of Closing and subject to satisfaction of the applicable Conditions Precedent, but in no event later than August 15, 2017.
14. Completion of Rehabilitation. Developer shall complete all work of the Rehabilitation.	On or before the Outside Completion Date and within one year after commencement of the Rehabilitation.
15. Release of Construction Covenants. City to furnish Developer with a Release of Construction Covenants.	Within 14 days of receipt of Developer request and only after Developer's satisfactory completion of the Rehabilitation of the Project.

For the purposes of this Schedule of Performance, the commencement date is the Date of Agreement of the HOME Investment Partnership Affordable Housing and Loan Agreement (Sycamore Court Housing Project). The Schedule of Performance is subject to revision from time to time as mutually agreed upon in writing between Developer and the City Manager, and City Manager is authorized on behalf of City to agree to make such revisions as he deems reasonably necessary. The City Manager, in his sole discretion, may elect to bring to the City Council for consideration and action any modifications to this Schedule of Performance. It is understood that the Schedule of Performance is subject to all of the terms and conditions set forth in the text of the Agreement. The summary of the items of performance in the Schedule of Performance is not intended to supersede or modify the more complete description in the text; in the event of any inconsistency between the Schedule of Performance and the text of the Agreement, the text shall govern. In the event the City Manager deems it necessary to bring to City Council for consideration one or more modifications to this Schedule of Performance, the discretion to do so is expressly reserved to the City Manager. The time periods set forth herein for City's approval of plans and drawings and other submittals that are submitted to City by Developer shall only apply and commence upon Developer's complete submittal of all the required information. In no event shall an incomplete submittal by Developer trigger any of City's obligations of review and/or approval hereunder; provided, however, that City shall notify Developer of an incomplete submittal as soon as is practicable and in no event later than the applicable time set forth for City's action on the particular item in question.

ATTACHMENT NO. 3

CITY LOAN NOTE
PROMISSORY NOTE SECURED BY DEED OF TRUST

$1,200,000.00 Garden Grove, California June __, 2017

FOR VALUE RECEIVED, **10632 BOLSA AVENUE, LP**, a California limited liability company ("Developer"), promises to pay to the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), at its offices at 11222 Acacia Parkway, Garden Grove, California 92840, or at such other place as City may from time to time designate in writing, (a) the principal sum of One Million Two Hundred Thousand Dollars ($1,200,000) (or so much of the proceeds as have been disbursed by City to Developer for the City Loan pursuant to the Agreement (defined below) but in no event to exceed $1,200,000) ("Note Amount"); and (b) all costs and expenses payable hereunder.

RECITALS

A. This City Loan Note, Promissory Note Secured By Deed of Trust ("Note") is made pursuant to that certain HOME Investment Partnership Affordable Housing and Loan Agreement (Sycamore Court Housing Project) by and between Developer and City, dated as of June 13, 2017 ("Agreement").

B. Capitalized terms used in this Note shall have the meaning set forth in the Agreement, unless expressly otherwise defined herein.

NOW, THEREFORE, for good valuable consideration, receipt of which is hereby acknowledged, Developer agrees as follows:

1. Agreement. The principal sums hereunder have been and are being loaned by City to Developer in accordance with and pursuant to the Agreement, which is a public record on file in the office of the City Clerk. The proceeds of the City Loan shall be disbursed only to pay for the items and in accordance with the procedures set forth in the Agreement. The terms of the Agreement are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. In the event of any inconsistencies between the terms of this Note and the terms of the Agreement or any other document related to the Note Amount, the terms of this Note shall prevail.

A default by Developer under any of the provisions of the Agreement, the City Loan Deed of Trust of even date herewith, any of the other Project Documents shall, after the expiration of any cure period under the respective agreement, be a default hereunder, and a default hereunder after applicable cure periods shall be a default under the Project Documents.

2. Interest. Three percent simple interest (3%) per annum (based on a 360-day year and charged on the basis of the actual number of days elapsed) shall accrue on the Note Amount and all other amounts due under this Note (other than accrued interest), except as set forth in Section 8 hereof.

3. **Term; Interest and Payment Obligation.** This Note shall be for a term commencing upon the date of initial disbursement of funds at Closing and continuing until September __, 2033, which date is ninety (90) days after the maturity date of the Primary Loan (herein, "City Loan Maturity Date").

(a) The City Loan Note shall bear simple interest at the rate of three percent (3%) per annum from the date of disbursement of City Loan proceeds. Commencing on March 18, 2018 and annually on or before the 75th calendar date of each succeeding year, Developer shall make annual interest-only payments to the City of $36,000. On the City Loan Maturity Date of the City Loan Note, all principal and interest shall be due in full by Developer to City (without regard to Residual Receipts calculation). All principal and accrued interest shall be due in full to City on the City Loan Maturity Date.

(i) This Note shall be repaid through an annual Residual Receipts calculation based on operation of the Project. The City Loan Note shall be payable from seventy-five percent (75%) of Residual Receipts for the Project until the City Loan Note has been paid in full, but all amounts due, including the full principal amount principal and any and all accrued interest, shall be due and payable in full on the City Loan Maturity Date.

(A) In the event that seventy-five percent (75%) of Residual Receipts is insufficient to provide for payment of the entire annual interest payment due under this Note, then such unpaid interest (referred to as the "past-due interest amount") shall begin to accrue interest from the date on which such interest payment was due at the interest rate applicable to outstanding principal under this Note. The next annual payment shall be increased by the amount of the past-due interest amount plus interest accrued thereon. All past-due interest amounts shall continue to accrue interest until all such amounts and accrued interest thereon have been paid to the City.

(ii) In addition, this Note shall be paid in full from the Refinancing Net Proceeds immediately upon any refinancing of the Project (or any part thereof) or from the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Project (excluding the residential leases to tenants).

(b) Notwithstanding the foregoing, the full Note Amount may be accelerated as set forth in Section 8 below.

4. Form of Payments. All amounts due hereunder are payable in immediately available funds and lawful monies of the United States of America.

5. Application of Payments. All payments shall be applied (i) first, to costs and fees owing hereunder, (ii) second, to the payment of unpaid accrued interest owing hereunder for each calendar year in which no payment was made by Developer pursuant to Section 3 hereof, (iii) third, to the payment of accrued interest for the preceding calendar year, and (iv) fourth, to the payment of principal.

6. Prepayment. At any time, Developer may prepay in whole or in part the outstanding principal balance under this Note, together with all accrued interest, if any, and unpaid fees, costs and expenses, if any, payable hereunder, without penalty or premium. In the event of prepayment by Developer, the Regulatory Agreement, in particular the covenants with respect to affordable housing

for 50% AMI Very Low Income Households and 60% AMI Low Income Households as set forth in the Agreement and the Regulatory Agreement, shall remain intact, and shall be unaffected by the prepayment of this Note by Developer.

