Supporting Documents from Table 1
Document 1
Project Name: OCCHD
Year: 1990

DRAFT

3-13-90
3.1

CITY OF IRVINE
COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT

TITLE OF PROJECT: OCCHC Project Acquisition

MEMORANDUM OF CONTRACT entered into this 13th day of March, 1989. wb 90

BY AND BETWEEN

ORANGE COUNTY COMMUNITY HOUSING CORPORATION, a nonprofit corporation recognized by the State of California as a tax exempt corporation, hereinafter referred to as SUBGRANTEE, and

CITY OF IRVINE, a political subdivision of the State of California and recognized Urban City under the Federal Housing and Community Development Act of 1974 (Public Law 93-383, (the "Act"), as amended, hereinafter referred to as CITY.

WITNESSETH

WHEREAS, CITY AND SUBGRANTEE wish to enter into a contract in which both parties agree to cooperate in the acquisition ("Acquisition Period") and management ("Operational Period") of housing units for no less than five households of Income I or II Category which shall be preserved as affordable to Income I and Income II households for no less than thirty (30) years (the "Project").

WHEREAS, the CITY has entered into separate funding agreements, the most recent of which is dated October 26, 1989, with the U.S. Department of Housing and Urban Development (hereinafter designated as HUD) to fund such projects under the Act.

NOW THEREFORE, IT IS AGREED by and between the parties that the following provisions as well as all applicable Federal, State, County, and City laws and regulations are part of this Contract.

1. For the purposes of this Contract the following definitions shall apply:

   a. **Project Manager:** The party representing the SUBGRANTEE who is responsible for, but whose responsibility is not limited to, the following: Contracting, monitoring and implementing the Project.

2325A

b. **CDBG Coordinator:** The coordinating Planner of the CITY responsible for the implementation of CDBG-HUD Programs.

c. **Reimbursable Basis:** The SUBGRANTEE will provide the funds for the Project, except for direct acquisition costs, and submit proof of payment to the CITY whereby, upon approval, the CITY will forward CDBG funds to repay SUBGRANTEE.

d. **Income I:** Households earning 0% to 30% of the HUD Orange County median income.

e. **Income II:** Household earning less than 50% of the HUD Orange County median income.

f. **Acquisition Period:** The term commencing with execution of this Contract and culminating with the earlier of close of escrow on the final unit or December 31, 1990.

g. **Operational Period:** The term commencing with close of escrow of each unit and culminating with CITY-approved sale or transfer of units.

2. It is understood that the SUBGRANTEE is solely responsible for implementing the project during the Acquisition Period and the Operational Period of this Contract. SUBGRANTEE shall implement the following objectives:

a. To locate within the City of Irvine no less than five (5) homes of two or more bedrooms suitable for families of low income as defined by HUD. Such home sites shall be submitted to CDBG coordinator for review. Direct acquisition costs shall be funded pursuant to Section 5.a. of this Contract through Community Development Block Grant (CDBG) funds. For the purposes of this Contract, acquisition costs are deemed to be normal costs of escrow.

b. To create deed restrictive documents acceptable to CDBG Coordinator that shall preserve the public interest in these homes for the longest period possible, but in no event less than thirty (30) years. Said deed restrictive documents shall include a provision requiring transfer of Project units upon request of CITY to CITY-designated nonprofit entity. All reserve funds established shall be transferred with the units.

c. To submit application for funding to regional, State and Federal agencies as well as resources within the private sector for the purpose of enhancing the availability of housing for lower income families employed in the City.

d. To request and review applications from prospective renters, to interview, and to select Income I or II families, with priority given to persons employed within the City. Calculation of rents and adjustments to rents shall be made in accordance with City Council Resolution No. 90-37 or successor regulation.

e. To assist other producers of lower income housing within the City in soliciting and obtaining needed development services, construction and permanent financing, and selecting general contractor(s), as directed by CDBG Coordinator.

f. To provide a plan acceptable to CDBG Coordinator for the orderly transition of any existing residents of said units to the target lower income families. Preference shall be given to the acquisition of vacant units. If any households are forced to relocate as a result of acquisition, rehabilitation or rental of any unit, the relocation procedures must comply with HUD guidelines.

g. To manage the units in accordance with sound customary property management procedures, including, but not limited to, repair of breakage or damage, collection of rents, and mediation of disputes.

h. To submit quarterly reports during the operational period to the CDBG Coordinator concerning units leased and income levels of families. Such reports must be received by the 15th of the month following the end of the quarter. (Reports will be due October 15, January 15, April 15 and July 15). Said quarterly reports shall be deemed approved, without further action, unless the CITY notified SUBGRANTEE within 45 days following receipt.

3. SUBGRANTEE:

a. Shall maintain accounting records, official files and other evidence pertaining to cost incurred pursuant to all applied HUD regulations. All records shall be accessible by duly authorized

representatives of CITY or HUD for review, examination and audit. These records shall be kept available at SUBGRANTEE's Office during the contract period and thereafter for three (3) years from the date of final performance by SUBGRANTEE under the contract.

b. Agrees that if it is subsequently determined by CITY or HUD that said funds were not expended in compliance with Federal laws and regulations, SUBGRANTEE will refund to CITY such sums as were improperly expended.

4. The CDBG Coordinator shall periodically evaluate the SUBGRANTEE's progress in complying with the terms of this Contract. SUBGRANTEE shall cooperate fully during such monitoring. CDBG Coordinator shall report the finding of each monitoring to the SUBGRANTEE. If it is determined by CITY that SUBGRANTEE's performance or progress on performance is unsatisfactory, CITY may cause rents to be placed in a transfer account pending resolution of the unsatisfactory condition(s) or may terminate this Contract. In addition, CITY may require the SUBGRANTEE to reimburse to CITY any funds that it determines to be improperly expended or not expended on the Project in a timely manner based on applicable CDBG program regulations.

5. Project funding:

a. The cost of the project covered by this Contract shall not exceed Six Hundred Fifty Thousand and no/100 Dollars ($650,000) for acquisition of no less than five (5) homes of no less than (2) bedrooms which shall be made affordable to Income I or II households unless approved in writing by the CDBG Coordinator.

b. CDBG Coordinator shall determine suitability of such homes for lower income housing, and, if approved, recommend that CITY deposit funds into escrow to begin said acquisition. CITY approval of acquisition shall be based upon financial feasibility and the adequate provision of mechanisms to ensure continued availability to Income I and II households.

c. A total of Six Hundred Fifty Thousand and no/100 Dollars ($650,000) shall be available to be deposited into escrows as necessary within thirty (30) days of execution of this Contract. Payments shall be made in accordance with established CITY

and HUD financial procedures and requirements.

d. Payments to SUBGRANTEE for administrative expenses incurred with respect to acquisition services is contingent upon satisfaction of conditions hereinafter set forth in this paragraph 5(d) and 5(e). All invoices submitted for payment shall be accompanied by documentation substantiating the expenditure of funds. Such documentation shall consist of copies of cash disbursement journals, warrant copies, payroll records and logs of staff hours dedicated to this contract. Upon receipt of an invoice from the SUBGRANTEE, CDBG Coordinator shall review the invoice and the services by SUBGRANTEE for which the invoice has been rendered. As the SUBGRANTEE is performing services that are predominantly administrative, an amount not to exceed $21,000 shall be the total administrative reimbursement under this Contract. SUBGRANTEE is authorized to submit invoices for administrative expenses incurred on or after January 31, 1990. Estimated qualifying administrative expenses are set forth on the attached Exhibit A, which is incorporated by this reference. SUBGRANTEE is authorized to charge overhead in an amount equal to 20% of invoiced salary expense. CDBG Coordinator shall determine in its sole discretion, which shall be reasonably exercised, whether or not the SUBGRANTEE is entitled to payment in accordance with the terms of this Contract.

e. All funds provided through this Contract shall be eligibly expended by SUBGRANTEE or deposited into an escrow by CITY no later than June 29, 1990. After July 1, 1990, SUBGRANTEE shall be reimbursed for management expenses from rents collected. Estimated qualifying management expenses are set forth on the attached Exhibit B, which is incorporated by this reference. Any profit or excess income generated above the usual management expenses shall be placed in a reserve fund for the rehabilitation or replacement of units or for the acquisition of more units or a new project.

6. In the event of SUBGRANTEE's failure to comply with the provisions of this Contract, CITY may, at its discretion, withhold funds and/or reallocate funds to another activity considered by the CITY to be in compliance with the Act.

7. Neither SUBGRANTEE nor any officer or employee thereof

shall be responsible for any damage or liability occurring by reason of any action or omission of CITY under or in connection with any work, authority or jurisdiction not delegated to SUBGRANTEE under this Contract. It is also understood and agreed that CITY shall fully indemnify, defend and hold SUBGRANTEE harmless from any liability imposed for injury (as defined by Government Code Section 810.9), occurring by reason of any action or omission of CITY or in connection with any work, authority or jurisdiction not delegated by SUBGRANTEE under this Contract.

8. Any amendment to this Contract shall be submitted to and approved by the CITY, prior to commencement of any activity covered by said amendment.

9. SUBGRANTEE is responsible for compliance with the California Environmental Quality Act (CEQA) and shall provide CITY with information necessary to comply with the National Environmental Policy Act (NEPA) prior to commencing Project implementation. This may include, when applicable, SUBGRANTEE preparation of NEPA documentation in coordination with CITY staff.

10. SUBGRANTEE shall obtain an annual audit in accordance with OMB Circulars A-110 and A-122 and forward a copy of the audit to CDBG Coordinator (as soon as the report becomes available). CDBG Coordinator shall have the right to ensure that necessary corrective actions are made by SUBGRANTEE for any audit findings pertinent to proper handling of funding attributable to the CDBG Program per federal requirements.

11. Indemnity, Bodily Injury and Property Damage Insurance.

    a. The SUBGRANTEE shall defend, assume all responsibility for and hold the CITY, and its respective officers, agents and employees, harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including attorneys' fees and costs), which may be caused by any of the SUBGRANTEE's activities under this Contract, whether such activities or performance thereof be by the SUBGRANTEE and whether such damage shall accrue or be discovered before or after termination of this Contract. The SUBGRANTEE shall take out and maintain insurance as provided below throughout the Contract phase and continue said insurance so long as SUBGRANTEE has an ownership interest in the acquired units.

    b. Insurance required shall amount to a building

value determined by City-approved appraisal for fire insurance and a comprehensive liability policy in the amount of Two Million Dollars ($2,000,000) combined single limit as shall protect the SUBGRANTEE and the CITY from claims for such damages.

c. SUBGRANTEE shall furnish CITY a certificate of insurance from insurer evidencing compliance with this paragraph and providing that the insurer shall not cancel or modify the policy without thirty (30) days' written notice to CITY. SUBGRANTEE shall give CITY prompt and timely notice of any claim made or suit instituted. CITY and its officers, employees, and agents shall also be named as additional insureds in any insurance policies of SUBGRANTEE's covering work under this Contract. Each policy shall contain a waiver of subrogation.

d. SUBGRANTEE shall comply with and furnish CITY with certificate of Workers' Compensation Insurance providing that the insurer shall not cancel or modify the policy without thirty (30) days' prior written notice to CITY.

IN WITNESS THEREOF, the Board of Directors of SUBGRANTEE has caused this Contract to be executed by its Executive Director and CITY has caused this Contract to be executed by the Mayor of the City Council and certified by its Clerk, all having been duly authorized by Orange County Community Housing Corporation and the City of Irvine Council.

Orange County Community Housing Corporation, a 501(c)(3) California public benefit nonprofit corporation

Date: March 15, 1990 By: _____
Allen P. Baldwin, Executive Director

City of Irvine, a political subdivision of the State of California

ATTEST:

Date: 3-19-90 By: _____
Mayor City Clerk

_____
APPROVED AS TO FORM
CITY ATTORNEY

HCD _____

EXHIBIT A

ORANGE COUNTY
COMMUNITY HOUSING CORPORATION

IRVINE - ACQUISITION PERIOD BUDGET	FEB/MAR	APR/JUN		
OCCHC JOB # 10	3/31/90	6/30/90		
	(224 hrs)	(100 hrs)	(124 hrs)	
SALARY,OFFICE	$13,664.00	$6,100.00	$7,564.00	$13,664.00
TRAVEL - OVERHEAD	$275.00	$125.00	$150.00	
OFFICE SVCS - OVERHEAD	$961.00	$450.00	$511.00	
PHONE - OVERHEAD	$140.00	$70.00	$70.00	
BANKING - OVERHEAD	$60.00	$30.00	$30.00	
ACCTNG/AUDIT - OVERHEAD	$700.00	$350.00	$350.00	
	$2,136.00	$1,025.00	$1,111.00	$2,136.00
MESSENGER - AS BILLED	$200.00	$100.00	$100.00	
LEGAL - AS BILLED	$1,500.00	$1,000.00	$500.00	
MARKETING - AS BILLED	$1,000.00	$500.00	$500.00	
APPRAISAL - AS BILLED	$2,500.00	$2,000.00	$500.00	
	$5,200.00	$3,600.00	$1,600.00	$5,200.00
TOTAL CONTRACT AMOUNT				$21,000.00

1833 East 17th Street, Suite 207, Santa Ana, California 92701 (714) 558-8161

OPERATIONAL BUDGET

EXAMPLE

IRV HOMES ACCT NO	OPERATION JOB #10 DESCRIPTION	BUDGET UPDATED COST	5 condos LIFE SPAN	ACCUMLTD RESERVES	DEC,90 PROJECT P.MONTH	EXPENSE TO 12/89	EXPENSE 1990	BALANCE IN ACCT
1-E	ELEC SYS		DRE	37.50	6.25			----------
2-H	HEAT SYS		15 YEARS	75.00	12.50			----------
3-P	PLUMBING		10 YEARS	60.00	10.00			----------
4-WH	WTR HEATER		6 YEARS	112.50	18.75			----------
5-R&D	RNGE/DSPSAL		10 YEARS	75.00	12.50			----------
2000	MECHANICAL	(sum^)		360.00	60.00		228.00	132.00
1000	FLOOR COVERING		7 YEARS	450.00	75.00		106.00	344.00
3000	SCREENS/DOORS		3 YEARS	90.00	15.00		28.00	62.00
4000	PAINTING		2 YEARS	480.00	80.00		91.00	389.00
5000	LNDSCP/HRDSCP							
6000	DRAPERIES		5 YEARS	108.00	18.00			108.00
7000								
7100	ROOFING		25 YEARS					
TRUST	PROJECT EARNINGS		FROM PRIO		.....			56.00
2-2000	CARPET CLEANING		2 YEARS	132.00	22.00		62.00	70.00
5400	PROPERTY TAX-exempt		SEMI ANN	60.00	10.00	.....	58.00	2.00
2073	ASSOCIATION DUES		MONTHLY	3,600.00	600.00	.....	3,600.00	
5500	INSURANCE	ASSN	CHC only	300.00	50.00	.....	295.00	5.00
58-1	WATER		TENANT			.....		
58-2	GAS		TENANT			.....		
58-3	ELEC - none		TENANT			.....		
58-4	TRASH/SEWER		TENANT			.....		
1000	LANDSCAPE MAINT		ASSN			.....		
2000	PLUMBING		AS REQ	600.00	100.00	.....	426.00	174.00
3000	ELECTRICAL		AS REQ	75.00	12.50	.....	39.00	36.00
4000	MISC REPAIR		AS REQ	750.00	125.00	.....	266.00	484.00
4500	ON SITE MGMNT		NONE			.....		
6000	MARKETING		ANNUAL	225.00	37.50	.....	96.00	129.00
2100	5 ea 1st TDs	$100,000	MONTHLY	6,000.00	1,000.00	.....	6,000.00	
2200	2ND/3RD TDS		NONE					
	MGMNT FEE		MONTHLY	300.00	50.00	.....	300.00	
	OCCHC INVSTMNT		MONTHLY			.....		
5900	VACANCY RSRV	5%	MONTHLY	712.50	118.75	.....		712.50
	RSRVRS PER MO.	270.00			2,373.75		RESERVES	2,703.50
	RSRVS PER UNIT	67.50			2,375.00	5 x $475		
							DEPOSITS	200.00
					1.25		TOTAL	2,903.50

Supporting Documents from Table 1
Document 2
Project Name: Families Forward
Year: 1996

DRAFT

ORIGINAL

COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT

THIS COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT ("Contract") is made and entered into this 1st day of October, 1995 by and between the CITY OF IRVINE, a municipal corporation, ("City") and **IRVINE TEMPORARY HOUSING** ("Subgrantee").

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide funds "CDBG Funds") to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 et. seq.), as amended from time to time, (the "ACT") and the regulations promulgated thereunder (24 C.F.R. Sections 570 et. seq. ("Regulations").

B. The Act provides that the City may grant or loan the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

C. Subgrantee desires to **acquire four condominiums, two (2) three bedroom and two (2) two bedroom units and operate thereon transitional housing** (the "Facility") which will be located within the City of **Irvine**, County of Orange, State of California more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("Site").

D. The City desires to assist in the operation of the Facility by granting CDBG Funds to Subgrantee to finance the cost of **acquiring the Site** (the "Project".) on terms and conditions more particularly set forth herein.

E. Subgrantee is a comprehensive social service agency who will purchase the facility with the CDBG funds granted by the City.

NOW, THEREFORE, the parties hereto agree as follows:

1.0 RECITALS

2.0 SUBGRANTEE OBLIGATIONS

2.1 Use of CDBG Funds. Subgrantee hereby agrees to use the CDBG Funds provided to Subgrantee solely for the Project pursuant to all of the terms and conditions of this Contract. The Project is more particularly set forth in the Description of the Project attached hereto as Exhibit "B" and incorporated herein by reference. the CDBG Funds shall be used solely to reimburse the actual expenses incurred by Subgrantee for the Project that are set forth in the "Budget" attached hereto as Exhibit "C" and incorporated herein by reference.

3181

If the Project encompasses any construction upon the Site, the work shall be performed in accordance with construction drawings, working specifications and related documents approved by the City in advance and in writing. Before the commencement of any work of construction, Subgrantee shall obtain any and all permits or approvals required by an governmental agency with jurisdiction. Representatives of the City shall have a reasonable right of access to the Site during any period of construction to determine whether the work being performed is consistent with the terms of this Contract.

2.2 Representations and Warranties. Subgrantee hereby represents and warrants to the City as follows:

(a) Subgrantee has read and is familiar with all of the terms and provisions of the Act and the Regulations applicable to Subgrantee.

(b) Subgrantee is a nonprofit organization permitted to receive CDBG Funds under the Act and the Regulations.

(c) The use of the Facility, the Project, and the expenses to be reimbursed by the CDBG Funds, as described in the Budget, are permitted uses of CDBG Funds under the Act and the Regulations.

(d) No part of the Project shall require the City or Subgrantee to comply with the provisions of the Davis-Bacon Act, 40 U.S.C. Sections 276a et seq., as amended from time to time.

(e) The Project shall not require the City or the Subgrantee to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Sections 4601 et seq., as amended from time to time.

2.3 Operation of the Facility. Concurrently with the execution of this Agreement, the City and Subgrantee shall execute the Regulatory Agreement and Declaration of Covenants and Restrictions attached hereto as Exhibit "F" ("Regulatory Agreement"). Subgrantee hereby agrees to operate the Facility in accordance with all of the terms and provisions of the Regulatory Agreement, which terms and provisions are expressly incorporated herein by reference as if fully set forth herein.

2.4 Compliance with Law. Subgrantee shall perform the Project and operate the Facility in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and any Federal, State or local governmental agency having jurisdiction in effect at the time service is rendered, including, but not limited to the Act and the Regulations. Particularly, Subgrantee shall comply with the requirements and standards of the following:

(a) OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable;

(b) Attachments A, B, C (except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual CDBG activities commences on the date of submission of the annual performance and evaluation report in which the activity is reported on for the final time), F, H, N (excluding paragraph 3 and except that paragraphs 6 and 7 are modified so that (i) when any personal property is sold, the proceeds are program income and (ii) personal property not needed for CDBG activities must be transferred to the City or shall be retained after compensating the City) and O of OMB Circular A-110;

(c) All federal laws and regulations described in Subpart K of the Regulations, including all affirmative actions requirements set forth therein, but excluding the City's environmental responsibilities under 24 C.F.R. Section 570.604 and the City's responsibility for initiating the review process under 24 C.F.R. Part 52; and

(d) If Subgrantee is a religious organization, as defined by the Regulations, all conditions prescribed by HUD for the use of CDBG Funds by religious organizations.

2.5 Licenses, Permits, Fees and Assessments. Subgrantee shall obtain, as its sole cost and expense, such licenses, permits and approvals as may be required by law for the performance of the Project and the operations of the Facility.

2.6 Program Income. Any program income, as such term is defined in the Regulations, received by Subgrantee shall be **retained by Subgrantee. It is understood by the parties hereto, that only a portion of the Project is being assisted with CDBG Funds made available hereunder and that the portion of the project's income which is program income to be used for operating the Facility is to be determined by multiplying the Project's net income by a fraction the numerator of which is** $ 500,034 **and the denominator is the total amount of all funds utilized to finance the acquisition of the Project from whatever sources. The program income received by Subgrantee shall be used for the Project, for the purpose of operating the Facility, or for any other purpose for which CDBG Funds may be used whether or not in connection with the Project.**

All provisions of this Contract shall apply to such activities funded by program income. All program income shall be expended by Subgrantee before the City is obligated to advance any other CDBG Funds to Subgrantee under this Agreement.

2.7 Further Responsibilities of Parties. Both parties agree to use reasonable care and diligence to perform their respective obligations under this Contract. Both parties agree to act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Contract. Unless hereafter specified, neither party shall be responsible for the obligations of the other.

2.8 Special Requirements. Additional terms and conditions of this Contract, if any, which are made a part hereof are set forth in the "Special Requirements" attached hereto as Exhibit "D" and incorporated herein by this reference. In the event of a conflict between the provisions of Exhibit D and any other provisions of this Contract, the provisions of Exhibit "D" shall govern.

3.0 DISBURSEMENT OF CDBG FUNDS

3.1 Maximum Amount of CDBG Funds. the maximum amount of CDBG funds to be provided to Subgrantee is $500,034 Subgrantee hereby acknowledges that the City cannot guarantee that the CDBG Funds will be received from HUD. The City's obligation to fund the work hereunder is limited to the availability of CDBG Funds from HUD. If the CDBG Funds are not forthcoming from HUD for any reason, the City shall not have any obligation to fund the work through any other source of funds.

3.2 Method of Payment. Unless otherwise specified in the Special Requirements not more frequently than monthly, Subgrantee may submit to the Contract Officer an invoice, in a form acceptable to the City, setting forth the amounts actually expended by Subgrantee for the Project; provided that said expenses are included in the Budget. Said invoice shall, at a minimum, set forth each budget category for which reimbursement is sought, a description of the expense, the total budgeted amount for the category, the amount requested to be reimbursed for each budget category, the total amount expended for each budget category to date. Said invoice shall be accompanied with such additional supporting information as may be requested by the City, including, but not limited to, paid receipts for each expense. To the extent the CDBG Funds actually have been received from HUD, the City shall pay Subgrantee for all expenses stated on the invoice which are approved by City pursuant to this Contract no later than the thirtieth day after the invoice is received.

3.3 Maintenance of CDBG Funds. All CDBG Funds (including program income) received by Subgrantee shall be maintained in an account separate and apart from all other funds of Subgrantee with a bank or savings and loan association qualified to do business in the State of California and insured by the Federal Deposit Insurance Corporation.

4.0 PERFORMANCE SCHEDULE

4.1 Time of Essence. Time is of the essence in the performance of this Contract.

4.2 Schedule of Performance. Subgrantee shall commence, prosecute and complete the Project within the time periods established in the "Schedule of Performance" attached hereto as Exhibit "E" and incorporated herein by this reference.

4.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the work shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Subgrantee, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Subgrantee shall within ten (10) days of the commencement of such delay notify the Contract Officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Contract. In no event shall Subgrantee be entitled to recover damages against the City for any delay in the performance of this Contract, however caused, Subgrantee's sole remedy being extension of the Contract pursuant to this Section.

4.4 Term. Unless earlier terminated in accordance with Section 8.4 of this Contract, this Contract shall continue in full force and effect for the entire period of the Regulatory Agreement.

4.5 Reversion of Assets. Upon the expiration or sooner termination of this Contract, Subgrantee shall transfer to the City (i) any and all CDBG Funds and program income on hand (ii) any accounts receivable attributable to the use of CDBG Funds or program income; and (ii) if any CDBG Funds or program income was used by Subgrantee to improve or acquire real property and said CDBG Funds or program income was in excess of Twenty Five Thousand Dollars ($25,000.00), Subgrantee shall either (a) use said property to meet one of the national objectives specified in 24 C.F.R. Section 570.208 for a period of five (5) years after the termination of sooner expiration of this Contract or (b) dispose of the real property and reimburse the City in an amount (together with any amounts previously repaid to the City) that is equal to the fair market value of the real property times a fraction, the numerator of which is equal to the amount of CDBG Funds and/or program income used to acquire or improve the real property and the denominator of which is equal to the fair market value of the real property

immediately after the real property was acquired or improved with said funds.

5.0 COORDINATION OF WORK

5.1 Representative of Subgrantee. **The Executive Director of Irvine Temporary Housing, Inc. (ITH)** is/are hereby designated as being the representatives of Subgrantee authorized to act in its behalf with respect to this Contract and make all decisions in connection therewith.

5.2 Contract Officer. The Contract Officer shall be the City's CDBG Coordinator or such person as may be designated by the City Manager of City. It shall be the Subgrantee's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the services and the Subgrantee shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Contract.

5.3 Prohibition Against Subcontracting or Assignment. Neither this Contract nor any interest herein may be transferred, assigned, conveyed, hypothecated or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Subgrantee, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Contract shall be void. No approved transfer shall release the Subgrantee or any surety of Subgrantee of any liability hereunder without the express consent of City.

5.4 Independent Contractor. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Subgrantee, its agents or employees, perform the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Subgrantee's employees, servants, representatives or agents, or in fixing their number, compensation or hours of service. Subgrantee shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with that role. Subgrantee shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Subgrantee in its

business or otherwise or a joint venture or a member of any joint enterprise with Subgrantee.

6.0 INSURANCE AND INDEMNIFICATION

6.1 Insurance. The Subgrantee shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Contract including any extension thereof, the following policies of insurance:

(a) Comprehensive General Liability Insurance. A policy of comprehensive general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000.00 or its equivalent.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) Additional Insurance. Policies of such other insurance as may be required in the Special Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their r respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to the City. In the event any of said policies of insurance are canceled, the Subgrantee shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 5.1 to the Contract Officer. No work or services under this Contract shall commence until the Subgrantee has provided the City with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City.

The Subgrantee agrees that the provisions of this Section 6.1 shall not be construed as limiting in any way the extent to which the Subgrantee may be held responsible for the payment of damages to any persons or property resulting from The Subgrantee's activities or the activities of any person or persons for which the Subgrantee is otherwise responsible.

6.2 Indemnification. Subgrantee agrees to indemnify the City, its officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by any person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of Subgrantee, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of Subgrantee hereunder, or arising from Subgrantee's negligent performance of or failure to perform any term, provision covenant or condition of this Contract, whether or not there is concurrent passive or active negligence on the part of the City, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the City, its officers, agents or employees, who are directly responsible to the City, and in connection therewith:

(a) Subgrantee will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

(b) Subgrantee will promptly pay any judgment rendered against the City, its officers, agents or employees for any such claims or liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of Subgrantee hereunder; and Subgrantee agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(c) In the event the City, its officers, agents or employees is made a party to any action or proceeding filed or prosecuted against Subgrantee for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Subgrantee hereunder, agents or employees, any and all costs and expenses incurred by the City, its officers, agents or employees in such action or proceeding, including but not limited to, legal costs and attorneys' fees.

7.0 RECORDS AND REPORTS

7.1 Reports. Subgrantee shall prepare and submit to the Contract Officer on a quarterly basis such reports concerning the performance of the services required by this Contract as the Contract Officer shall require. At a minimum said reports shall include the following:

a. Reference Special Requirements, Exhibit "D".

7.2 Records. Subgrantee shall keep such books and records as shall be necessary to document the expenses incurred by Subgrantee for the Project and to enable the Contract Officer and HUD to evaluate the operation of the Project, as required by the Regulations. Said records shall include, but not be limited to, documentation of income levels of persons utilizing the Facility or the programs offered therein, documentation of the number of persons utilizing the Facility or the programs offered therein, and such other records as may be reasonably requested by the City. Subgrantee shall perform all audits of its books and records required by the Regulations. A copy of such audits shall be forwarded to the City within thirty (30) days of the date of the audit. The City and HUD and/or their representatives shall have full and free access to such books and records at all times during normal business hours of City, including the right to inspect, copy, audit and make records and transcripts from such records. Such records shall be maintained for a period of three (3) years following the termination of this Contract, and the City shall have access to such records in the event any audit is required.

8.0 ENFORCEMENT OF CONTRACT

8.1 Applicable Law. This Contract shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California and the United States, as applicable. Legal actions concerning any dispute, claim or matter arising out of or in relation to this contract shall be instituted in the Superior Court of the County of Orange, State of California, the United States District Court for the Central District of California or any other appropriate court in Orange County, and Subgrantee covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

8.2 Disputes. In the event of any dispute arising under this Contract, the injured party shall notify the injuring party in writing of its contentions by submitting a claim therefor. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within thirty (30) days after service of the notice, or such longer period as may be permitted by the injured party; provided that if the default is an immediate danger to the health, safety and general welfare, such immediate action may be necessary. Notwithstanding the foregoing, the City may suspend any further payment of CDBG funds until Subgrantee is in compliance with this Contract. Compliance with the provisions of this Section shall be a condition precedent to termination of this Contract for cause and to any legal action, and such compliance shall not be a

waiver of any party's right to take legal action in the event that the dispute is not cured.

8.3 Remedies Upon Default by Subgrantee. In addition to any other rights or remedies available at law or in equity, if Subgrantee fails to fulfill its obligations under this Contract, City may, after compliance with the provisions of Section 8.2:

(a) Temporarily withhold payment of CDBG Funds pending correction of the default by Subgrantee;

(b) Refuse to advance all or any part of the CDBG Funds for the Project and reallocate said funds to another activity;

(c) Wholly or partially suspend or terminate the award and this Contract;

(d) Withhold further awards for the Project and/or the Facility; and

(e) Require Subgrantee to repay any CDBG Funds which the City determines were not expended in compliance with the requirements of this Contract, the Act or the Regulations.

8.4 Termination for Convenience. This Contract may be terminated for convenience as provided in 24 C.F.R. Section 85.44.

8.5 Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Contract.

8.6 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Contract the rights and remedies of the parties are cumulative and the exercise by either party of one or more off such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

8.7 Legal Action. In addition to any other rights or remedies, either party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Contract, to obtain declaratory or injunctive relief, or to

obtain any other remedy consistent with the purposes of this Contract.

8.8 Attorney's Fees. If either party to this Contract is required to initiate or defend or made a party to any action or proceeding in any way connected with this Contract, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking dispositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

9.0 CITY OFFICERS AND EMPLOYEES

9.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Subgrantee, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Subgrantee or to its successor, or for breach of any obligation of the terms of this Contract.