7. **Security.** This Note and all amounts payable hereunder are secured by the City Loan Deed of Trust, a third trust deed, of even date herewith ("Deed of Trust"), executed by Developer in favor of City and recorded against the Properties in the Official Records of Orange County, which Deed of Trust shall only be subordinate to a deed of trust securing the repayment of the Primary Loan and such other encumbrances approved by City in writing. The terms of the Deed of Trust are incorporated herein and made a part hereof to the same extent and with the same force and effect as if fully set forth herein. A default under any of the provisions of the Deed of Trust shall be a default hereunder, and a default hereunder shall be a default under the Deed of Trust. In addition, Developer granted to City a security interest in all of Developer's right, title and interest in and to the Collateral as defined in the Security Agreement and Financing Statements.

8. **Subordinate Note**. The indebtedness evidenced by this City Loan Note is and shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by a Multifamily Note (and any schedules) dated as of even date herewith in the original principal amount of $14,400,000.00, executed by 10632 Bolsa Avenue, LP, a California limited partnership and payable to the order of California Public Finance Authority, a joint exercise of powers agency duly organized and existing under the laws of the State of California ("Senior Lender"), to the extent and in the manner provided in that certain Subordination Agreement dated as of even date herewith by and among the City as payee and beneficiary of this City Loan Note, and Senior Lender, and Developer, 10632 Bolsa Avenue, LP, a California limited partnership ("Subordination Agreement"). The City Loan Deed of Trust (and any exhibits) securing this City Loan Note is and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing the Multifamily Note and the terms, covenants and conditions of the Multifamily Loan and Security Agreement evidencing the terms of the Multifamily Note, subject to the terms and conditions and as more fully set forth in the Subordination Agreement. The rights and remedies of the City and each subsequent holder of this City Loan Note under the Multifamily Mortgage, Deed of Trust or Deed to Secure Debt (and any exhibits) securing this City Loan Note are subject to the restrictions and limitations set forth in the Subordination Agreement. Each subsequent holder of this City Loan Note shall be deemed, by virtue of such holder's acquisition of the City Loan Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by Subordinate Lender under the Subordination Agreement for the term thereof. The term of said Subordination Agreement however does not extend beyond the City Loan Maturity Date provided hereunder.

9. **Acceleration and Other Remedies.** If elected by City pursuant to the following sentence, the entire balance due under this Note shall be paid to City upon the earlier of any of the following (each, an "Event of Default"): (i) the uncured default of Developer under the Project Documents, this Note, or the Deed of Trust, in each case, after delivery of notice and expiration of the applicable cure period provided in the respective agreement; or (ii) the sale, lease or other transfer or conveyance (other than the permitted rentals and conveyances under the Agreement) of all or any part of the Project, or any interest therein (individually or collectively a "Transfer"), without the prior written consent of City in accordance with the Agreement, in each case, after delivery of notice and expiration of the applicable cure period provided in the applicable Project Document. Upon the occurrence and during the continuance of an Event of Default, City may, at City's option, declare the

outstanding principal amount of this Note, together with the then accrued and unpaid interest thereon and other charges hereunder, and all other sums secured by the Deed of Trust, to be due and payable immediately, and upon such declaration, such principal and interest and other sums shall immediately become and be due and payable without demand or notice, all as further set forth in the Deed of Trust. All costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with protection of, or realization on, the security for this Note, may be added to the principal hereunder, and shall accrue interest as provided herein. City shall at all times have the right to proceed against any portion of the security for this Note in such order and in such manner as City may consider appropriate, without waiving any rights with respect to any of the security. Any delay or omission on the part of City in exercising any right hereunder, under the Agreement, the Project Documents or under the Deed of Trust shall not operate as a waiver of such right, or of any other right. No single or partial exercise of any right or remedy hereunder or under the Agreement, the Project Documents, the Deed of Trust or any other document or agreement shall preclude other or further exercises thereof, or the exercise of any other right or remedy. The acceptance of payment of any sum payable hereunder, or part thereof, after the due date of such payment shall not be a waiver of City's right to either require prompt payment when due of all other sums payable hereunder or to declare an Event of Default for failure to make prompt or complete payment. In addition, upon any Event of Default, the Note Amount and all outstanding amounts due under this Note shall accrue interest at the default rate of ten percent (10%) per annum (based on a 360-day year and charged on the basis of the actual number of days elapsed) ("Alternate Rate").

10. Waivers. Except to the extent notice is required under any of the Project Documents, Developer and all endorsers, guarantors and sureties hereof jointly and severally waive presentment, demand, notice of protest and nonpayment, notice of default or delinquency, notice of acceleration, notice of costs, expenses or leases or interest thereon, notice of dishonor, diligence in collection or in proceeding against any of the rights or interests in or to any and all property securing this Note, and the benefit of any exemption under any homestead exemption laws, if applicable. Developer expressly agrees that this Note or any payment hereunder may be extended from time to time at City's sole discretion and that City may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Developer. No extension of time for payment of this Note made by agreement by City with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Developer under this Note, either in whole or in part. The obligations of Developer under this Note shall be absolute and Developer waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever. No previous waiver and no failure or delay by City in acting with respect to the terms of this Note or the Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Deed of Trust or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

11. Consents. Developer and all endorsers, guarantors and sureties consent to: (a) any renewal, extension or modification (whether one or more, and subject to the terms and provisions of the Agreement relating to modification, extension, and/or amendment) of the terms of the Agreement as such terms relate to this Note or the terms or time of payment under this Note, (b) the release or surrender or exchange or substitution of all or any part of the security, whether real or personal, or direct or indirect, for the payment hereof to the extent requested or approved by Developer, (c) the granting of any other indulgences to Developer, and (d) the taking or releasing of other or additional

parties primarily or contingently liable hereunder. Except as otherwise set forth above, any such renewal, extension, modification, release, surrender, exchange or substitution may be made without notice to Developer or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

12. Successors and Assigns. Whenever "City" is referred to in this Note, such reference shall be deemed to include the City of Garden Grove, California and its successors and assigns, including, without limitation, any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Developer, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of City and its successors and assigns. City may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of Developer. Whenever "Developer" is referred to in this Note, such reference shall be deemed to include 10632 Bolsa Avenue, LP and its approved successors and assigns, including, without limitation, any approved subsequent assignee or obligor of this Note, if such approval is given in accordance with the Agreement. In no event shall Developer assign or transfer any portion of this note without the prior express written consent of City, except as permitted in the Agreement.