9.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Contract nor shall any such officer or employee participate in any decision relating to the Contract which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or indirectly, interested, in violation of any State statute or regulation. The Subgrantee warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Contract.

10.0 MISCELLANEOUS PROVISIONS

10.1 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of the City, to the City Manager and to the attention of the Contract Officer, CITY OF IRVINE, 1 Civic Center Plaza, Irvine, CA 92713, and in the case of the Subgrantee, IRVINE TEMPORARY HOUSING, INC., 15029 Sand Canyon, Irvine, CA 92718, to the person at the address designated on the execution page of this Contract. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of the mailing if mailed as provided in this Section.

10.2 Interpretation. The terms of this Contract shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Contract or any other rule of construction which might otherwise apply.

10.3 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Contract and this Contract supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Contract. This Contract may be amended at any time by the mutual consent of the parties by an instrument in writing.

10.4 Severability. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Contract shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not effect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Contract which are hereby declared as severable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Contract meaningless.

10.5 Corporate Authority. The persons executing this Contract on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Contract on behalf of said party, (iii) by so executing this Contract, such party is formally bound to the provisions of this Contract, and (iv) the entering into this Contract does not violate any provision of any other agreement to which said party is bound.

IN WITNESS WHEREOF, the parties have executed and entered into this Contract as of the date first written above.

ATTEST:

BY: _____
CITY CLERK

CITY OF IRVINE, a municipal corporation

BY: _____
MAYOR

APPROVED AS TO FORM:

_____
City Attorney

[SIGNATURES CONTINUED ON NEXT PAGE]

SUBGRANTEE:

BY: Marjorie Wakeham
NAME: MARJORIE WAKEHAM
TITLE: Executive Director

BY: _____
NAME: _____
TITLE: _____

ADDRESS:
IRVINE TEMPORARY HOUSING
15029 Sand Canyon
Irvine, CA 92718

EXHIBIT "A"
LEGAL DESCRIPTION OF SITE

The location of the four condominiums will be City wide and are yet to be determined.

As the condominiums are purchased this Exhibit "A" will be updated to include the specific four (4) locations of the Site.

EXHIBIT "B"
DESCRIPTION OF THE PROJECT

The Project consists of the purchase by Irvine Temporary Housing, Inc. (ITH) of four (4) condominiums, two three bedroom and two two bedroom units. The long range plan is to utilize the owned units for transitional housing. ITH also plans to participate in prevention outreach as they work to assist families in crisis within their own living quarters. The ITH program will utilize these new units to assist families within the current guidelines by providing qualified families the opportunity of remaining in housing for up to 24 months. For some families there is a critical need for training or retraining in order to regain sufficient earning capacity. The extended stay will allow the training to take place.

ITH has increased its funding base and continues to serve this often invisible segment of the Irvine population. With the continued partnership with the City and community, ITH will continue to support families as they attempt to establish and maintain self-sufficiency.

EXHIBIT "C"
BUDGET

The Project amount to be financed by the City CDBG funds is $500,034. CDBG funds may only be used to pay for the acquisition of the Site, consistent with CDBG regulation 570.201(a).

EXHIBIT "D"
SPECIAL REQUIREMENTS

1. The Subgrantee, IRVINE TEMPORARY HOUSING, INC. (ITH), shall establish a formal accounting and financial reporting process satisfactory to the City through contracting with a Certified Public Accountant whereby quarterly financial statements, bank reconciliation's, and a review of accounting transactions would occur on a quarterly basis by an individual separate from ITH management.

2. ITH must also contract with an independent accountant to provide audited financial statements on an annual basis and in conformance with the Articles of Incorporation and Bylaws of ITH. Considering that the City is funding in excess of $25,000 in CDBG funds, a single audit report will be necessary.

3. The existing dual signature requirement shall be modified whereby the Treasurer of ITH shall countersign all check copies on a monthly basis in conjunction with approving the Financial Statement. This dual signature must occur after the checks are issued and represent an auditable expenditure review process. Furthermore, the existing dual signature requirement for checks over $500 shall be continued.

4. A documented financial controls and procedure policy satisfactory to the City must be developed which prescribes the standard methodology used in handling accounting transactions inclusive of cash receipts, accounts payable activities, journal vouchers, and internal bank and investment transfers. Such policies and procedures must be developed in acknowledgment of the scope of financial activities conducted by ITH.

5. Submit a report every six months for the lifetime of the Project to the CDBG Coordinator summarizing implementation of the Special Requirements in Exhibit "D".

EXHIBIT "E"
SCHEDULE OF PERFORMANCE

It is agreed by all parties that funds shall be expended on eligible CDBG activities, specifically acquisition of the Site, prior to June 30, 1996.

In the event that the Subgrantee, IRVINE TEMPORARY HOUSING, INC. (ITH), has not submitted appropriate invoices for all approved program costs funded by Community Development Block Grant funds prior to June 30th, this Contract shall be subject to termination at the discretion of the City. The Subgrantee may, prior to the Contract termination date, make written request for extension thereof. Such request may be granted by CDBG Coordinator upon his/her written determination of good cause which determination will be made in good faith and which request will not be unreasonably denied.

Supporting Documents from Table 1
Documents 3–4
Project Name: Meadows Mobile Park
Year: 1998

DRAFT

RECORDING REQUESTED BY
FIRST AMERICAN TITLE INSURANCE COMPANY

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92714
Attn: City Attorney

9734332=DS

THIS ORIGINAL DOCUMENT WAS SCANNED
AND ELECTRONICALLY RECORDED ON
AUG 11 1998
Document No. 19980519 202
First American Title Insurance Co

(Space above for Recorder's Office use only.)

This document is recorded for the benefit of the City of Irvine and the recording is fee-exempt under Section 27383 of the Government Code.

ASSIGNMENT AND ASSUMPTION AGREEMENT

(MEADOWS MOBILE HOME PARK PROJECT)

By and Among

THE CITY OF IRVINE,
JAMBOREE HOUSING CORPORATION,
THE MEADOWS IN IRVINE,
DAI-ICHI KANGYO BANK OF CALIFORNIA,
and GRC ASSOCIATES, INC.

DATED AS OF JULY 1, 1998

RELATING TO
$23 MILLION
CITY OF IRVINE
MOBILE HOME PARK REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1998A
AND
$5,520,000
CITY OF IRVINE MOBILE HOME PARK SUBORDINATE REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1998B

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Agreement"), made and entered into as of July 1, 1998, by and among the CITY OF IRVINE, a California municipal corporation (the "City"), JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation ("Jamboree"), THE MEADOWS IN IRVINE, a California nonprofit public benefit corporation ("The Meadows"), DAI-ICHI KANGYO BANK OF CALIFORNIA, a banking corporation, as trustee (the "Trustee"), and GRC ASSOCIATES, INC. ("GRC").

WITNESSETH:

WHEREAS, in furtherance of the maintenance of housing for senior citizens of low and very low income, on April 8, 1998 the City of Irvine issued pursuant to an Indenture of Trust, dated as of March 1, 1998 (the "Indenture"), by and between the City and the Trustee, $28,520,000 aggregate principal amount of its revenue bonds in two series designated "City of Irvine, Mobile Home Park Revenue Bonds (Meadows Mobile Home Park Project), Series 1998A" and "City of Irvine, Mobile Home Park Subordinate Revenue Bond (Meadows Mobile Home Park Project), Series 1998B" (collectively, the "Bonds"), the proceeds of which were loaned to Jamboree for the purpose of acquiring and maintaining as a low and very-low income housing project the Meadows Mobile Home Park (the "Project") located within the City on the property described on Exhibit "A" attached hereto;

WHEREAS, in consideration of the loan made to Jamboree from the proceeds of the Bonds, Jamboree entered into that certain Loan Agreement, dated as of March 1, 1998 (the "Loan Agreement"), by and among the City, the Trustee and Jamboree relating to the Bonds, under the terms of which Jamboree executed and delivered to the City for assignment to the Trustee its promissory note, dated March 1, 1998 (the "Note"), in the principal amount of $28,520,000, under which it was to make loan payments to the Trustee in the amounts and at the times sufficient to pay, as due, the principal of and interest on the Bonds;

WHEREAS, Section 6.24 of the Loan Agreement provided that Jamboree would use its best efforts to promptly create an affiliate or subsidiary corporation to be called "The Meadows at (sic) Irvine" for the purpose of assuming all of Jamboree's obligations and rights under the Loan Agreement, and that such affiliate would be a corporation qualified under Section 501(c)(3) of the Internal Revenue Code, with full authority to own and operate the Project as contemplated under the Loan Agreement and in the Regulatory Agreement (as defined below) and, that upon the formation of such affiliate or subsidiary and the issuance by the Internal Revenue Service of a ruling recognizing such affiliate as a Section 501(c)(3) corporation, said Section 6.24 provided that the parties would acknowledge and the City would consent that the rights and obligations of Jamboree could be assigned to and assumed by such affiliate or subsidiary;

WHEREAS, in furtherance of the issuance of the Bonds, the City, the Trustee and Jamboree entered into the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1998 (the "Regulatory Agreement"), which provided that the use and operation of the Project be restricted in certain respects in order to ensure that the Project would be used and operated in accordance with the Internal Revenue Code of 1986; and

WHEREAS, in furtherance of issuance of the Bonds, the City, GRC and Jamboree entered into the Administration Agreement, dated as of March 1, 1998 (the "Administration

Agreement") under which the City appointed GRC as an "Oversight Agent" under the Loan Agreement to monitor the income levels of the residents and as "Program Administrator" to monitor compliance with the Regulatory Agreement; and

WHEREAS, in compliance with Securities and Exchange Commission Rule 15(c)2-12, Jamboree and the Trustee, acting in its capacity as dissemination agent, entered into the Continuing Disclosure Agreement, dated as of March 1, 1998 (the "Disclosure Agreement"), under which Jamboree agreed to provide annual reports to the Trustee for dissemination in conformity with Rule 15(c)2-12; and

WHEREAS, in order to secure the payment of the Note, Jamboree executed and delivered a Deed of Trust, dated as of March 1, 1998 (the "Deed of Trust"), under which it conveyed, in trust, its right, title and interest to the Project to First American Title Company, as trustee under the Deed of Trust, for the benefit of the Trustee under the Indenture; and

WHEREAS, in order to further secure its obligations under the Loan Agreement, Jamboree executed and there was recorded with the Secretary of State a UCC-1 Financing Statement, dated March 30, 1998 and filed in the office of the Secretary of State on April 8, 1998 (the "Financing Statement"), giving a security interest in all personal property located in the Project to the Trustee, pursuant to the California Uniform Commercial Code; and

WHEREAS, concurrently with the recordation of this Agreement, Jamboree has executed and delivered to The Meadows a grant deed conveying the Project and all of said personal property to The Meadows in furtherance of Section 6.24 of the Loan Agreement and the parties hereto now wish to acknowledge and effectuate The Meadows' assumption of the rights, duties, responsibilities, obligations and liabilities under the Loan Agreement, Regulatory Agreement, Administration Agreement, Disclosure Agreement, Note, Deed of Trust, and Financing Statement (collectively, the "Assumed Agreements");

NOW, THEREFORE, in consideration of the mutual covenants and undertakings set forth herein and in the Assumed Agreements, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree respectively as follows:

Section 1. Assignment and Assumption. Jamboree hereby assigns to The Meadows and The Meadows hereby accepts all of the rights, duties, responsibilities, obligations and liabilities of Jamboree under the Assumed Agreements. The Meadows hereby warrants and represents that it has received tax-exempt status as a non-profit public benefit corporation pursuant to Internal Revenue Code Section 501(c)(3) and is a qualified affiliate of Jamboree within the terms of Section 6.24 of the Loan Agreement.

Section 2. Acknowledgement and Acceptance. The City, the Trustee and GRC, as parties to one or more of the Assumed Agreements, as described above, hereby acknowledge The Meadows' assumption of the rights, duties, responsibilities, obligations and liabilities under the Assumed Agreements pursuant to Section 6.24 of the Loan Agreement and hereby release Jamboree from the performance of all of its duties, responsibilities, obligations and liabilities under the Assumed Agreements and agree to accept, in lieu thereof, the performance of all such

duties, responsibilities, obligations and liabilities by The Meadows in satisfaction of and pursuant to the terms of the Assumed Agreements.

Section 3. Further Assurances and Acts. It is further agreed by the parties to this Agreement, that the appropriate officers and employees of each will undertake to perform such further duties and to execute such further documents as are necessary to implement and carry into full effect the intent and purpose of the within Agreement including, without limitation, execution and delivery of any and all assignments, certificates, agreements, notices (including UCC-1 and UCC-2 forms), consents, instruments of conveyance, warrants, and other documents which they, or any of them, may deem necessary or advisable in order to consummate the assignment and assumption as described herein or to otherwise effectuate the purposes of this Agreement.

Section 4. Multiple Counterparts. This Agreement may be executed in multiple counterparts, all of which shall constitute one and the same Agreement, and each of which shall be deemed to be an original.

IN WITNESS WHEREOF, the City, Jamboree, The Meadows, the Trustee, and GRC have executed this Agreement by a duly authorized representative, all as of the date first written hereinabove.

CITY OF IRVINE

By: _____
Mayor of the City of Irvine

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP

By: _____
City Attorney

(Signatures Continued on Next Page)

JAMBOREE HOUSING CORPORATION,
a California non-profit public benefit corporation

By: _____
Executive Director

THE MEADOWS IN IRVINE,
a California non-profit public benefit corporation

By: _____
Executive Director

DAI-ICHI KANGYO BANK OF CALIFORNIA,
as Trustee

By: _____
Authorized Officer

GRC ASSOCIATES,
as Oversight Agent and Program Administrator

By: _____
Authorized Representative

JAMBOREE HOUSING CORPORATION,
a California non-profit public benefit corporation

By:_____
Executive Director

THE MEADOWS IN IRVINE,
a California non-profit public benefit corporation

By:_____
Executive Director

DAI-ICHI KANGYO BANK OF CALIFORNIA,
as Trustee

By:_____
Authorized Officer

GRC ASSOCIATES,
as Oversight Agent and Program Administrator

By:_____
Authorized Representative

JAMBOREE HOUSING CORPORATION,
a California non-profit public benefit corporation

By:_____
Executive Director

THE MEADOWS IN IRVINE,
a California non-profit public benefit corporation

By:_____
Executive Director

DAI-ICHI KANGYO BANK OF CALIFORNIA,
as Trustee

By:_____
Authorized Officer

GRC ASSOCIATES, INC.

By:_____
Authorized Representative

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On July 13, , 1998, before me, Teri L. Beach , personally appeared Christina L. Shea personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[SEAL]

WMD2 TERI L. BEACH COMM. #1157859 Notary Public-California ORANGE COUNTY My Comm. Exp. Oct. 5, 2001 WMD2

Signature of Notary

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____, 1998, before me, _____, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____, 1998, before me, _____, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On JULY 13, 1998, before me, PATRICIA A. MAKOWSKI, personally appeared LILA LIEBERTHAL personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Patricia A Makowski
_____
Signature of Notary

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On JULY 13, 1998, before me, PATRICIA A. MAKOWSKI, personally appeared LILA LIEBERTHAL personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[SEAL]

PATRICIA A. MAKOWSKI
Comm. # 1171136
NOTARY PUBLIC - CALIFORNIA
Orange County
My Comm. Expires Jan. 26, 2002

Patricia A Makowski
Signature of Notary

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On _____, 1998, before me, _____, personally appeared _____ personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity, upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____
Signature of Notary

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ~~ORANGE~~ Los Angeles)

On 7/16/, 1998, before me, James W. Mason, personally appeared Tom Ohlina personally known to me or proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that by his/~~her~~/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity, upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

James W. Mason
Signature of Notary

[SEAL]

JAMES W. MASON
Commission # 1136580
Notary Public — California
Los Angeles County
My Comm. Expires May 18, 2001

State of California

SS.

County of San Bernardino

On July 20, 1998 before me, Tania M. Flores, Notary Public, personally appeared SUZANNE TAYLOR,

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

WITNESS my hand and official seal.

Signature Tania M Flores L.S.

BCT4 TANIA M. FLORES COMM. #1130828 NOTARY PUBLIC - CALIFORNIA SAN BERNARDINO COUNTY My Comm. Expires Mar. 23, 2001 BCT4

This certificate is attached to a/an ASSIGNMENT + ASSUMPTION AGREEMENT dated July 1, 1998.

Exhibit A
TO DEED OF TRUST

LEGAL DESCRIPTION OF LAND

All that certain land situated in the State of California, County of Orange, described as follows:

That portion of Lot 253 in Block 104 of Irvine's Subdivision, as shown on a map recorded in Book 1, Page 88 of Miscellaneous Maps, Records of Orange County, California, described as follows:

Beginning at the Intersection of the Northeasterly line of the Atchison, Topeka and Santa Fe Railway right of way with a line that is parallel with and 50,000 feet Northwesterly of the Southeasterly line of said Lot 253, said point of beginning also being in the Northwesterly line of Jeffrey Road (100.00 feet wide); Thence North 50 Deg. 00' 00" West along the Northeasterly line of said railway right of way 1427.07 feet to the Southeasterly line of that certain tract of land conveyed by William Jeffrey and wife to Alex Jeffrey by Deed dated July 12, 1916, recorded January 8, 1917 in Book 289, Page 340 of Deeds; Thence along the Southeasterly line of the land described in said deed to Alex Jeffrey, North 39 Deg. 59' 10" East 1539.00 feet; Thence South 50 Deg. 00' 00" East 321.02 feet to a point on a non-tangent curve concave Northeasterly having a radius of 640.00 feet, a radial through last said point bears South 64 Deg. 47' 43" West; Thence Southeasterly along said curve, through a central angle of 24 Deg. 47' 43", a distance of 276.97 feet; Thence South 50 Deg. 00' 00" East tangent to last said curve 250.87 feet; Thence South 39 Deg. 57' 08" West 595.00 feet; Thence South 50 Deg. 00' 00" East 585.91 feet to a point on the Northwesterly right of way of Jeffrey Road (100.00 feet wide); Thence South 39 Deg. 57' 08" West 885.00 feet along said right of way to the point of beginning.

Excepting one-half of all oil, gas, minerals and other hydrocarbon substances in, on, or under that portion of said land included within the land described and as reserved by Margaret J. Jahns, a married woman, in deeds recorded April 13, 1955 in Book 3029, Page 472 of Official Records and in deed recorded April 13, 1955 in Book 3029, Page 503 of Official Records.

Also excepting an undivided one-half of all oil, gas and other hydrocarbon substances below a depth of 500 feet below the surface of said land but without the right of surface entry upon the top 500 feet of that portion of said land included within the land described and as reserved by Mary S. Wilson Lentz in deed recorded July 5, 1963 in Book 6618, Page 810 of Official Records.

Also excepting all oil, gas, minerals and other hydrocarbon substances lying below a depth of 500 feet from the surface of that portion of said land, included within the land described and as reserved by William E. Jahns and others in deed recorded July 9, 1964 in Book 7125, Page 711 of Official Records.

ADMINISTRATIVE AGREEMENT

By and Among

CITY OF IRVINE
Issuer

and

SUZANNE TAYLOR
Program Administrator

and

Meadows in Irvine.
Borrower

Relating to

$23,000,000
CITY OF IRVINE
MOBILE HOME PARK REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1998A
and
$5,520,000
CITY OF IRVINE
MOBILE HOME PARK SUBORDINATE REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1999B

Dated as of March ___, 2000

ADMINISTRATION AGREEMENT

THIS ADMINISTRATION AGREEMENT is made and entered into as of March _____, 2000, by and among the CITY of IRVINE, a California municipal corporation (the "Issuer"), JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Borrower"), and Suzanne Taylor, a sole proprietor (the "Program Administrator").

RECITALS

WHEREAS, to assist the Borrower in its acquisition of the Meadows Mobile Home Park (the "Project"), the Issuer has issued its Mobile Home Park Revenue Bonds (Meadows Mobile Home Project) Series 1998A and Mobile Home Park Subordinate Revenue Bonds (Meadows Mobile Home Project) Series 1998B (collectively, the "Bonds") pursuant to an Indenture of Trust, dated as of March 1, 1998 (the "Indenture"), by and between the Issuer and Dai-Ichi Kangyo Bank of California, as Trustee thereunder (the "Trustee"); and

WHEREAS, the Issuer has made a loan (the "Loan") of the proceeds of the Bonds, all as provided in the Loan Agreement, dated as of March 1, 1998 (the "Loan Agreement"), by and among the Issuer, the Borrower and the Trustee, which agreement provides for certain oversight provisions relating to the management of the Project, and

WHEREAS, the Issuer has entered into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1998 (the "Regulatory Agreement") with the Trustee and the Borrower, which agreement, among other things, sets forth certain restrictions applicable to the multifamily rental units being financed, which restrictions are intended to assure continued compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and

WHEREAS, the Issuer desires to appoint Suzanne Taylor, as Oversight Agent under the Loan Agreement to monitor the income levels of the residents of the Qualified Spaces and as Program Administrator under the Regulatory Agreement to monitor the compliance thereunder, and

WHEREAS, the Program Administrator represents that it has the necessary experience and expertise required to evaluate whether the Project complies with the requirements set for in the Loan Agreement and the Regulatory Agreement;

NOW, THEREFORE, in consideration of the premises and respective representations and covenants herein contained, the parties hereto agree as follows:

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS AND INTERPRETATION	2
1.1	Definitions of Terms	2
1.2	Article and Section Headings	2
1.3	Interpretation	2
ARTICLE II	REPRESENTATIONS AND WARRANTIES	2
2.1	Representations and Warranties of the Issuer	2
2.2	Representations and Warranties of the Borrower	2
2.3	Representations and Warranties of the Program Administrator	3
ARTICLE III	DUTIES AND COMPENSATION OF THE PROGRAM ADMINISTRATOR	3
3.1	Duties of Program Administrator	3
3.2	Duties of Oversight Agent	4
3.3	Compensation	5
ARTICLE IV	TERM	5
4.1	Term of Agreement	5
4.2	Termination	5
4.3	Resignation of Program Administrator	5
ARTICLE V	MISCELLANEOUS PROVISIONS	5
5.1	Execution in Counterparts	5
5.2	Business Days	6
5.3	Governing Law	6
5.4	Notices	6

ADMINISTRATION AGREEMENT

THIS ADMINISTRATION AGREEMENT is made and entered into as of March 1, 1998, by and among the CITY of IRVINE, a California municipal corporation (the "Issuer"), JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Borrower"), and Suzanne Taylor, a sole proprietor. (the "Program Administrator").

RECITALS

WHEREAS, to assist the Borrower in its acquisition of the Meadows Mobile Home Park (the "Project"), the Issuer has issued its Mobile Home Park Revenue Bonds (Meadows Mobile Home Project) Series 1998A and Mobile Home Park Subordinate Revenue Bonds (Meadows Mobile Home Project) Series 1998B (collectively, the "Bonds") pursuant to an Indenture of Trust, dated as of March 1, 1998 (the "Indenture"), by and between the Issuer and Dai-Ichi Kangyo Bank of California, as Trustee thereunder (the "Trustee"); and

WHEREAS, the Issuer has made a loan (the "Loan") of the proceeds of the Bonds, all as provided in the Loan Agreement, dated as of March 1, 1998 (the "Loan Agreement"), by and among the Issuer, the Borrower and the Trustee, which agreement provides for certain oversight provisions relating to the management of the Project, and

WHEREAS, the Issuer has entered into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1998 (the "Regulatory Agreement") with the Trustee and the Borrower, which agreement, among other things, sets forth certain restrictions applicable to the multifamily rental units being financed, which restrictions are intended to assure continued compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and

WHEREAS, the Issuer desires to appoint Suzanne Taylor, as Oversight Agent under the Loan Agreement to monitor the income levels of the residents of the Qualified Spaces and as Program Administrator under the Regulatory Agreement to monitor the compliance thereunder, and

WHEREAS, the Program Administrator represents that it has the necessary experience and expertise required to evaluate whether the Project complies with the requirements set for in the Loan Agreement and the Regulatory Agreement;

NOW, THEREFORE, in consideration of the premises and respective representations and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions of Terms. All capitalized terms used in this Administration Agreement and not otherwise defined herein shall have the respective meanings given to them in the Indenture and/or the Regulatory Agreement.

1.2 Article and Section Headings. The headings or titles of the several articles and sections hereof shall be solely for the convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

1.3 Interpretation. The singular form of any word used herein, including terms defined in the Indenture and/or the Regulatory Agreement, shall include the plural and vice versa, if applicable. The use of a word of any gender shall include all genders, if applicable.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Issuer. The Issuer makes the following representations and warranties:

(a) It is a public body corporate and politic of the State of California, duly organized and existing under the Constitution and laws of the State.

(b) It has the power to enter into the transactions contemplated by this Administration Agreement and to carry out its obligations hereunder and to consummate all other transactions contemplated herein and it has duly authorized the execution and delivery of this Administration Agreement.

2.2 Representations and Warranties of the Borrower. The Borrower makes the following representations and warranties:

(a) It has the power and authority to own its properties and carry on its business as now being conducted, and is duly qualified to do such business wherever such qualification is required, including the State of California.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions contemplated hereby; and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) The Program Administrator is independent from and not under the control of the Borrower, does not have any substantial interest, direct or indirect in the Borrower, and is not an officer or employee of the Borrower.

2.3 Representation and Warranties of the Program Administrator. The Program Administrator makes the following representations and warranties:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to carry on its business as now being conducted.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions contemplated hereby and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) It is independent from and not under the control of the Borrower, does not have any substantial interest, direct or indirect, in the Borrower, and is not an officer or employee of the Borrower.

(d) It has received copies of the Indenture, the Loan Agreement and the Regulatory Agreement, and it is familiar with the terms and conditions thereof as the same relate to the Code and the Act.

ARTICLE III

DUTIES AND COMPENSATION OF THE PROGRAM ADMINISTRATOR

3.1 Duties of Program Administrator. In its capacity as Program Administrator hereunder, for and on behalf of the Issuer, the Program Administrator will perform the following duties in a careful and timely manner, to the highest standards of its profession:

(a) It will be familiar with and will give written notice to the Issuer, the Trustee and the Borrower within ten days of the publication by the Department of Housing and Urban Development of any change in:

(i) The Median Income for the Area;

(ii) The maximum income at which households consisting of various numbers of persons may be determined to be Qualified Residents under the terms of the Regulatory Agreement; and

(iii) The maximum allowable rents under each applicable provision of Section 4 of the Regulatory Agreement.

(b) Promptly following its receipt thereof it will review the income Certifications, Certificates of Continuing Program Compliance, and all other reports and certificates furnished to it pursuant to the Regulatory Agreement in order to determine that each such document is complete and to verify the internal accuracy of the calculations, and conclusions with respect to such calculations, set forth therein, including the conclusion that the Qualified Spaces have been rented as specified by the terms of the Regulatory Agreement, and it will maintain such

documents on file and open to the inspection by the Issuer, the Trustee and the Borrower during the term of the Regulatory Agreement.

(c) Promptly upon receipt, it will review the form of application and lease with respect to the Qualified Spaces to verify compliance with the provisions of the Regulatory Agreement.

(d) Promptly upon determining that any report or certificate submitted to it pursuant to the Regulatory Agreement is inaccurate or incomplete the Program Administrator shall:

(i) If the inaccuracy or lack of completeness does not cause the Project to cease to meet the qualifications set forth in Section 3 or 4 of the Regulatory Agreement, give notice of such inaccuracy or lack of completeness to the Borrower and direct the Borrower to correct or complete the same, as the case may be, within a 30-day period, subject to extension in the sole discretion of the Program Administrator; and

(ii) If the inaccuracy or lack of completeness is not corrected within thirty (30) days or if the inaccuracy or lack of completeness causes the Project to cease to meet the qualification set forth in Section 3 or 4 of the Regulatory Agreement immediately give written notice of said fact to the Issuer, the Trustee and the Borrower,

(e) In the event that the Borrower fails to file with the Program Administrator any report, certification (including, in particular, the certification to the Secretary of the Treasury required by Section 4(f) of the Regulatory Agreement) or other document required pursuant to the Regulatory Agreement within the time set forth in the Regulatory Agreement, the Program Administrator shall immediately give written notice of that fact to the Issuer, the Trustee and the Borrower,

(f) The Program Administrator shall prepare and file all initial and annual reports required by Section 8855.5 of the Government Code of the State of California with respect to the Project.

(g) On behalf of the Issuer, the Program Administrator shall, at least annually and whenever requested by the Issuer, audit the survey of the tenants of the Qualified Spaces with respect to income levels, household sizes and such other information as the Issuer may specify, and all as further required under Section 4 of the Regulatory Agreement. Based on such information, the Issuer shall determine compliance with the affordability requirements under the Act. In the event of any noncompliance, the Program Administrator shall notify the Issuer as to the nature and extent of the noncompliance and the Program Administrator shall suggest alternatives for bringing the Qualified Spaces into compliance.

3.2 Duties of Oversight Agent. In its capacity as Oversight Agent hereunder, for and on behalf of the Issuer, the Program Administrator will perform the following duties in a careful and timely manner, to the highest standards of the profession:

(a) Perform on a timely basis all duties ascribed to the Oversight Agent in the Indenture, the Loan Agreement, and the Regulatory Agreement, including without limitation the following: (i) annual review of the Borrower's financial statements, (ii) review the coverage calculation for release of surplus cashflow and report comments to the Borrower and the Issuer, (iii) review the final budget and forward comments to the Borrower and the Issuer, (iv) physical inspection of the Project on a quarterly basis, including examination of the infrastructure, the clubhouse, and any other common areas, and (v) monthly confirmation that the Trustee has received the monthly deposit in accordance with the approved budget and, in the event that the Trustee has not, to take such further steps as required by the Loan Agreement.

3.3 Compensation. For all services rendered pursuant hereto and all costs and expenses incurred hereunder, the Program Administrator shall be paid an annual fee of $3,000, payable on the Closing Date and annually on March 1 thereafter. The fee of the Program Administrator shall be paid to the Program Administrator by the Trustee upon receipt by the Trustee of an invoice from the Program Administrator. If the Program Administrator provides services outside the scope of this Agreement, as requested in writing by the City, the compensation shall be paid at the then prevailing fee schedule of the Program Administrator.

ARTICLE IV

TERM

4.1 Term of Agreement. Unless sooner terminated pursuant to the provisions of Sections 4.2 and 4.3 hereof, this Administration Agreement shall remain in full force and effect for the term of the Regulatory Agreement. The Issuer shall provide written notice to the Trustee if this Administration Agreement is terminated.

4.2 Termination. At its sole discretion, the Issuer may terminate this Administration Agreement upon giving the Program Administrator and the Borrower thirty days written notice of its intention to do so. This Administration Agreement may be terminated in whole or in part only as to the services described in Section 3.1 or 3.2, whereupon a partial fee for the services not terminated will be agreed upon by the parties and memorialized in an amendment hereto.

4.3 Resignation of Program Administrator. With the written consent of the Issuer, the Program Administrator may resign from its position and terminate this Administration Agreement by giving the other parties hereto thirty days written notice of its intention to do so.

ARTICLE V

MISCELLANEOUS PROVISIONS

5.1 Execution in Counterparts. This Administration Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

5.2 Business Days. If any action is required to be taken hereunder on a date which falls on other than a Business Day, such action shall be taken on the next succeeding Business Day.