13. Usury. It is the intention of Developer and City to conform strictly to the Interest Law, as defined below, applicable to this loan transaction. Accordingly, it is agreed that notwithstanding any provision to the contrary in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, the aggregate of all interest and any other charges or consideration constituting interest under the applicable Interest Law that is taken, reserved, contracted for, charged or received under this Note, or under any of the other aforesaid agreements or otherwise in connection with this loan transaction, shall under no circumstances exceed the maximum amount of interest allowed by the Interest Law applicable to this loan transaction. If any excess of interest in such respect is provided for in this Note, or in any of the documents securing payment hereof or otherwise relating hereto, then, in such event:

(a) the provisions of this paragraph shall govern and control;

(b) neither Developer nor Developer's heirs, legal representatives, successors or assigns shall be obligated to pay the amount of such interest to the extent that it is in excess of the maximum amount of interest allowed by the Interest Law applicable to this loan transaction;

(c) any excess shall be deemed canceled automatically and, if theretofore paid, shall be credited on this Note by City or, if this Note shall have been paid in full, refunded to Developer; and

(d) the effective rate of interest shall be automatically subject to reduction to the Maximum Legal Rate of Interest (as defined below), allowed under such Interest Law, as now or hereafter construed by courts of appropriate jurisdiction. To the extent permitted by the Interest Law applicable to this loan transaction, all sums paid or agreed to be paid to City for the use, forbearance or detention of the indebtedness evidenced hereby shall be amortized, prorated, allocated and spread throughout the full term of this Note. For purposes of this Note, "Interest Law" shall mean any present or future law of the State of California, the United States of America, or any other jurisdiction which has application to the interest and other charges under this Note. The "Maximum Legal Rate of Interest" shall mean the maximum rate of interest that City may from time to time

charge Developer, and under which Developer would have no claim or defense of usury under the Interest Law.

14. Costs of Enforcement. Developer agrees to pay upon demand all reasonable costs and expenses, including attorneys' fees, expert witness fees, and costs of suit (including appeals), incurred by City to enforce the terms hereof. In addition to the foregoing award of attorneys' fees, City shall be entitled to its reasonable attorneys' fees incurred in any post-judgment proceedings to enforce any judgment in connection with this Note. This provision is separate and several and shall survive the merger of this provision into any judgment.

15. Miscellaneous. Time is of the essence hereof. If this Note is now, or hereafter shall be, signed by more than one party or person, it shall be the joint and several obligation of such parties or persons (including, without limitation, all makers, endorsers, guarantors and sureties), and shall be binding upon such parties and upon their respective successors and assigns. This Note shall be governed by and construed under the laws of the State of California. Developer irrevocably and unconditionally submits to the jurisdiction of the Superior Court of the State of California for the County of Orange or the United States District Court of the Central District of California, as City hereof may deem appropriate, in connection with any legal action or proceeding arising out of or relating to this Note. Developer also waives any objection regarding personal or in rem jurisdiction or venue to the extent such action is filed in the above-referenced courts. In the event of a conflict between the provisions of this Note and the HOME Agreement, this Note shall control.

16. Non-Recourse Obligation. In the event of any Default under the terms of this Agreement or any of the other Project Documents, the sole recourse of City for any such Default shall be Developer's interest in the Properties and the Project and Developer and its partners and Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights City may have hereunder, or any right of City to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by City as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by City in connection therewith (including without limitation reasonable attorneys' fees and costs).

[Signatures on next page]

[Promissory Note continued from previous page]

IN WITNESS WHEREOF, the parties hereto have caused this City Loan Note, Promissory Note Secured by Deed of Trust to be executed on the date first set forth above.

DEVELOPER:

10632 BOLSA AVENUE, LP,
a California limited partnership

By: AOF SYCAMORE COURT, LLC,
a California limited liability company,
its Managing General Partner

By: AOF / GOLDEN STATE COMMUNITY DEVELOPMENT CORP., a California nonprofit public benefit corporation,
its Manager

By:_____
Ajay Nayar, Vice President

By: SC-MCO, LLC,
a California limited liability company,
its Co-General Partner

By: MARIMAN & CO., a California corporation,
its Sole Member

By:_____
Rudy Mariman, President

ATTACHMENT NO. 4

CITY LOAN DEED OF TRUST

Recording Requested By and When Recorded Mail To: **City of Garden Grove** **11222 Acacia Parkway** **Garden Grove, California 92840** **Attention: City Manager**	

(Space above for Recorder's use.)

(This document is exempt from the payment of a recording fee pursuant to Government Code Section 6103.)

SUBORDINATE DEED OF TRUST AND ASSIGNMENT OF RENTS

This **SUBORDINATE DEED OF TRUST AND ASSIGNMENT OF RENTS** ("Deed of Trust"), dated as of June __, 2017 is executed by **10632 BOLSA AVENUE, LP,** a California limited liability company ("Trustor"), as trustor, whose address is c/o SC-MCO, LLC, 500 Newport Center Drive, Suite 200, Newport Beach, California 92660, in favor of **FIRST AMERICAN TITLE INSURANCE COMPANY** ("Trustee"), as trustee, for the benefit of the **CITY OF GARDEN GROVE**, a California municipal corporation ("Beneficiary"), as beneficiary, whose address is 11222 Acacia Parkway, Garden Grove, California 92840, Attention: City Manager. Each capitalized term used herein and not otherwise defined herein shall have the meaning given such term in the "Agreement" (as defined in Section 2.1(b), below).

ARTICLE I

GRANT OF SECURITY

1.1 Grant of Security. FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt and adequacy of which are hereby acknowledged, Trustor hereby irrevocably grants, transfers and assigns to Trustee, IN TRUST, WITH POWER OF SALE, AND RIGHT OF ENTRY AND POSSESSION, for the benefit and security of Beneficiary, all rights, titles, interests, estates, powers and privileges that Trustor now has or may hereafter acquire in or to the following property and interests therein (collectively, the "Properties"):

(a) That certain real property ("Land" or "Properties") in the City of Garden Grove, County of Orange, State of California, more particularly described on Exhibit "A" attached hereto;

(b) All buildings and other improvements now or hereafter located on the Land, including, but not limited to, the Fixtures (as defined below) and any and all other equipment, machinery, appliances and other articles attached to such buildings and other improvements (collectively, the "Improvements");