5.3 Governing Law. This Administration Agreement shall be construed in accordance with the laws of the State of California and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

5.4 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed to the appropriate Notice Address set forth in the Regulatory Agreement. The Notice Address of the Program Administrator is: Suzanne Taylor, 925 Westridge Ct., Upland, California, 91786.

IN WITNESS WHEREOF, the parties hereto have caused this Administration Agreement to be executed on their behalf by their duly authorized representatives, all as of the date hereinabove written.

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP

_____
City Attorney

CITY OF IRVINE

By:_____
Its: City Manager

JAMBOREE HOUSING CORPORATION, a California non-profit public benefit corporation

By:_____
Its: Executive Director

SUZANNE TAYLOR

By:_____
Its: Authorized Signatory

ADMINISTRATIVE AGREEMENT

By and Among

CITY OF IRVINE
Issuer

and

SUZANNE TAYLOR
Program Administrator

and

Meadows in Irvine.
Borrower

Relating to

$23,000,000
CITY OF IRVINE
MOBILE HOME PARK REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1998A
and
$5,520,000
CITY OF IRVINE
MOBILE HOME PARK SUBORDINATE REVENUE BONDS
(MEADOWS MOBILE HOME PARK PROJECT)
SERIES 1999B

Dated as of March ___, 2000

ADMINISTRATION AGREEMENT

THIS ADMINISTRATION AGREEMENT is made and entered into as of March _____, 2000, by and among the CITY of IRVINE, a California municipal corporation (the "Issuer"), JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Borrower"), and Suzanne Taylor, a sole proprietor (the "Program Administrator").

RECITALS

WHEREAS, to assist the Borrower in its acquisition of the Meadows Mobile Home Park (the "Project"), the Issuer has issued its Mobile Home Park Revenue Bonds (Meadows Mobile Home Project) Series 1998A and Mobile Home Park Subordinate Revenue Bonds (Meadows Mobile Home Project) Series 1998B (collectively, the "Bonds") pursuant to an Indenture of Trust, dated as of March 1, 1998 (the "Indenture"), by and between the Issuer and Dai-Ichi Kangyo Bank of California, as Trustee thereunder (the "Trustee"); and

WHEREAS, the Issuer has made a loan (the "Loan") of the proceeds of the Bonds, all as provided in the Loan Agreement, dated as of March 1, 1998 (the "Loan Agreement"), by and among the Issuer, the Borrower and the Trustee, which agreement provides for certain oversight provisions relating to the management of the Project, and

WHEREAS, the Issuer has entered into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1998 (the "Regulatory Agreement") with the Trustee and the Borrower, which agreement, among other things, sets forth certain restrictions applicable to the multifamily rental units being financed, which restrictions are intended to assure continued compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and

WHEREAS, the Issuer desires to appoint Suzanne Taylor, as Oversight Agent under the Loan Agreement to monitor the income levels of the residents of the Qualified Spaces and as Program Administrator under the Regulatory Agreement to monitor the compliance thereunder, and

WHEREAS, the Program Administrator represents that it has the necessary experience and expertise required to evaluate whether the Project complies with the requirements set for in the Loan Agreement and the Regulatory Agreement;

NOW, THEREFORE, in consideration of the premises and respective representations and covenants herein contained, the parties hereto agree as follows:

TABLE OF CONTENTS

		Page
ARTICLE I	DEFINITIONS AND INTERPRETATION	2
1.1	Definitions of Terms	2
1.2	Article and Section Headings	2
1.3	Interpretation	2
ARTICLE II	REPRESENTATIONS AND WARRANTIES	2
2.1	Representations and Warranties of the Issuer	2
2.2	Representations and Warranties of the Borrower	2
2.3	Representations and Warranties of the Program Administrator	3
ARTICLE III	DUTIES AND COMPENSATION OF THE PROGRAM ADMINISTRATOR	3
3.1	Duties of Program Administrator	3
3.2	Duties of Oversight Agent	4
3.3	Compensation	5
ARTICLE IV	TERM	5
4.1	Term of Agreement	5
4.2	Termination	5
4.3	Resignation of Program Administrator	5
ARTICLE V	MISCELLANEOUS PROVISIONS	5
5.1	Execution in Counterparts	5
5.2	Business Days	6
5.3	Governing Law	6
5.4	Notices	6

ADMINISTRATION AGREEMENT

THIS ADMINISTRATION AGREEMENT is made and entered into as of March 1, 1998, by and among the CITY of IRVINE, a California municipal corporation (the "Issuer"), JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation (the "Borrower"), and Suzanne Taylor, a sole proprietor. (the "Program Administrator").

RECITALS

WHEREAS, to assist the Borrower in its acquisition of the Meadows Mobile Home Park (the "Project"), the Issuer has issued its Mobile Home Park Revenue Bonds (Meadows Mobile Home Project) Series 1998A and Mobile Home Park Subordinate Revenue Bonds (Meadows Mobile Home Project) Series 1998B (collectively, the "Bonds") pursuant to an Indenture of Trust, dated as of March 1, 1998 (the "Indenture"), by and between the Issuer and Dai-Ichi Kangyo Bank of California, as Trustee thereunder (the "Trustee"); and

WHEREAS, the Issuer has made a loan (the "Loan") of the proceeds of the Bonds, all as provided in the Loan Agreement, dated as of March 1, 1998 (the "Loan Agreement"), by and among the Issuer, the Borrower and the Trustee, which agreement provides for certain oversight provisions relating to the management of the Project, and

WHEREAS, the Issuer has entered into a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of March 1, 1998 (the "Regulatory Agreement") with the Trustee and the Borrower, which agreement, among other things, sets forth certain restrictions applicable to the multifamily rental units being financed, which restrictions are intended to assure continued compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and

WHEREAS, the Issuer desires to appoint Suzanne Taylor, as Oversight Agent under the Loan Agreement to monitor the income levels of the residents of the Qualified Spaces and as Program Administrator under the Regulatory Agreement to monitor the compliance thereunder, and

WHEREAS, the Program Administrator represents that it has the necessary experience and expertise required to evaluate whether the Project complies with the requirements set for in the Loan Agreement and the Regulatory Agreement;

NOW, THEREFORE, in consideration of the premises and respective representations and covenants herein contained, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

1.1 Definitions of Terms. All capitalized terms used in this Administration Agreement and not otherwise defined herein shall have the respective meanings given to them in the Indenture and/or the Regulatory Agreement.

1.2 Article and Section Headings. The headings or titles of the several articles and sections hereof shall be solely for the convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

1.3 Interpretation. The singular form of any word used herein, including terms defined in the Indenture and/or the Regulatory Agreement, shall include the plural and vice versa, if applicable. The use of a word of any gender shall include all genders, if applicable.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Issuer. The Issuer makes the following representations and warranties:

(a) It is a public body corporate and politic of the State of California, duly organized and existing under the Constitution and laws of the State.

(b) It has the power to enter into the transactions contemplated by this Administration Agreement and to carry out its obligations hereunder and to consummate all other transactions contemplated herein and it has duly authorized the execution and delivery of this Administration Agreement.

2.2 Representations and Warranties of the Borrower. The Borrower makes the following representations and warranties:

(a) It has the power and authority to own its properties and carry on its business as now being conducted, and is duly qualified to do such business wherever such qualification is required, including the State of California.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions contemplated hereby; and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) The Program Administrator is independent from and not under the control of the Borrower, does not have any substantial interest, direct or indirect in the Borrower, and is not an officer or employee of the Borrower.

2.3 Representation and Warranties of the Program Administrator. The Program Administrator makes the following representations and warranties:

(a) It is a corporation duly organized, validly existing and in good standing under the laws of the State of California and has the power and authority to carry on its business as now being conducted.

(b) It has the power to execute and deliver this Administration Agreement and to carry out the transactions contemplated hereby and it has duly authorized the execution, delivery and performance of this Administration Agreement.

(c) It is independent from and not under the control of the Borrower, does not have any substantial interest, direct or indirect, in the Borrower, and is not an officer or employee of the Borrower.

(d) It has received copies of the Indenture, the Loan Agreement and the Regulatory Agreement, and it is familiar with the terms and conditions thereof as the same relate to the Code and the Act.

ARTICLE III

DUTIES AND COMPENSATION OF THE PROGRAM ADMINISTRATOR

3.1 Duties of Program Administrator. In its capacity as Program Administrator hereunder, for and on behalf of the Issuer, the Program Administrator will perform the following duties in a careful and timely manner, to the highest standards of its profession:

(a) It will be familiar with and will give written notice to the Issuer, the Trustee and the Borrower within ten days of the publication by the Department of Housing and Urban Development of any change in:

(i) The Median Income for the Area;

(ii) The maximum income at which households consisting of various numbers of persons may be determined to be Qualified Residents under the terms of the Regulatory Agreement; and

(iii) The maximum allowable rents under each applicable provision of Section 4 of the Regulatory Agreement.

(b) Promptly following its receipt thereof it will review the income Certifications, Certificates of Continuing Program Compliance, and all other reports and certificates furnished to it pursuant to the Regulatory Agreement in order to determine that each such document is complete and to verify the internal accuracy of the calculations, and conclusions with respect to such calculations, set forth therein, including the conclusion that the Qualified Spaces have been rented as specified by the terms of the Regulatory Agreement, and it will maintain such

documents on file and open to the inspection by the Issuer, the Trustee and the Borrower during the term of the Regulatory Agreement.

(c) Promptly upon receipt, it will review the form of application and lease with respect to the Qualified Spaces to verify compliance with the provisions of the Regulatory Agreement.

(d) Promptly upon determining that any report or certificate submitted to it pursuant to the Regulatory Agreement is inaccurate or incomplete the Program Administrator shall:

(i) If the inaccuracy or lack of completeness does not cause the Project to cease to meet the qualifications set forth in Section 3 or 4 of the Regulatory Agreement, give notice of such inaccuracy or lack of completeness to the Borrower and direct the Borrower to correct or complete the same, as the case may be, within a 30-day period, subject to extension in the sole discretion of the Program Administrator; and

(ii) If the inaccuracy or lack of completeness is not corrected within thirty (30) days or if the inaccuracy or lack of completeness causes the Project to cease to meet the qualification set forth in Section 3 or 4 of the Regulatory Agreement immediately give written notice of said fact to the Issuer, the Trustee and the Borrower,

(e) In the event that the Borrower fails to file with the Program Administrator any report, certification (including, in particular, the certification to the Secretary of the Treasury required by Section 4(f) of the Regulatory Agreement) or other document required pursuant to the Regulatory Agreement within the time set forth in the Regulatory Agreement, the Program Administrator shall immediately give written notice of that fact to the Issuer, the Trustee and the Borrower,

(f) The Program Administrator shall prepare and file all initial and annual reports required by Section 8855.5 of the Government Code of the State of California with respect to the Project.

(g) On behalf of the Issuer, the Program Administrator shall, at least annually and whenever requested by the Issuer, audit the survey of the tenants of the Qualified Spaces with respect to income levels, household sizes and such other information as the Issuer may specify, and all as further required under Section 4 of the Regulatory Agreement. Based on such information, the Issuer shall determine compliance with the affordability requirements under the Act. In the event of any noncompliance, the Program Administrator shall notify the Issuer as to the nature and extent of the noncompliance and the Program Administrator shall suggest alternatives for bringing the Qualified Spaces into compliance.

3.2 Duties of Oversight Agent. In its capacity as Oversight Agent hereunder, for and on behalf of the Issuer, the Program Administrator will perform the following duties in a careful and timely manner, to the highest standards of the profession:

(a) Perform on a timely basis all duties ascribed to the Oversight Agent in the Indenture, the Loan Agreement, and the Regulatory Agreement, including without limitation the following: (i) annual review of the Borrower's financial statements, (ii) review the coverage calculation for release of surplus cashflow and report comments to the Borrower and the Issuer, (iii) review the final budget and forward comments to the Borrower and the Issuer, (iv) physical inspection of the Project on a quarterly basis, including examination of the infrastructure, the clubhouse, and any other common areas, and (v) monthly confirmation that the Trustee has received the monthly deposit in accordance with the approved budget and, in the event that the Trustee has not, to take such further steps as required by the Loan Agreement.

3.3 Compensation. For all services rendered pursuant hereto and all costs and expenses incurred hereunder, the Program Administrator shall be paid an annual fee of $3,000, payable on the Closing Date and annually on March 1 thereafter. The fee of the Program Administrator shall be paid to the Program Administrator by the Trustee upon receipt by the Trustee of an invoice from the Program Administrator. If the Program Administrator provides services outside the scope of this Agreement, as requested in writing by the City, the compensation shall be paid at the then prevailing fee schedule of the Program Administrator.

ARTICLE IV

TERM

4.1 Term of Agreement. Unless sooner terminated pursuant to the provisions of Sections 4.2 and 4.3 hereof, this Administration Agreement shall remain in full force and effect for the term of the Regulatory Agreement. The Issuer shall provide written notice to the Trustee if this Administration Agreement is terminated.

4.2 Termination. At its sole discretion, the Issuer may terminate this Administration Agreement upon giving the Program Administrator and the Borrower thirty days written notice of its intention to do so. This Administration Agreement may be terminated in whole or in part only as to the services described in Section 3.1 or 3.2, whereupon a partial fee for the services not terminated will be agreed upon by the parties and memorialized in an amendment hereto.

4.3 Resignation of Program Administrator. With the written consent of the Issuer, the Program Administrator may resign from its position and terminate this Administration Agreement by giving the other parties hereto thirty days written notice of its intention to do so.

ARTICLE V

MISCELLANEOUS PROVISIONS

5.1 Execution in Counterparts. This Administration Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute but one and the same instrument.

5.2 Business Days. If any action is required to be taken hereunder on a date which falls on other than a Business Day, such action shall be taken on the next succeeding Business Day.

5.3 Governing Law. This Administration Agreement shall be construed in accordance with the laws of the State of California and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

5.4 Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, addressed to the appropriate Notice Address set forth in the Regulatory Agreement. The Notice Address of the Program Administrator is: Suzanne Taylor, 925 Westridge Ct., Upland, California, 91786.

IN WITNESS WHEREOF, the parties hereto have caused this Administration Agreement to be executed on their behalf by their duly authorized representatives, all as of the date hereinabove written.

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP

_____
City Attorney

CITY OF IRVINE

By:_____
Its: City Manager

JAMBOREE HOUSING CORPORATION, a California non-profit public benefit corporation

By:_____
Its: Executive Director

SUZANNE TAYLOR

By:_____
Its: Authorized Signatory

Supporting Documents from Table 1
Document 5
Project Name: Families Forward
Year: 2000

DRAFT

ORIGINAL

COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT
FOR CAPITAL EXPENDITURES

THIS COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT ("Contract") is made and entered into this 1st day of July, 2000 by and between the CITY OF IRVINE, a municipal corporation, ("City") and **FAMILIES FORWARD** ("Subgrantee").

RECITALS

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide funds ("CDBG Funds") to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 et. seq.), as amended from time to time, (the "Act") and the regulations promulgated thereunder (24 C.F.R. Sections 570 et. seq. ("Regulations").

B. The Act provides that the City may grant the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

C. Subgrantee is a nonprofit organization which **desires to operate a transitional rental housing Project for homeless families and persons (the "Facility") which is located on certain real property in the City of Irvine, County of Orange, State of California**, more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("Site(s)").

D. The City desires to assist in the operation of the Facility by granting CDBG Funds to Subgrantee to finance all or a portion of the cost of the property acquisition on terms and conditions more particularly set forth herein (the "Project").

NOW, THEREFORE, the parties hereto agree as follows:

1.0 SUBGRANTEE OBLIGATIONS

Use of CDBG Funds. Subgrantee hereby agrees to use the CDBG Funds provided to Subgrantee solely for the Project pursuant to all of the terms and conditions of this Contract. The Project is more particularly set forth in "Exhibit "B"" attached hereto and incorporated herein by reference. The CDBG Funds shall be used solely to reimburse the actual expenses incurred by Subgrantee for the Project that is set forth in the "Budget" attached hereto as Exhibit "C" and incorporated herein by reference.

If the Project encompasses any construction upon the Site, the work shall be performed in accordance with construction drawings, working specifications and related documents approved by the City in advance and in writing. Before the commencement of any work of construction, Subgrantee shall obtain any and all permits or approvals required by any governmental agency with jurisdiction. Representatives of the City shall have a reasonable right of access to the Site during any period of construction to determine whether the work being performed is consistent with the terms of this Contract.

Created by Neevia Document Converter trial version http://www.neevia.com

1.2 Representations and Warranties. Subgrantee hereby represents and warrants to the City as follows:

a) Subgrantee has read and is familiar with all of the terms and provisions of the Act and the Regulations applicable to Subgrantee.

b) Subgrantee is a nonprofit organization permitted to receive CDBG Funds under the Act and the Regulations.

c) The use of the Facility, the Project and the expenses to be reimbursed by the CDBG Funds, as described in the Budget, are permitted uses of CDBG Funds under the Act and the Regulations.

d) No part of the Project shall require the City or Subgrantee to comply with the provisions of the Davis-Bacon Act, 40 U.S.C. Sections 276a et seq., as amended from time to time.

e) The Project shall not require the City or the Subgrantee to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Sections 4601 et seq., as amended from time to time.

1.3 Operation of the Facility. Concurrently with the execution of this Agreement, the City and Subgrantee shall execute the Regulatory Agreement and Declaration of Covenants and Restrictions attached hereto as "Exhibit "F" ("Regulatory Agreement"). Subgrantee hereby agrees to operate the Facility in accordance with all of the terms and provisions of the Regulatory Agreement, which terms and provisions are expressly incorporated herein by reference as if fully set forth herein..

1.4 Compliance with Law. Subgrantee shall perform the Project and operate the Facility in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and Federal, State or local governmental agency having jurisdiction in effect at the time service is rendered, including, but not limited to, the Act and the Regulations. Particularly, Subgrantee shall comply with the requirements and standards of the following:

(a) OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable;

(b) Attachments A, B, C (except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual CDBG activities commences on the date of submission of the annual performance and evaluation report in which the activity is reported on for the final time), F, H, N (excluding paragraph 3 and except that paragraphs 6 and 7 are modified so that (i) when any personal property is sold, the proceeds are Project income and

(ii) personal property not needed for CDBG activities must be transferred to the City or shall be retained after compensating the City) and O of OMB Circular A-110;

(c) All federal laws and regulations described in Subpart K of the Regulations, including all affirmative actions requirements set forth therein, but excluding the City's environmental responsibilities under 24 C.F.R. Section 570.604 and the City's responsibility for initiating the review process under 24 C.F.R. Part 52;

(d) If Subgrantee is a religious organization, as defined by the Regulations, all conditions prescribed by HUD for the use of CDBG Funds by religious organizations.

1.5 Licenses, Permits, Fees and Assessments. Subgrantee shall obtain, at its sole cost and expense, such licenses, permits and approvals as may be required by law for the operation of the Project.

2.6 Program Income. Any program income, as such term is defined in the Regulations, received by Subgrantee shall be **retained by Subgrantee. The program income received by Subgrantee shall solely be used for the program. All provisions of this Contract shall apply to such activities funded by program income. All program income shall be expended by Subgrantee before the City is obligated to advance any other CDBG Funds to Subgrantee under this Contract.**

1.7 Further Responsibilities of Parties. Both parties agree to use reasonable care and diligence to perform their respective obligations under this Contract. Both parties agree to act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Contract. Unless hereafter specified, neither party shall be responsible for the obligations of the other.

1.8 Special Requirements. Additional terms and conditions of this Contract, if any, which are made a part hereof are set forth in the "Special Requirements" attachment hereto as Exhibit "D" and incorporated herein by this reference. In the event of a conflict between the provisions of the Special Requirements and any other provisions of this Contract, the provisions of Special Requirements shall govern.

2.0 DISBURSEMENT OF CDBG FUNDS

2.1 Maximum Amount of CDBG Funds. The maximum amount of CDBG Funds to be provided to Subgrantee is **$128,000.** Subgrantee hereby acknowledges that the City cannot guarantee that the CDBG Funds will be received from HUD. The City's obligation to fund the Project is limited to the availability of CDBG Funds from HUD. If the CDBG Funds are not forthcoming from

Created by Neevia Document Converter trial version http://www.neevia.com

HUD for any reason, the City shall not have any obligation to fund the Project through any other source of funds.

2.2 Method of Payment. Unless otherwise specified in the Special Requirements, Subgrantee may submit to the Contract Officer an invoice, in a form acceptable to the City, on or before January 15, April 15, July 15 and October 15 of each calendar year during the term of this Contract setting for the amounts actually expended by Subgrantee for the Project; provided that said expenses are included in the Budget. Said invoice shall, at a minimum, set forth each budget category for which reimbursement is sought, a description of the expense, the total budgeted amount for the category, the amount requested to be reimbursed for each budget category, and the total amount expended for each budget category to date. Said invoice shall be accompanied with such additional supporting information as may be requested by the City, including, but not limited to, paid receipts for each expense. To the extent the CDBG Funds actually have been received from HUD, the City shall pay Subgrantee for all expenses stated on the invoice which are approved by City pursuant to this Contract no later than the thirtieth day after the dates specified above.

3.3 Maintenance of CDBG Funds. All CDBG Funds (including program income) received by Subgrantee shall be maintained in an account separate and apart from all other funds of Subgrantee with a bank or savings and loan association qualified to do business in the State of California and insured by the Federal Deposit Insurance Corporation.

3.0 PERFORMANCE SCHEDULE

3.1 Time of Essence. Time is of the essence in the performance of this Contract.

3.2 Schedule of Performance. Subgrantee shall commence, prosecute and complete the Project within the time periods established in the "Schedule of Performance" attached hereto as Exhibit "E" and incorporated herein by this reference.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the work shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Subgrantee, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Subgrantee shall within ten (10) days of the commencement of such delay notify the contracting officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Contract. In no event shall Subgrantee be entitled to recover damages against the City for any delay in the performance

of this Contract, however caused, Subgrantee's sole remedy being extension of the Contract pursuant to this Section.

3.4 Term. Unless earlier terminated in accordance with Section 7.4 of this Contract, this Contract shall continue in full force and effect until **June 30, 2001.**

3.5 Reversion of Assets. Upon the expiration or sooner termination of this Contract, Subgrantee shall transfer to the City (i) any and all CDBG Funds and Project income on hand (ii) any accounts receivable attributable to the use of CDBG Funds or Project income; and (iii) if any CDBG Funds or Project income was used by Subgrantee to improve or acquire real property and said CDBG Funds or Project income was in excess of Twenty Five Thousand Dollars ($25,000), Subgrantee shall either (a) use said real property to meet one of the national objectives specified in 24 C.F.R. Section 570.208 for a period of five (5) years after the termination or sooner expiration of this Contract or (b) dispose of the real property and reimburse the City in an amount (together with any amounts previously repaid to the City) that is equal to the fair market value of the real property times a fraction, the numerator of which is equal to the amount of CDBG Funds and/or Project income used to acquire or improve the real property and the denominator of which is equal to the fair market value of the real property immediately after the real property was acquired or improved with said funds.

4.0 COORDINATION OF WORK

4.1 Representation of Subgrantee. The Executive Director of **FAMILIES FORWARD** is hereby designated as being the representative of Subgrantee authorized to act in its behalf with respect to this Contract and make all decisions in connection therewith.

4.2 Contract Officer. The Contract Officer shall be the City's CDBG Coordinator or such person as may be designated by the City Manager of City. It shall be the Subgrantee's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the Project and the Subgrantee shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Contract.

4.3 Prohibition Against Subcontracting or Assignment. Neither this Contract nor any interest herein may be transferred, assigned, conveyed, hypothecated or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Subgrantee, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Contract shall be void. No

approved transfer shall release the Subgrantee or any surety of Subgrantee of any liability hereunder without the express consent of City.

4.4 Independent Contractor. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Subgrantee, its agents or employees, perform the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Subgrantee's employees, servants, representatives or agents, or in fixing their number, compensation or hours of service. Subgrantee shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with the role. Subgrantee shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Subgrantee in its business or otherwise or a joint venture or a member of any joint enterprise with Subgrantee.

5.0 INSURANCE AND INDEMNIFICATION

5.1 Insurance. The Subgrantee shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Contract including any extension thereof, the following policies of insurance:

(a) Comprehensive General Liability Insurance. A policy of comprehensive general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000.00 or its equivalent.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) Additional Insurance. Policies of such other insurance as may be required in the Special Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to the City. In the event any of said policies of insurance are canceled, the Subgrantee shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 5.1 to the Contract Officer. No work or services under this Contract shall commence until the Subgrantee has provided the City with

Created by Neevia Document Converter trial version http://www.neevia.com

Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City.

The Subgrantee agrees that the provisions of this Section 5.1 shall not be construed as limiting in any way the extent to which the Subgrantee may be held responsible for the payment of damages to any persons or property resulting from the Subgrantee's activities or the activities of any person or persons for which the Subgrantee is otherwise responsible.

5.2 Indemnification. Subgrantee agrees to indemnify the City, its officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by an person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of Subgrantee, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of Subgrantee hereunder, or arising from Subgrantee's negligent performance of or failure to perform any term, provision covenant or condition of this Contract, whether or not there is concurrent passive or active negligence on the part of the City, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the City, its officers, agents or employees, who are directly responsible to the City, and in connection therewith:

(a) Subgrantee will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

(b) Subgrantee will promptly pay any judgment rendered against the City, its officers, agents or employees for any such claims or liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of Subgrantee hereunder; and Subgrantee agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(c) In the event the City, its officers, agents or employees is made a party to any action or proceeding filed or prosecuted against Subgrantee for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Subgrantee hereunder, Subgrantee agrees to pay to the City, its officers, agents or employees, any and all costs and expenses incurred by the City, its officers, agents or employees in such action or proceeding, including but not limited to, legal costs and attorneys' fees.

Created by Neevia Document Converter trial version http://www.neevia.com

6.0 RECORDS AND REPORTS

6.1 Reports. Subgrantee shall prepare and submit to the Contract Officer on a quarterly basis such reports concerning the performance of the services required by this Contract as the Contract Officer shall require. At a minimum said reports shall include the following:

(a) A Quarterly Subrecipient Report in the form prescribed by HUD shall be submitted on a quarterly basis with each application for payment. Slides or pictures shall be included with the report, if appropriate. Ethnic and Female Head of Household data, consistent with HUD's Grantee Performance Report requirements should also be provided in the summary.

(b) An Annual Single Audit Report or General Audit Report as required pursuant to OMB Circular A-133 or OMB Circular A-123, respectively, as required by HUD.

(c) Reference Schedule of Performance , Exhibit E.

6.2 Records. Subgrantee shall keep such books and records as shall be necessary to document the expenses incurred by Subgrantee for the Project and to enable the Contract Officer and HUD to evaluate the operation of the Project, as required by the Regulations. Said records shall include, but not be limited to, documentation of income levels of persons utilizing the Project, documentation of the number of persons utilizing the Project, documentation of costs reimbursed with CDBG Funds and such other records as may be reasonably requested by the City. Subgrantee shall perform all audits of its books and records required by the Regulations. A copy of such audits shall be forwarded to the City within thirty (30) days of the date of the audit. The City and HUD and/or their representatives shall have full and free access to such books and records at all times during normal business hours of and transcripts from such records. Such records shall be maintained for a period of three (3) years following the termination of this Contract, and the City shall have access to such records in the event any audit is required.

7.0 ENFORCEMENT OF CONTRACT

7.1 Applicable Law. This Contract shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California and the United States, as applicable. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Contract shall be instituted in the Superior Court of the County of Orange, State of California, the United States District Court for the Central District of California or any other appropriate court in Orange County, and Subgrantee covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

7.2 Disputes. In the event of any dispute arising under this Contract, the injured party shall notify the injuring party in writing of its contentions by submitting a claim

therefor. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within thirty (30) days after service of the notice, or such longer period as may be permitted by the injured party; provided that if the default is an immediate danger to the health, safety and general welfare, such immediate action may be necessary. Notwithstanding the foregoing, the City may suspend any further payment of CDBG Funds until Subgrantee is in compliance with this Contract. Compliance with the provisions of this Section shall be a condition precedent to termination of this Contract for cause and to any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured.

7.3 Remedies Upon Default by Subgrantee. In addition to any other rights or remedies available at law or in equity, if Subgrantee fails to fulfill its obligations under this Contract, City may, after compliance with the provisions of Section 7.2,:

(a) Temporarily withhold payment of CDBG Funds pending correction of the default by Subgrantee;

(b) Refuse to advance all or any part of the CDBG Funds for the Project and reallocate said funds to another activity;

(c) Wholly or partially suspend or terminate the award and this Contract;

(d) Withhold further awards for the Project; and

(e) Require Subgrantee to repay any CDBG Funds which the City determines were not expended in compliance with the requirements of this Contract, the Act or the Regulations.

7.4 Termination for Convenience. This Contract may be terminated for convenience as provided in 24 C.F.R. Section 85.44.

7.5 Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Contract.

7.6 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Contract, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at

the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.7 Legal Action. In addition to any other rights or remedies, either party may take legal action, in low or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Contract, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Contract.

7.7 Attorneys Fees. If either party to this Contract is required to initiate or defend or made a party to any action or proceeding in any way connected with this Contract, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

8.0 CITY OFFICERS AND EMPLOYEES

8.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Subgrantee, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Subgrantee or to its successor, or for breach of any obligation of the terms of this Contract.

8.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Contract nor shall any such officer or employee participate in any decision relating to the Contract which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. The Subgrantee warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Contract.

9.0 MISCELLANEOUS

9.1 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of the City, to the City Manager and to the attention of the Contract Officer, CITY OF IRVINE, 1 Civic Center Plaza, Irvine, California 92713, and in the case of the Subgrantee, to the person at the address designated on the execution page of this Contract. Either party may change its address by notifying the other party of the change of address in

Created by Neevia Document Converter trial version http://www.neevia.com

writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of mailing if mailed as provided in this Section.

9.2 Interpretation. The terms of this Contract shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Contract or any other rule of construction which might otherwise apply.

9.3 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Contract and this Contract supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Contract. This Contract may be amended at any time by the mutual consent of the parties by an instrument in writing.

9.4 Severability. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Contract shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not effect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Contract which are hereby declared as securable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Contract meaningless.

9.5 Corporate Authority. The persons executing this Contract on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Contract on behalf of said party, (iii) by so executing this Contract, such party is formally bound to the provisions of this Contract, and (iv) the entering into this Contract does not violate any provision of any other agreement to which said party is bound.

Created by Neevia Document Converter trial version http://www.neevia.com

IN WITNESS WHEREOF, the parties have executed and entered into this Contract as of the date first written above.

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

CITY OF IRVINE, a municipal corporation

By: _____
Mayor

SUBGRANTEE:

By: _____
Name: Roger A. Grable
Title: President

By: _____
Name: MARGIE W ACEHAM
Title: Executive Director

Address: _____

EXHIBIT "A"
DESCRIPTION OF THE SITE

Insert legal descriptions of site here:

Created by Neevia Document Converter trial version http://www.neevia.com

EXHIBIT "B"
DESCRIPTION OF THE PROJECT

The Subgrantee will purchase condominiums in Irvine to be used as transitional housing and career education center for homeless Irvine households.