(c) All fixtures (collectively, the "Fixtures") now or hereafter located on, attached to, installed in or used in connection with the Land and the Improvements, including all awnings, boilers, furnaces, pipes, plumbing, elevators, cleaning, call and sprinkler systems, fire extinguishing machinery and equipment, water tanks, heating, ventilating, air conditioning and air cooling machinery and equipment, gas and electric machinery and equipment, and other equipment, machinery and appliances and other fixtures of every kind and nature;

(d) All rights, rights-of-way, easements, licenses, profits, privileges, tenements, hereditaments and appurtenances now owned or hereafter acquired by Trustor and used in connection with the Land and the Improvements or as a means of access to either or both;

(e) All of Trustor's right, title and interest now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Land, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Land and Improvements;

(f) All oil, gas and other mineral rights in or relating to the Land, and all royalty, leasehold and other rights of Trustor in or relating thereto;

(g) All water, water rights and riparian rights (including, without limitation, shares of stock evidencing the same) in or relating to the Land;

(h) All leases and subleases relating to all or any part of the Land and the Improvements or any interest therein, now or hereafter existing or entered into, including all deposits, advance rentals and other payments of a similar nature but not including the Rents, as defined and separately assigned in Article 4;

(i) All options to purchase or lease all or any part of the Land or Improvements or any interest therein (and any greater estate in the Land or Improvements now owned or hereafter acquired pursuant thereto);

(j) All other estates, easements, licenses, interests, rights, titles, claims or demands, both in law and in equity, which Trustor now has or may hereafter acquire in the Land and the Improvements, including, without limitation, (1) any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of all or any part of the Properties, including any award resulting from a change of grade of streets and any award for severance damages, and (2) any and all proceeds of any insurance covering the Properties.

ARTICLE II

SECURED OBLIGATIONS

2.1 Secured Obligations. This Deed of Trust, and the lien created hereby, is made for the purpose of securing the following obligations (collectively, the "Secured Obligations"):

(a) the payment and performance by Trustor of all indebtedness and other obligations evidenced by that certain City Loan Note, Promissory Note Secured by Deed of Trust ("Note") dated of even date herewith, made by Trustor to the order of Beneficiary, in the original principal amount of One Million Two Hundred Thousand Dollars ($1,200,000), together with interest on such indebtedness and costs of enforcement according to the terms of the Note;

(b) the payment and performance of all indebtedness and each and every promise, agreement, covenant, and obligation of Trustor to Beneficiary contained in (i) that certain HOME Investment Partnership Affordable Housing and Loan Agreement (Sycamore Court Housing Project) ("Agreement"), dated as of June 13, 2017, between Beneficiary and Trustor, (ii) that certain Regulatory Agreement dated concurrently herewith, by and between Beneficiary and Trustor and recorded against the Properties in the Official Records of Orange County, and (iii) this Deed of Trust and the other "Project Documents" (as defined in the Agreement), whether or not the total amount thereof may exceed the face amount of the Note, shall be secured hereby to the same extent as though said Agreement, Regulatory Agreement, and Project Documents were fully incorporated in this Deed of Trust;

(c) the payment and performance of all indebtedness and other obligations of Beneficiary, or its successors or assigns, when such indebtedness and obligations are contained in a document which recites that the obligations thereunder are secured by this Deed of Trust;

(d) the payment by Trustor of all amounts advanced by or on behalf of Beneficiary or Trustee to improve, protect or preserve the Properties or the security of this Deed of Trust, with interest thereon as provided herein; and

(e) the payment and performance of all amendments, modifications, extensions, renewals and replacements of or for any of the foregoing (including, without limitation, (i) amendments or modifications of the required principal payment dates or interest payment dates, or both, as the case may be, accelerating or deferring such interest payment dates in whole or in part, or (ii) amendments, modifications, extensions or renewals at a different rate of interest), whether or not any such amendment, modification, extension, renewal or replacement is evidenced by a new or additional promissory note or other document.

ARTICLE III

COVENANTS

3.1 Payment of Secured Obligations. Trustor shall pay and perform the Secured Obligations when due.

3.2 Maintenance, Repair, Alterations. Trustor shall maintain and preserve the Properties in good condition and repair; Trustor, except upon the prior written consent of Beneficiary, shall not remove, demolish or materially alter any of the Improvements, other than to make repairs in the ordinary course of business of a non-structural nature which serve to preserve or increase the value of the Properties; Trustor shall complete promptly and in a good and workmanlike manner any Improvement which may be now or hereafter constructed on the Land, shall promptly restore in like manner any Improvement which may be damaged or destroyed thereon from any cause whatsoever, and shall pay when due all claims for labor performed and materials furnished therefor; Trustor shall comply with all laws, ordinances, rules, regulations, orders, covenants, conditions, restrictions and "Permitted Encumbrances" (as hereinafter defined) now or hereafter affecting the Properties, or any part thereof, or the conduct or operation of Trustor's business; Trustor shall not commit, suffer or permit any act to be done in, upon or to all or any part of the Properties in violation of any such laws, ordinances, rules, regulations, orders, covenants, conditions or Permitted Encumbrances now or hereafter affecting the Properties; Trustor shall not commit or permit any waste or deterioration of the Properties, and shall keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; Trustor shall not take (nor fail to take) any action, which if taken (or not so taken) would increase in any way the risk of fire or other hazard occurring to or affecting the Properties or which otherwise would impair the security of Beneficiary in the Properties; Trustor shall comply with the provisions of all leases, if any, constituting a portion of the Properties; Trustor shall not abandon the Properties or any portion thereof or leave the Properties unprotected, unguarded, vacant or deserted; Trustor shall not initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses which may be made of the Properties by Trustor or by the owner thereof without the prior written consent of Beneficiary; Trustor shall secure and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Properties; except as otherwise prohibited or restricted by the Project Documents, or any of them, Trustor shall do any and all other acts which may be reasonably necessary to protect or preserve the value of the Properties and the rights of Trustee and Beneficiary with respect thereto.

3.3 Insurance. Trustor shall at all times maintain in full force and effect, at Trustor's sole cost and expense, policies of insurance in form, substance, amounts and with companies as required by the Agreement. In the event of any damage or destruction to the Properties, all insurance proceeds shall be applied in accordance with the terms and provisions of the Agreement or, in the absence thereof, as required by law.