EXHIBIT "C"
BUDGET

The Project budget, to be financed by Community Development Block Grant Funds, is $128,000.00. The CDBG funds are to be applied solely against the purchase price of the Site and will be disbursed by the City directly to Families Forward upon submittal of requirements in Attachment "D".

EXHIBIT "D"
SPECIAL REQUIREMENTS

1. Subgrantee shall submit to the Contract Officer for approval, upon close of escrow for the acquisition of the Site, the following information:

a) Street address of the Sites
b) The legal descriptions of the Sites
c) Descriptions of the improvements to the Sites
d) Copies of the purchase agreements for the Sites
e) The amount of CDBG funds requested to be disbursed for the Site
f) The source of the remainder of funds for the Site
g) The name, address and telephone number of the escrow company
h) The escrow numbers and the scheduled close of escrow.

2 Prior to the City of Irvine releasing funds for the purchase of said property, the subgrantee will provide the following:

a) Copies of the grant deed conveying the properties to the subgrantee
b) Copies of the title insurance for the property
c) Recordation of the Regulatory Agreements providing immediate notification and subsequent conformed copy of the CC & R's together with the final closing statement to the City Contract Officer.

Created by Neevia Document Converter trial version http://www.neevia.com

EXHIBIT "E"
SCHEDULE OF PERFORMANCE

It is the intent of Subgrantee, Families Forward, to purchase the housing unit prior to June 30, 2001, and submit to the City all invoices for eligible CDBG funded Project budget costs prior to June 30, 2001. In the event that the Subgrantee has not submitted appropriate invoices for all eligible CDBG funded Project budget costs prior to June 30, 2001, this Contract shall be subject to termination at the discretion of the City. The Subgrantee may, prior to the Contract termination date, submit a written request to the City for extension thereof. Such request may be granted by the City Contract Officer upon written determination of good cause.

Supporting Documents from Table 1
Document 6
Project Name: Families Forward
Year: 2003

DRAFT

COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT
FOR CAPITAL EXPENDITURES

ORIGINAL

THIS COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT ("Contract") is made and entered into this 1st day of July, 1997 by and between the CITY OF IRVINE, a municipal corporation, ("City") and **IRVINE TEMPORARY HOUSING** ("Subgrantee").

RECITALS

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide funds ("CDBG Funds") to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 et. seq.), as amended from time to time, (the "Act") and the regulations promulgated thereunder (24 C.F.R. Sections 570 et. seq. ("Regulations").

B. The Act provides that the City may grant the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

C. Subgrantee is a nonprofit organization which **desires to operate a transitional rental housing Project for homeless families and persons (the "Facility") which is located on certain real property in the City of Irvine, County of Orange, State of California,** more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("Site(s)").

D. The City desires to assist in the operation of the Facility by granting CDBG Funds to Subgrantee to finance all or a portion of the cost of the property acquisition on terms and conditions more particularly set forth herein (the "Project").

NOW, THEREFORE, the parties hereto agree as follows:

1.0 SUBGRANTEE OBLIGATIONS

Use of CDBG Funds. Subgrantee hereby agrees to use the CDBG Funds provided to Subgrantee solely for the Project pursuant to all of the terms and conditions of this Contract. The Project is more particularly set forth in "Exhibit "B"" attached hereto and incorporated herein by reference. The CDBG Funds shall be used solely to reimburse the actual expenses incurred by Subgrantee for the Project that is set forth in the "Budget" attached hereto as Exhibit "C" and incorporated herein by reference.

If the Project encompasses any construction upon the Site, the work shall be performed in accordance with construction drawings, working specifications and related documents approved by the City in advance and in writing. Before the commencement of any work of construction, Subgrantee shall obtain any and all permits or approvals required by any governmental agency with jurisdiction. Representatives of the City shall have a reasonable right of access to the Site during any period of

Conforms with City Council Action on: 5-27-97
For more information, contact Hanna Jones at ext. 6496

3967

construction to determine whether the work being performed is consistent with the terms of this Contract.

1.2 Representations and Warranties. Subgrantee hereby represents and warrants to the City as follows:

a) Subgrantee has read and is familiar with all of the terms and provisions of the Act and the Regulations applicable to Subgrantee.

b) Subgrantee is a nonprofit organization permitted to receive CDBG Funds under the Act and the Regulations.

c) The use of the Facility, the Project and the expenses to be reimbursed by the CDBG Funds, as described in the Budget, are permitted uses of CDBG Funds under the Act and the Regulations.

d) No part of the Project shall require the City or Subgrantee to comply with the provisions of the Davis-Bacon Act, 40 U.S.C. Sections 276a et seq., as amended from time to time.

e) The Project shall not require the City or the Subgrantee to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Sections 4601 et seq., as amended from time to time.

1.3 Operation of the Facility. Concurrently with the execution of this Agreement, the City and Subgrantee shall execute the Regulatory Agreement and Declaration of Covenants and Restrictions attached hereto as "Exhibit "F" ("Regulatory Agreement"). Subgrantee hereby agrees to operate the Facility in accordance with all of the terms and provisions of the Regulatory Agreement, which terms and provisions are expressly incorporated herein by reference as if fully set forth herein..

1.4 Compliance with Law. Subgrantee shall perform the Project and operate the Facility in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and Federal, State or local governmental agency having jurisdiction in effect at the time service is rendered, including, but not limited to, the Act and the Regulations. Particularly, Subgrantee shall comply with the requirements and standards of the following:

(a) OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable;

(b) Attachments A, B, C (except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual CDBG activities commences on the date of submission of the annual performance and evaluation report in which the activity is reported on for the final time), F, H, N (excluding paragraph 3 and except that paragraphs 6

and 7 are modified so that (i) when any personal property is sold, the proceeds are Project income and (ii) personal property not needed for CDBG activities must be transferred to the City or shall be retained after compensating the City) and O of OMB Circular A-110;

(c) All federal laws and regulations described in Subpart K of the Regulations, including all affirmative actions requirements set forth therein, but excluding the City's environmental responsibilities under 24 C.F.R. Section 570.604 and the City's responsibility for initiating the review process under 24 C.F.R. Part 52;

(d) If Subgrantee is a religious organization, as defined by the Regulations, all conditions prescribed by HUD for the use of CDBG Funds by religious organizations.

1.5 Licenses, Permits, Fees and Assessments. Subgrantee shall obtain, at its sole cost and expense, such licenses, permits and approvals as may be required by law for the operation of the Project.

2.6 Program Income. Any program income, as such term is defined in the Regulations, received by Subgrantee shall be **retained by Subgrantee. The program income received by Subgrantee shall solely be used for the program. All provisions of this Contract shall apply to such activities funded by program income. All program income shall be expended by Subgrantee before the City is obligated to advance any other CDBG Funds to Subgrantee under this Contract.**

1.7 Further Responsibilities of Parties. Both parties agree to use reasonable care and diligence to perform their respective obligations under this Contract. Both parties agree to act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Contract. Unless hereafter specified, neither party shall be responsible for the obligations of the other.

1.8 Special Requirements. Additional terms and conditions of this Contract, if any, which are made a part hereof are set forth in the "Special Requirements" attachment hereto as Exhibit "D" and incorporated herein by this reference. In the event of a conflict between the provisions of the Special Requirements and any other provisions of this Contract, the provisions of Special Requirements shall govern.

2.0 DISBURSEMENT OF CDBG FUNDS

2.1 Maximum Amount of CDBG Funds. The maximum amount of CDBG Funds to be provided to Subgrantee is **$192,000.** Subgrantee hereby acknowledges that the City cannot guarantee that the CDBG Funds will be received from HUD. The City's obligation to fund the Project is limited to the availability of

CDBG Funds from HUD. If the CDBG Funds are not forthcoming from HUD for any reason, the City shall not have any obligation to fund the Project through any other source of funds.

2.2 Method of Payment. Unless otherwise specified in the Special Requirements, Subgrantee may submit to the Contract Officer an invoice, in a form acceptable to the City, on or before January 15, April 15, July 15 and October 15 of each calendar year during the term of this Contract setting for the amounts actually expended by Subgrantee for the Project; provided that said expenses are included in the Budget. Said invoice shall, at a minimum, set forth each budget category for which reimbursement is sought, a description of the expense, the total budgeted amount for the category, the amount requested to be reimbursed for each budget category, and the total amount expended for each budget category to date. Said invoice shall be accompanied with such additional supporting information as may be requested by the City, including, but not limited to, paid receipts for each expense. To the extent the CDBG Funds actually have been received from HUD, the City shall pay Subgrantee for all expenses stated on the invoice which are approved by City pursuant to this Contract no later than the thirtieth day after the dates specified above.

3.3 Maintenance of CDBG Funds. All CDBG Funds (including program income) received by Subgrantee shall be maintained in an account separate and apart from all other funds of Subgrantee with a bank or savings and loan association qualified to do business in the State of California and insured by the Federal Deposit Insurance Corporation.

3.0 PERFORMANCE SCHEDULE

3.1 Time of Essence. Time is of the essence in the performance of this Contract.

3.2 Schedule of Performance. Subgrantee shall commence, prosecute and complete the Project within the time periods established in the "Schedule of Performance" attached hereto as Exhibit "E" and incorporated herein by this reference.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the work shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Subgrantee, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Subgrantee shall within ten (10) days of the commencement of such delay notify the contracting officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Contract. In no event shall Subgrantee be entitled to recover damages against the City for any delay in

the performance of this Contract, however caused, Subgrantee's sole remedy being extension of the Contract pursuant to this Section.

3.4 Term. Unless earlier terminated in accordance with Section 7.4 of this Contract, this Contract shall continue in full force and effect until **June 30, 1998.**

3.5 Reversion of Assets. Upon the expiration or sooner termination of this Contract, Subgrantee shall transfer to the City (i) any and all CDBG Funds and Project income on hand (ii) any accounts receivable attributable to the use of CDBG Funds or Project income; and (iii) if any CDBG Funds or Project income was used by Subgrantee to improve or acquire real property and said CDBG Funds or Project income was in excess of Twenty Five Thousand Dollars ($25,000), Subgrantee shall either (a) use said real property to meet one of the national objectives specified in 24 C.F.R. Section 570.208 for a period of five (5) years after the termination or sooner expiration of this Contract or (b) dispose of the real property and reimburse the City in an amount (together with any amounts previously repaid to the City) that is equal to the fair market value of the real property times a fraction, the numerator of which is equal to the amount of CDBG Funds and/or Project income used to acquire or improve the real property and the denominator of which is equal to the fair market value of the real property immediately after the real property was acquired or improved with said funds.

4.0 COORDINATION OF WORK

4.1 Representation of Subgrantee. The Executive Director of **IRVINE TEMPORARY HOUSING** is hereby designated as being the representative of Subgrantee authorized to act in its behalf with respect to this Contract and make all decisions in connection therewith.

4.2 Contract Officer. The Contract Officer shall be the City's CDBG Coordinator or such person as may be designated by the City Manager of City. It shall be the Subgrantee's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the Project and the Subgrantee shall refer any decisions which must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Contract.

4.3 Prohibition Against Subcontracting or Assignment. Neither this Contract nor any interest herein may be transferred, assigned, conveyed, hypothecated or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Subgrantee, taking all transfers into account on a

cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Contract shall be void. No approved transfer shall release the Subgrantee or any surety of Subgrantee of any liability hereunder without the express consent of City.

4.4 Independent Contractor. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Subgrantee, its agents or employees, perform the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Subgrantee's employees, servants, representatives or agents, or in fixing their number, compensation or hours of service. Subgrantee shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with the role. Subgrantee shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Subgrantee in its business or otherwise or a joint venture or a member of any joint enterprise with Subgrantee.

5.0 INSURANCE AND INDEMNIFICATION

5.1 Insurance. The Subgrantee shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Contract including any extension thereof, the following policies of insurance:

(a) Comprehensive General Liability Insurance. A policy of comprehensive general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000.00 or its equivalent.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) Additional Insurance. Policies of such other insurance as may be required in the Special Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to the City. In the event any of said policies of insurance are canceled, the Subgrantee shall, prior to the

cancellation date, submit new evidence of insurance in conformance with this Section 5.1 to the Contract Officer. No work or services under this Contract shall commence until the Subgrantee has provided the City with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City.

The Subgrantee agrees that the provisions of this Section 5.1 shall not be construed as limiting in any way the extent to which the Subgrantee may be held responsible for the payment of damages to any persons or property resulting from the Subgrantee's activities or the activities of any person or persons for which the Subgrantee is otherwise responsible.

5.2 Indemnification. Subgrantee agrees to indemnify the City, its officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by an person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of Subgrantee, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of Subgrantee hereunder, or arising from Subgrantee's negligent performance of or failure to perform any term, provision covenant or condition of this Contract, whether or not there is concurrent passive or active negligence on the part of the City, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the City, its officers, agents or employees, who are directly responsible to the City, and in connection therewith:

(a) Subgrantee will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

(b) Subgrantee will promptly pay any judgment rendered against the City, its officers, agents or employees for any such claims or liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of Subgrantee hereunder; and Subgrantee agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(c) In the event the City, its officers, agents or employees is made a party to any action or proceeding filed or prosecuted against Subgrantee for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Subgrantee hereunder, Subgrantee agrees to pay to the City, its officers, agents or employees, any and all costs and expenses incurred by the City, its officers, agents or employees in such action or

proceeding, including but not limited to, legal costs and attorneys' fees.

6.0 RECORDS AND REPORTS

6.1 Reports. Subgrantee shall prepare and submit to the Contract Officer on a quarterly basis such reports concerning the performance of the services required by this Contract as the Contract Officer shall require. At a minimum said reports shall include the following:

(a) A Quarterly Subrecipient Report in the form prescribed by HUD shall be submitted on a quarterly basis with each application for payment. Slides or pictures shall be included with the report, if appropriate. Ethnic and Female Head of Household data, consistent with HUD's Grantee Performance Report requirements should also be provided in the summary.

(b) An Annual Single Audit Report or General Audit Report as required pursuant to OMB Circular A-133 or OMB Circular A-123, respectively, as required by HUD.

(c) Reference Schedule of Performance , Exhibit E.

6.2 Records. Subgrantee shall keep such books and records as shall be necessary to document the expenses incurred by Subgrantee for the Project and to enable the Contract Officer and HUD to evaluate the operation of the Project, as required by the Regulations. Said records shall include, but not be limited to, documentation of income levels of persons utilizing the Project, documentation of the number of persons utilizing the Project, documentation of costs reimbursed with CDBG Funds and such other records as may be reasonably requested by the City. Subgrantee shall perform all audits of its books and records required by the Regulations. A copy of such audits shall be forwarded to the City within thirty (30) days of the date of the audit. The City and HUD and/or their representatives shall have full and free access to such books and records at all times during normal business hours of and transcripts from such records. Such records shall be maintained for a period of three (3) years following the termination of this Contract, and the City shall have access to such records in the event any audit is required.

7.0 ENFORCEMENT OF CONTRACT

7.1 Applicable Law. This Contract shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California and the United States, as applicable. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Contract shall be instituted in the Superior Court of the County of Orange, State of California, the United States District Court for the Central District of California or any other appropriate court in Orange County, and Subgrantee covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

7.2 Disputes. In the event of any dispute arising under this Contract, the injured party shall notify the injuring party in writing of its contentions by submitting a claim therefor. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within thirty (30) days after service of the notice, or such longer period as may be permitted by the injured party; provided that if the default is an immediate danger to the health, safety and general welfare, such immediate action may be necessary. Notwithstanding the foregoing, the City may suspend any further payment of CDBG Funds until Subgrantee is in compliance with this Contract. Compliance with the provisions of this Section shall be a condition precedent to termination of this Contract for cause and to any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured.