3.4 Condemnation and Other Awards. Upon learning of the condemnation or other taking for public or quasi-public use of, or of the institution or the threatened institution of any proceeding for the condemnation or other taking for public or quasi-public use of, all or any part of the Properties, Trustor shall promptly notify Beneficiary and Trustee of such fact. Subject to the requirements under senior loan documents, Trustor shall take all actions reasonably required by Beneficiary or Trustee in connection therewith to defend (using counsel reasonably acceptable to Beneficiary) and protect the interests of Trustor, Beneficiary and/or Trustee in the Properties. At Beneficiary's option, Beneficiary or Trustor may be the nominal party in such proceeding but in any event Beneficiary shall be entitled, without regard to the adequacy of its security, to participate in and to control its own defense and any settlement affecting the Beneficiary's interest in the Properties and to be represented therein by counsel of its choice. Subject to the requirements under senior loan documents, Trustor hereby assigns to Beneficiary, as security for the Secured Obligations, all compensation, awards, damages and other amounts payable to Trustor in connection with any

condemnation or other taking of all or any part of the Properties for public or semi-public use (including, but not limited to, the proceeds of any settlement, regardless of whether or not condemnation or other taking proceedings are instituted in connection therewith). Upon receipt, subject to the requirements under senior loan documents, Trustor shall immediately deliver all such compensation, awards, damages and other amounts to Beneficiary. All such proceeds shall first be applied to reimburse Beneficiary and Trustee for all costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied as required by law. Application or release of such proceeds as provided herein shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3.5 Taxes and Impositions. After Trustor's acquisition of the Properties from the Seller, Trustor shall be responsible to and shall pay, prior to delinquency, all of the following (collectively, the "Impositions"): (i) all general and special real property taxes and assessments imposed on the Properties; and (ii) all other taxes and assessments and charges of every kind that are assessed upon the Properties and that create or may create a lien upon the Properties (or upon any personal property or fixtures used in connection with the Properties), including non-governmental levies and assessments pursuant to applicable covenants, conditions or restrictions. If permitted by law, Trustor may pay any Imposition in installments (together with any accrued interest).

(a) Right to Contest. Trustor shall not be required to pay any Imposition so long as (a) the validity of such Imposition is being actively contested in good faith and by appropriate proceedings, and (b) either (i) Trustor has demonstrated to Beneficiary's reasonable satisfaction that leaving such Imposition unpaid pending the outcome of such proceedings could not result in conveyance of any parcel in satisfaction of such Imposition or otherwise impair Beneficiary's interests under the Project Documents, or (ii) Trustor has furnished Beneficiary with a bond or other security satisfactory to Beneficiary in an amount not less than 120% of the applicable claim (including interest and penalties).

(b) Evidence of Payment. Upon demand by the Beneficiary from time to time, Trustor shall deliver to the Beneficiary within thirty (30) days following the due date of any Imposition, evidence of payment of said Imposition reasonably satisfactory to the Beneficiary, unless Trustor is contesting the imposition in conformity with Section 3.5(a). In addition, upon demand by Beneficiary from time to time, Trustor shall furnish to Beneficiary a tax reporting service for the Properties of a type and duration, and with a company, reasonably satisfactory to Beneficiary.

3.6 Utilities. Except to the extent paid directly by tenants, Trustor shall promptly pay all gas, electricity, water, sewer and other utility charges which are incurred for the benefit of the Properties or which may become a lien against the Properties and all other assessments and other charges of a similar nature, public or private, relating to the Properties or any portion thereof, regardless of whether or not any such charge is or may become a lien thereon.

3.7 Liens. Trustor shall not cause, incur, suffer or permit to exist or become effective any lien, encumbrance or charge upon all or any part of the Properties or any interest therein. Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all liens, encumbrances and charges upon all or any part of the Properties or any interest therein, or contest such claim in conformity with Sections 1001.1 and 1102 of the Agreement. If Trustor shall fail to remove and discharge any such lien, encumbrance or charge, then, in addition to any other right or remedy of

Beneficiary, Beneficiary may, but shall not be obligated to, discharge the same, without notice to or demand on Trustor, and without inquiring into the validity of such lien, encumbrance or charge or the existence of any defense or offset thereto, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or charge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or in any other manner permitted or required by law. Subject to the rights of Trustor pursuant to Sections 1001.1 and 1102 of the Agreement, the Trustor shall, within twenty (20) days after demand therefor by Beneficiary (together with sufficient evidence substantiating such expenditures by Beneficiary), pay to Beneficiary an amount equal to all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing right to discharge any such lien, encumbrance or charge, together with interest thereon from the date of such expenditure until paid at the "Alternate Rate" (as defined in the Note).

3.8 Sale or Lease of Properties. Except as otherwise permitted under the Agreement, Trustor shall not sell, lease or otherwise transfer all or any part of the Properties or any interest therein without the prior written consent of Beneficiary.

3.9 Inspections. Beneficiary, Trustee and their respective agents, representatives and employees, are each authorized, upon notice reasonable under the circumstances (which may be written or oral), to enter at any time upon any part of the Properties during normal business hours for the purpose of inspecting the same and for the purpose of performing any of the rights and obligations under the law that Beneficiary and/or Trustee are authorized to perform hereunder or under the terms of any of the Project Documents. Such entry by the Beneficiary shall be upon 72-hours' prior notice, and shall be undertaken at Beneficiary's expense, with Beneficiary holding harmless the Trustor from any claims or injuries which occur in connection with the exercise of the Beneficiary's rights pursuant to this Section 3.9. The rights of Beneficiary to enter and inspect pursuant to this Section 3.9 are in addition to and do not limit City's rights to conduct building inspections.

3.10 Defense of Actions. Trustor, at no cost or expense to Beneficiary or Trustee, shall appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust, any of the other Project Documents, all or any part of the Properties or any interest therein, any additional or other security for the obligations secured hereby, or the interests, rights, powers or duties of Beneficiary or Trustee hereunder, provided that Trustee or Beneficiary shall have first tendered the defense to Trustor. If Beneficiary or Trustee elects to become a party to such action or proceeding, or is made a party thereto, Trustor shall indemnify, defend and hold Trustee and Beneficiary harmless from all liability, damage, cost and expense incurred by Trustee and Beneficiary, or either of them, by reason of such action or proceeding (including, without limitation, reasonable attorneys' fees and expenses), whether or not such action or proceeding is prosecuted to judgment or decision.

3.11 Protection of Security. If Trustor fails to make any payment or to do any act as and in the manner provided in this Deed of Trust or any of the other Project Documents, Beneficiary and/or Trustee, each in its own discretion, without obligation so to do, without further notice or demand, and without releasing Trustor from any obligation, may make or do the same in such manner and to such extent as either may reasonably deem necessary to protect the security of this Deed of Trust. In connection therewith (without limiting their general powers), Beneficiary and Trustee shall each have and are hereby given the right, but not the obligation and subject to the terms

and conditions set forth herein: (i) to enter upon and take possession of the Properties; (ii) to make additions, alterations, repairs and improvements to the Properties which in the judgment of either may be necessary or proper to keep the Properties in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of Beneficiary or Trustee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of either may affect or appears to affect the security of this Deed of Trust or may be, or to appear to be, prior or superior hereto; and (v) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

3.12 Beneficiary's Powers. Without affecting the liability of Trustor or any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any portion of the Properties not then or theretofore released as security for the full amount of all Secured Obligations, Beneficiary may, from time to time and without notice (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such obligation (provided, however, that the consent of Trustor shall be required with respect to the extension or alteration of any unpaid obligation of Trustor to Beneficiary), (iii) waive any provision contained herein or grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, a portion or all of the Properties, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) make compositions or other arrangements with debtors in relation thereto. By accepting payment or performance of any obligation secured by this Deed of Trust after the payment or performance thereof is due or after the filing of a notice of default and election to sell, Beneficiary shall not have thereby waived its right to require prompt payment and performance, when due, of all other obligations secured hereby, or to declare a default for failure so to pay or perform, or to proceed with the sale under any notice of default and election to sell theretofore given by Beneficiary, or with respect to any unpaid balance of the indebtedness secured hereby. The acceptance by Beneficiary of any sum in an amount less than the sum then due shall not constitute a waiver of the obligation of Trustor to pay the entire sum then due.

3.13 Costs, Fees and Expenses. Upon the occurrence of an Event of Default, Trustor shall pay, on demand, all costs, fees, expenses, advances, charges, losses and liabilities paid or incurred by Beneficiary and/or Trustee under or in connection with this Deed of Trust, the enforcement of this Deed of Trust, the collection of the Secured Obligations, and/or the exercise of any right, power, privilege or remedy given Beneficiary and/or Trustee under this Deed of Trust, including, (a) foreclosure fees, trustee's fees and expenses, receiver's fees and expenses and trustee's sale guaranty premiums, (b) costs and expenses paid or incurred by Beneficiary and/or Trustee and/or any receiver appointed under this Deed of Trust in connection with the operation, maintenance, management, protection, preservation, collection, sale or other liquidation of the Properties, (c) advances made by Beneficiary and/or Trustee to complete or partially construct all or any part of any improvements which may have been commenced on the Land or otherwise to protect the security of this Deed of Trust, (d) costs of evidence of title, costs of surveys and costs of appraisals, and (e) the fees, costs and expenses of attorneys, accountants and other consultants; together with interest thereon from the date of expenditure until so paid at the Alternate Rate.

ARTICLE IV

ASSIGNMENT OF RENTS, ISSUES AND PROFITS

4.1 Assignment of Rents, Issues and Profits. While this Deed of Trust is outstanding, Trustor hereby absolutely and irrevocably assigns and transfers to Beneficiary all of its right, title and interest in and to all rents, issues, profits, royalties, income and other proceeds and similar benefits derived from the Properties (collectively, the "Rents"), and hereby gives to and confers upon Beneficiary the right, power and authority to collect such Rents. Trustor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, at the option of Beneficiary, at any time and from time to time, to demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, in its name or in the name of Trustor, for all Rents, and to apply the same to the obligations secured hereby; provided, however, that Trustor shall have a license to collect Rents (but not more than one month in advance unless the written approval of Beneficiary has first been obtained), and to retain and enjoy the same, so long as an Event of Default shall not have occurred hereunder and be continuing. The assignment of the Rents in this Article 4 is intended to be an absolute assignment from Trustor to Beneficiary and not merely the passing of a security interest.

4.2 Collection Upon Default. Upon the occurrence and during the continuance of an Event of Default hereunder, Trustor's license to collect the Rents shall automatically terminate and Beneficiary may, at any time without notice, either in person, by agent or by a receiver appointed by a court, and without regard to the adequacy of any security for the obligations hereby secured, enter upon and take possession of the Properties, or any part thereof, and, with or without taking possession of the Properties or any part thereof, in its own name sue for or otherwise collect such Rents (including those past due and unpaid, and all prepaid Rents and all other monies which may have been or may hereafter be deposited with Trustor by any lessee or tenant of Trustor to secure the payment of any Rent or for any services thereafter to be rendered by Trustor or any other obligation of any tenant to Trustor arising under any lease, and Trustor agrees that, upon the occurrence of any Event of Default hereunder, Trustor shall promptly deliver all Rents and other monies to Beneficiary), and Beneficiary may apply the same, less costs and expenses of operation and collection, including, without limitation, attorneys' fees, whether or not suit is brought or prosecuted to judgment, upon any indebtedness or obligation of Trustor secured hereby, and in such order as Beneficiary may determine notwithstanding that said indebtedness or the performance of said obligation may not then be due. The collection of Rents, or the entering upon and taking possession of the Properties, or the application of Rents as provided above, shall not cure or waive any default or notice of default hereunder or invalidate any act performed in response to such default or pursuant to such notice of default or be deemed or construed to make Beneficiary a mortgagee-in-possession of all or any part of the Properties.

ARTICLE V

REMEDIES UPON DEFAULT

5.1 Events of Default. The occurrence of any of the following events or conditions shall constitute an event of default ("Event of Default") hereunder:

5.1.1 Trustor shall fail to pay any amount owing under this Deed of Trust when due, and such failure is not cured within ten (10) days after Beneficiary gives Trustor notice of such failure;

5.1.2 Trustor shall fail to observe or perform any other obligation contained in this Deed of Trust, and such failure is not cured within thirty (30) days after Beneficiary gives Trustor notice of such failure; provided that, if cure cannot reasonably be effected within such 30-day period, such failure shall not be an Event of Default so long as Borrower promptly (in any event, within thirty (30) days after receipt of such notice) commences cure, and thereafter diligently prosecutes such cure to completion;

5.1.3 The occurrence of an "Event of Default" under the Agreement, the Regulatory Agreement, the Note, or other Project Documents;

5.1.4 A default under any other document or agreement secured hereby, subject to any applicable cure period; or

5.1.5 City exercises City's right to cure a default by Developer under the Primary Loan or other financing senior to the City Loan and Developer does not reimburse City for the cost to cure such default within ten (10) days following written demand for payment from City

5.2 Acceleration Upon Default; Additional Remedies. Upon the occurrence and during the continuance of an Event of Default, Beneficiary may, at its option, terminate its obligations under the Project Documents and declare all Secured Obligations to be immediately due and payable without any presentment, demand, protest or further notice of any kind; and whether or not Beneficiary exercises said option, Beneficiary may:

5.2.1 Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Properties, or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to complete the construction of the Improvements on the Land, to preserve the value, marketability or rentability of the Properties, or part thereof or interest therein, increase the income therefrom or protect the security hereof and, with or without taking possession of the Properties, sue for or otherwise collect the Rents, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection including attorneys' fees, upon any Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Properties, the collection of such Rents and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession by Trustee, Beneficiary or a receiver of all or any portion of the Properties or the collection, receipt and application of any of the Rents, the Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Project Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

5.2.2 Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants contained herein;

5.2.3 Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Properties to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the official records of the County in which the Properties are located;

5.2.4 Exercise any and/or all of the rights and remedies available to a secured party under the California Uniform Commercial Code in such order and in such manner as Beneficiary, in its sole discretion, may determine (including, without limitation, requiring Trustor to assemble the collateral and make the collateral available to Beneficiary at a reasonably convenient location); provided, however, that the expenses of retaking, holding, preparing for sale or the like as provided thereunder shall include reasonable attorneys' fees and other expenses of Beneficiary and Trustee and shall be additionally secured by this Deed of Trust; and/or

5.2.5 Exercise all other rights and remedies provided herein, in any Project Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law or in equity.

5.3 Foreclosure By Power of Sale.

5.3.1 Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require.

5.3.2 Upon receipt of notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as is then required by law. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale having been given as required by law, sell the Properties at the time and place of sale fixed by it in said notice of sale, either as a whole, or in separate lots or parcels or items and in such order as Beneficiary may direct Trustee so to do, at public auction to the highest bidder for cash in lawful money of the United States of America payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matter or fact shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

5.3.3 After deducting all fees, costs and expenses incurred by Beneficiary or Trustee in connection with such sale, including costs of evidence of title, Beneficiary shall apply the proceeds of sale in the following priority, to payment of (i) first, all amounts expended under the terms hereof, not then repaid, with accrued interest at the Alternate Rate; (ii) second, all other Secured Obligations; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

5.3.4 Subject to applicable law, Trustee may postpone the sale of all or any portion of the Properties by public announcement at the time and place of sale, and from time to time thereafter may postpone such sale by public announcement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

5.3.5 A sale of less than the whole of the Properties or any defective or irregular sale made hereunder shall not exhaust the power of sale provided for herein; and subsequent sales may be made hereunder until all obligations secured hereby have been satisfied, or the entire Properties sold, without defect or irregularity.

5.4 Appointment of Receiver. Upon the occurrence of an Event of Default under this Deed of Trust, Beneficiary, as a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Properties or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Properties, and Trustor hereby irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided herein and shall continue as such and exercise all such powers until the date of confirmation of sale of the Properties unless such receivership is sooner terminated.

5.5 Application of Funds After Default. Except as otherwise herein provided, upon the occurrence of an Event of Default hereunder, Beneficiary may, at any time without notice, apply any or all sums or amounts received and held by Beneficiary to pay insurance premiums, Impositions, or either of them, or as rents or income of the Properties, or as insurance or condemnation proceeds, and all other sums or amounts received by Beneficiary from or on account of Trustor or the Properties, or otherwise, upon any Secured Obligation, in such manner and order as Beneficiary may elect, notwithstanding that such Secured Obligation may not yet be due. The receipt, use or application of any such sum or amount shall not be construed to affect the maturity of any indebtedness secured by this Deed of Trust, or any of the rights or powers of Beneficiary or Trustee under the terms of the Project Documents, or any of the obligations of Trustor or any guarantor under the Project Documents; or to cure or waive any default or notice of default under any of the Project Documents; or to invalidate any act of Trustee or Beneficiary.

5.6 Remedies Not Exclusive. Trustee and Beneficiary, and each of them, shall be entitled to enforce payment and performance of any indebtedness or obligation secured hereby and to exercise all rights and powers under this Deed of Trust or under any Project Document or other agreement or any law now or hereafter in force, notwithstanding some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by guaranty, mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Deed of Trust nor its enforcement whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect Trustee's or Beneficiary's right to realize upon or enforce any other security now or hereafter held by Trustee or Beneficiary, it being agreed that Trustee and Beneficiary, and each of them, shall be entitled to enforce this Deed of Trust and any other security for the obligations hereby secured now or hereafter held by Beneficiary or Trustee in such order and manner as they may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein, or granted to Beneficiary under any other agreement, or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or granted to Beneficiary under any other agreement, or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Project Documents to the Trustee or Beneficiary or to which either of them may be otherwise entitled may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Trustee or Beneficiary, and either

of them may pursue inconsistent remedies. Trustor may be joined in any action brought by Beneficiary to foreclose under or otherwise enforce this Deed of Trust.

5.7 Request for Notice of Default. Trustor hereby requests that a copy of any notice of default and that a copy of any notice of sale hereunder be mailed to it at the address set forth in the first paragraph of this Deed of Trust.

ARTICLE VI

MISCELLANEOUS

6.1 Amendments. This instrument cannot be waived, modified, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, modification, discharge or termination is sought.

6.2 Waivers. Trustor waives, to the extent permitted by law, (i) the benefit of all laws now existing or that may hereafter be enacted providing for any appraisement before sale of any portion of the Properties, and, whether now existing or hereafter arising or created, (ii) all rights of valuation, appraisement, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created, and (iii) all rights and remedies which Trustor may have or be able to assert by reason of the laws of the State of California pertaining to the rights and remedies of sureties: provided, however, nothing contained herein shall be deemed to be a waiver of Trustor's rights under Section 2924, 2924b and 2924c of the California Civil Code, or under Sections 580a or 726 of the California Code of Civil Procedure.

6.3 Statements by Trustor. Trustor shall, within twenty (20) days after notice thereof from Beneficiary, deliver to Beneficiary a written statement setting forth the amounts Trustor understands to be unpaid and secured by this Deed of Trust and stating whether any offset or defense exists against such amounts.

6.4 Statements by Beneficiary. For any statement or accounting requested by Trustor or any other entitled person pursuant to Section 2943 or Section 2954 of the California Civil Code or pursuant to any other provision of applicable law, or for any other document or instrument furnished to Trustor by Beneficiary, Beneficiary may charge the maximum amount permitted by law at the time of the request therefor, or if there be no such maximum, then in accordance with Beneficiary's customary charges therefor or the actual cost to Beneficiary therefor, whichever is greater.

6.5 Reconveyance by Trustee. Upon written request of Beneficiary stating that all obligations under the Note have been paid and fully performed, and upon surrender by Beneficiary of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees and the costs and expenses of executing and recording any requested reconveyance, Trustee shall reconvey to the person or persons legally entitled thereto, without warranty, any portion of the Properties then held hereunder. The recitals in any such reconveyance of any matter or fact shall be conclusive proof of the truthfulness thereof. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto."

6.6 Notices. All notices, demands, approvals and other communications provided for herein shall be in writing and shall be personally delivered, delivered by reputable overnight courier service or mailed by United States mail, as certified or registered material, return receipt requested, postage prepaid, to the appropriate party at the address set forth in the first paragraph of this Deed of Trust. Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be effective when actually received: provided, however, that non-receipt of any communication as the result of a change of address of which the pending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication.

6.7 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

6.8 Headings. Article and Section headings are included in this Deed of Trust for convenience of reference only and shall not be used in construing this Deed of Trust.

6.9 Severability. Every provision of this Deed of Trust is intended to be severable. In the event any provision hereof is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions hereof, which provisions shall remain binding and enforceable.

6.10 Subrogation. To the extent that proceeds of the Note are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Properties, Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, irrespective of whether such liens, charges or encumbrances are released.

6.11 Governing Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

6.12 Statute of Limitations. The right to plead, use or assert any statute of limitations as a plea, defense or bar of any kind, or for any purpose, to any obligation secured hereby, or to any complaint or other pleading or proceeding filed, instituted or maintained for the purpose of enforcing this Deed of Trust or any rights hereunder, is hereby waived by Trustor to the full extent permitted by law.

6.13 Interpretation. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires; and the word "person" shall include corporation, partnership or other form of association. Any reference in this Deed of Trust to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such document, instrument or agreement both as originally executed and as it may from time to time be modified.

6.14 Trust Irrevocable. The trust created hereby is irrevocable by Trustor. All amounts payable by Trustor pursuant to this Deed of Trust shall be paid without notice (except where notice is expressly required), demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction. Trustor hereby waives all rights now or hereafter

conferred by statute or otherwise to any abatement, suspension, deferment, diminution or reduction of any amount secured hereby and payable by Trustor to Beneficiary or Trustee.

6.15 Further Assurances. Trustor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments, as Beneficiary or Trustee may reasonably require to correct any defect, error or omission in this Deed of Trust or the execution or acknowledgment of this Deed of Trust, to subject to the lien of this Deed of Trust any of Trustor's property covered or intended to be covered hereby, to perfect and maintain such lien, to keep valid and effective the charges and lien hereof, to carry into effect the purposes of this Deed of Trust or to better assure and confirm to Beneficiary or Trustee their respective rights, powers and remedies hereunder.

6.16 Trustee's Powers. At any time, and from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the note secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness or the performance of any other obligation secured hereby or the effect of this Deed of Trust upon the remainder of the Properties, Trustee may (i) reconvey all or any part of the Properties, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or instrument relating hereto or to all or any part of the Properties.

6.17 Substitution of Trustee. Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Properties are located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee named herein or acting hereunder.

6.18 Successors and Assigns. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

6.19 Non-Recourse Obligation. In the event of any Default under the terms of this Agreement or any of the other Project Documents, the sole recourse of City for any such Default shall be Developer's interest in the Properties and the Project and Developer and its partners and Affiliates shall not be personally liable for the payment of any obligations under this Agreement; provided, however, that the foregoing shall not in any way affect any rights City may have hereunder, or any right of City to recover or collect funds, damages or costs (including without limitation reasonable attorneys' fees and costs) incurred by City as a result of fraud, intentional misrepresentation or bad faith waste, and/or any costs and expenses incurred by City in connection therewith (including without limitation reasonable attorneys' fees and costs).

IN WITNESS WHEREOF, Trustor has duly executed this Subordinate Deed of Trust and Assignment of Rents as of the dates set forth below.

"TRUSTOR"

10632 BOLSA AVENUE, LP,
a California limited partnership

By: AOF SYCAMORE COURT, LLC,
a California limited liability company,
its Managing General Partner

By: AOF / GOLDEN STATE COMMUNITY DEVELOPMENT CORP., a California nonprofit public benefit corporation,
its Manager

By:_____
Ajay Nayar, Vice President

By: SC-MCO, LLC,
a California limited liability company,
its Co-General Partner

By: MARIMAN & CO., a California corporation,
its Sole Member

By:_____
Rudy Mariman, President

EXHIBIT "A" TO ATTACHMENT NO. 4

LEGAL DESCRIPTION

That real property located in the State of California, County of Orange, City of Garden Grove, and described as follows:

PARCEL 1:

THE NORTH 350.00 FEET OF THE WEST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 17, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE WEST 462.00 FEET THEREOF.

ALSO EXCEPT ONE-HALF OF ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, EXCEPT THE GRANTOR WILL NOT HAVE ANY SURFACE RIGHTS TO A DEPTH OF 500 FEET, AS RESERVED BY CARL JACOBER AND EDNA JACOBER, HUSBAND AND WIFE, IN DEED RECORDED MARCH 16, 1955 IN BOOK 2997, PAGE 52, OFFICIAL RECORDS.

ALSO EXCEPT ALL WATER IN OR UNDER SAID LAND.

PARCEL 2:

THE NORTH 350.00 FEET OF THE EAST HALF OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 17, TOWNSHIP 5 SOUTH, RANGE 10 WEST, IN THE RANCHO LAS BOLSAS, CITY OF GARDEN GROVE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SAID SECTION IS SHOWN ON A MAP RECORDED IN BOOK 51, PAGE 12 OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE EAST 260.00 FEET THEREOF.

ALSO EXCEPT ONE-HALF OF ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND EXCEPT THAT THE GRANTORS WILL NOT HAVE ANY SURFACE RIGHTS TO A DEPTH OF 500 FEET AS RESERVED BY LOUIS JACOBER AND CORA JACOBER, HUSBAND AND WIFE, IN DEED RECORDED MARCH 16, 1955 IN BOOK 2997, PAGE 59, OFFICIAL RECORDS.

ALSO EXCEPT ALL WATER IN OR UNDER SAID LAND.

APNs: 108-492-77 (Parcel 1) and 108-083-38 (Parcel 2)

EXHIBIT "B" TO ATTACHMENT NO. 4

CERTIFICATE OF ACCEPTANCE
City Loan Deed of Trust

This is to certify that the interest in real property conveyed by the foregoing Deed of Trust dated June __, 2017 from 10632 BOLSA AVENUE, LP to the CITY OF GARDEN GROVE, a California municipal corporation ("City"), is hereby accepted by the undersigned officer on behalf of City pursuant to authority conferred by Resolution of the City Council adopted on June 13, 2017, and City, as beneficiary, consents to recordation thereof by its duly authorized officer.

Dated : June __, 2017

CITY OF GARDEN GROVE, a California municipal corporation

By:_____
City Manager or Authorized Designee

ATTEST:

_____
City Clerk