7.3 Remedies Upon Default by Subgrantee. In addition to any other rights or remedies available at law or in equity, if Subgrantee fails to fulfill its obligations under this Contract, City may, after compliance with the provisions of Section 7.2,:

(a) Temporarily withhold payment of CDBG Funds pending correction of the default by Subgrantee;

(b) Refuse to advance all or any part of the CDBG Funds for the Project and reallocate said funds to another activity;

(c) Wholly or partially suspend or terminate the award and this Contract;

(d) Withhold further awards for the Project; and

(e) Require Subgrantee to repay any CDBG Funds which the City determines were not expended in compliance with the requirements of this Contract, the Act or the Regulations.

7.4 Termination for Convenience. This Contract may be terminated for convenience as provided in 24 C.F.R. Section 85.44.

7.5 Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Contract.

7.6 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be

exclusive in this Contract, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.7 Legal Action. In addition to any other rights or remedies, either party may take legal action, in low or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Contract, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Contract.

7.7 Attorneys Fees. If either party to this Contract is required to initiate or defend or made a party to any action or proceeding in any way connected with this Contract, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

8.0 CITY OFFICERS AND EMPLOYEES

8.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Subgrantee, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Subgrantee or to its successor, or for breach of any obligation of the terms of this Contract.

8.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Contract nor shall any such officer or employee participate in any decision relating to the Contract which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. The Subgrantee warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Contract.

9.0 MISCELLANEOUS

9.1 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of the City, to the City Manager and to the attention of the Contract Officer, CITY OF IRVINE, 1 Civic Center Plaza, Irvine, California 92713, and in the case of

the Subgrantee, to the person at the address designated on the execution page of this Contract. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of mailing if mailed as provided in this Section.

9.2 Interpretation. The terms of this Contract shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Contract or any other rule of construction which might otherwise apply.

9.3 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Contract and this Contract supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Contract. This Contract may be amended at any time by the mutual consent of the parties by an instrument in writing.

9.4 Severability. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Contract shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not effect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Contract which are hereby declared as securable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Contract meaningless.

9.5 Corporate Authority. The persons executing this Contract on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Contract on behalf of said party, (iii) by so executing this Contract, such party is formally bound to the provisions of this Contract, and (iv) the entering into this Contract does not violate any provision of any other agreement to which said party is bound.

IN WITNESS WHEREOF, the parties have executed and entered into this Contract as of the date first written above.

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

CITY OF IRVINE, a municipal corporation

By: _____
Mayor

SUBGRANTEE:

By: _____
Name: MARGIE WAKEHAM
Title: Exec. Director

By: _____
Name: ROGER MAY
Title: VICE PRESIDENT

Address: P.O. Box 53093
IRVINE, CA 92619

Reviewed by: Sheri Vander Dussen
Director of: Community Development
_____ 7/24/97
(Signature) Date

EXHIBIT "A"
DESCRIPTION OF THE SITES

Insert legal descriptions of both sites here:

83 Oval, Irvine

19 Meadowgrass, Irvine

EXHIBIT "B"
DESCRIPTION OF THE PROJECT

The Subgrantee will purchase two condominiums (at 83 Oval and 19 Meadowgrass) in Irvine to be used as transitional rental housing for homeless Irvine households.

EXHIBIT "C"
BUDGET

The Project budget, to be financed by Community Development Block Grant Funds, is $192,000.00. The CDBG funds are to be applied solely against the purchase price of the Sites and will be disbursed by the City directly to Irvine Temporary Housing upon submittal of requirements in Attachment "D".

EXHIBIT "D"
SPECIAL REQUIREMENTS

1. Subgrantee shall submit to the Contract Officer for approval, upon close of escrow for the acquisition of the Site, the following information:

a) Street address of the Sites
b) The legal descriptions of the Sites
c) Descriptions of the improvements to the Sites
d) Copies of the purchase agreements for the Sites
e) The amount of CDBG funds requested to be disbursed for the Sites
f) The source of the remainder of funds for the Site
g) The name, address and telephone number of the escrow company
h) The escrow numbers and the scheduled close of escrow.

2 Prior to the City of Irvine releasing funds for the purchase of said properties, the subgrantee will provide the following:

a) Copies of the grant deeds conveying the properties to the subgrantee
b) Copies of the title insurance for the properties - owner now paying off
c) Recordation of the Regulatory Agreements providing immediate notification and subsequent conformed copy of the CC & R's together with the final closing statement to the City Contract Officer.

EXHIBIT "E"
SCHEDULE OF PERFORMANCE

It is the intent of Subgrantee, Irvine Temporary Housing, to purchase the housing units prior to June 30, 1998, and submit to the City all invoices for eligible CDBG funded Project budget costs prior to June 30, 1998. In the event that the Subgrantee has not submitted appropriate invoices for all eligible CDBG funded Project budget costs prior to June 30, 1998, this Contract shall be subject to termination at the discretion of the City. The Subgrantee may, prior to the Contract termination date, submit a written request to the City for extension thereof. Such request may be granted by the City Contract Officer upon written determination of good cause.

Supporting Documents from Table 1
Document 7
Project Name: Families Forward
Year: 2004

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER: 4915

AMENDMENT: _____

CONTRACT TYPE: Funding

CONTRACT NAME: Families Forward

CONTRACT DATE: Nov. 17, 2004

EXPIRATION DATE: _____

ENTRY DATE: _____

CONTRACT SUBJECT: CDBG; Capital Expenditure

ITEM NUMBER: 8

CONTRACT AMOUNT: $70,639

MEETING DATE: 4-13-04

COUNCIL ACTION: Approved

HOME PROGRAM PARTICIPATION AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation,

and

FAMILIES FORWARD
a California nonprofit public benefit corporation

4915

TABLE OF CONTENTS

Page

1. DEFINITIONS. 2

2. ACQUISITION OF CONDOMINIUM UNIT. 4
   - 2.1 Timing of Acquisition; Purchase Agreement 4
   - 2.2 Characteristics of Prospective Condominium Unit 5
   - 2.3 Participant's Notification Letter 5
   - 2.4 Condition of Title; City Title Policy 5
   - 2.5 Appraisal 6
   - 2.6 Condition of the Prospective Condominium Unit; Tests and Inspections 6
   - 2.7 Extension of Timeframes. 6

3. FINANCING ACQUISITION OF THE PROSPECTIVE CONDOMINIUM UNIT. 6
   - 3.1 City Loan. 6
   - 3.2 Execution and Recordation of Documents 8
   - 3.3 Security Financing; Subordination 8
   - 3.4 HOME Requirements 9
   - 3.5 Relocation 9

4. PERFORMANCE OF THE PROJECT. 9
   - 4.1 Rehabilitation of the Condominium Unit 9
   - 4.2 Provision of Transitional Housing and Support Services 9
   - 4.3 Anti-discrimination 10
   - 4.4 Participant Responsible for Costs of the Rehabilitation Work 10
   - 4.5 Approval of Evidence of Financial Capability 10
   - 4.6 Insurance. 11
   - 4.7 Schedule of Performance 13

5. USE OF THE CONDOMINIUM UNIT. 13
   - 5.1 General 13

6. DEFAULTS, REMEDIES, AND TERMINATION 14
   - 6.1 Defaults--General 14
   - 6.2 Institution of Legal Actions. 14
   - 6.3 Applicable Law 14
   - 6.4 Rights and Remedies are Cumulative 14
   - 6.5 Attorney's Fees 14
   - 6.6 Indemnification 15

7. GENERAL PROVISIONS. 15
   - 7.1 Notices, Demands, and Communications Between the Parties 15
   - 7.2 Nonliability of City Officials and Employees 15
   - 7.3 Enforced Delay; Extension of Times of Performance 15
   - 7.4 Inspection of Books and Records 16

Page

7.5 Interpretation 16
7.6 Entire Agreement; Waivers 16
7.7 Amendments to this Agreement 16
7.8 Severability 17
7.9 Prohibition Against Assignment and Transfer 17
7.10 Third Party Beneficiaries 17
7.11 Broker's/Consulting Fees 17
7.12 Representations and Warranties 18
7.13 Execution in Counterparts 18
7.14 Attachments 18

ATTACHMENTS

1. SCHEDULE OF PERFORMANCE
2. NOTE
3. DEED OF TRUST
4. HOME INVESTMENT PARTNERSHIPS PROGRAM INFORMATION
5. PARTICIPANT'S NOTIFICATION LETTER
6. REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS
7. SCOPE OF SERVICES
8. PROJECT BUDGET
9. SUBORDINATION AGREEMENT

HOME PROGRAM PARTICIPATION AGREEMENT

This HOME PROGRAM PARTICIPATION AGREEMENT ("Agreement") is entered into this 17th day of November, 2004 ("Effective Date"), by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, a California nonprofit public benefit corporation ("Participant").

RECITALS

A. Participant is a California nonprofit public benefit corporation and its primary purpose is to provide transitional housing and support services to homeless families in Irvine.

B. City has certified Participant as a community housing development organization (a "CHDO"), as defined in 24 C.F.R. § 92.2.

C. Participant desires to (i) locate, acquire a fee interest in, and rehabilitate a condominium unit (the Condominium Unit") in the City of Irvine, County of Orange, State of California; (ii) utilize the Condominium Unit as transitional housing for homeless families; and (iii) provide to such families certain support services (collectively, the "Project").

D. City desires to assist in the performance of the Project by providing financial assistance to Participant in the form of a loan to be applied towards the purchase price of the Condominium Unit. City and Participant desire to impose covenants on the Condominium Unit, which covenants will require the Condominium Unit to be rented as transitional housing for homeless families, at an affordable rent, for a period of twenty (20) years.

E. City has received funds from the United States Department of Housing and Urban Development ("HUD") pursuant to the federal government's HOME Investment Partnerships Program (42 U.S.C. § 12741, *et seq.*) (the "Program"). The Program requires City to reserve not less than fifteen percent (15%) of its Program allocation for investment only in housing to be developed, sponsored, or owned by CHDOs (24 C.F.R. § 92.300). City's loan of funds to Participant in accordance with the terms hereof and with the HOME Regulations (24 C.F.R. § 92 *et seq.*) constitute an investment in housing to be owned by a CHDO.

F. The performance of the Project pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall mean the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or (ii) a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit.

"Agreement" shall mean this Home Program Participation Agreement between City and Participant, including all exhibits and other documents attached hereto.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623.

"City Loan" shall mean the loan to be provided by City to Participant in an amount not to exceed One Hundred Eighty-Three Thousand One Hundred Thirty-Nine Dollars ($183,139) for the acquisition of the Condominium Unit, as more fully discussed in Section 3.1 of this Agreement.

"Condominium Unit" shall mean the condominium unit Participant will acquire in accordance with the terms of this Agreement, and any real property interest Participant will acquire therewith.

"Contract Officer" shall mean City's Grants Coordinator or such other person as may be designated by the City Manager of City.

"Covenant Period" shall mean the twenty (20) year period during which Participant shall be required to (i) utilize the Condominium Unit for the provision of Transitional Housing to Qualified Families; and (ii) provide to such Qualified Families Support Services. The Covenant Period shall commence on the first date on which a Qualified Family is occupying the Condominium Unit pursuant to a Participant Occupancy Agreement.

"Deed of Trust" shall mean that certain Deed of Trust With Assignment of Rents and Rider Attached Thereto containing Terms Including Security Agreement securing Participant's repayment of the City Loan in accordance with the terms of the Note, as set forth in Section 3.1.5. The form of the Deed of Trust is attached hereto and incorporated herein as Attachment No. 3.

"Effective Date" shall mean the date this Agreement is executed by City, which date shall be inserted in the preamble to this Agreement.

"Funding Conditions" shall mean the conditions set forth in Section 3.1.3 of this Agreement that must be satisfied prior to City providing the City Loan to Participant.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*) and the HOME Regulations (24 C.F.R. § 92 *et seq.*). A summary of the HOME Requirements is set forth in Attachment No. 3, which is incorporated herein by this reference.

"Homeless Person" shall mean a person who is, or is at risk to become, homeless (not imprisoned or otherwise detained pursuant to an Act of Congress or a State law), including without limitation the following: (i) an individual who lacks a fixed, regular, and adequate nighttime residence; and (ii) an individual who has a primary nighttime residence that is: (a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

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

"Note" shall mean that certain promissory note, executed by Participant as Borrower in favor or City effecting Participant's promise to repay the City Loan in accordance with its terms. The form of the Note is attached hereto and incorporated herein as Attachment No. 2.

"Participant" shall mean Families Forward, a California nonprofit public benefit corporation, having its offices at 9221 Irvine Boulevard, Irvine, California 92618. The term "Participant" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Participant hereunder, in accordance with Section 7.9 of this Agreement.

"Participant Occupancy Agreement" shall mean a lease or other occupancy agreement entered into between Participant and a Qualified Family for occupancy of the Condominium Unit by said Qualified Family.

"Program" shall mean the HOME Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*).

"Project" shall mean (i) the location and acquisition of the Condominium Unit; (ii) the subsequent rehabilitation thereof for use as Transitional Housing for Qualified Families; and (iii) the provision to said Qualified Families of Support Services, as described more fully in the Scope of Services.

"Project Budget" shall mean the costs estimates for Participant's performance of the Project set forth in Attachment No. 8 to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs to increase or decrease from what is shown in the Project Budget or that causes any line item in the Project Budget to increase or decrease by more than 10%).

"Qualified Family" shall mean a family composed of the following types of Homeless Persons which earns not more than (65%) of the Orange County area median income adjusted for

family size: (i) at least one parent or guardian and one child under the age of 18; (ii) a pregnant woman; or (iii) a person in the process of securing legal custody of a person under the age of 18.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions regulating the operation and maintenance of the Condominium Unit in the form attached hereto as Attachment No. 6.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 1 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Scope of Services" shall mean the general description of the Project which is attached hereto as Attachment No. 7 and incorporated herein by this reference.

"Subordination Agreement" shall mean the Subordination Agreement in the form attached hereto and incorporated herein as Attachment No. 9.

"Support Services" shall mean (i) counseling and case management services to address depression, childcare, health care, food assistance, self-esteem, unemployment, and various other obstacles to self-sufficiency; and (ii) critical life skills such as education, budgeting, debt reduction, parenting assistance, and stress management.

"Title Company" shall mean Chicago Title Company having its offices at 16969 Von Karman, Suite 150, Irvine, California 92606, or such other title company approved by City in its reasonable discretion.

"Transitional Housing" shall mean housing that (i) is designed to provide housing and appropriate supportive services to Qualified Families; and (ii) has as its purpose facilitating the movement of Qualified Families to independent living within two (2) years or less from the family's initial date of occupancy.

2. ACQUISITION OF CONDOMINIUM UNIT.

From and after the Effective Date, Participant shall exercise diligent efforts to locate and acquire a condominium unit within the City of Irvine, in accordance with this Section 2.

2.1 Timing of Acquisition; Purchase Agreement. Participant shall locate, and enter into a binding agreement to purchase (the "Purchase Agreement"), a condominium unit within the City within six (6) months after the Effective Date (the "Prospective Condominium Unit"). Within three (3) days after Participant enters into a Purchase Agreement, Participant shall deliver a copy of the executed Purchase Agreement to City. Any such Purchase Agreement shall (i) provide that the close of escrow pursuant to which Participant will acquire fee title to the Prospective Condominium Unit (the "Escrow") will close within forty-five (45) days after the execution date thereof (the "Closing Date"); (ii) contain only terms and conditions that are customary and usual for the purchase and sale of a residential condominium unit; (iii) require Participant to deposit (the "Deposit") not more than ten percent (10%) of the purchase price for the Prospective Condominium Unit (the "Purchase Price"); (iv) expressly reference this Section 2.1, and Sections 2.4, 2.5, and 2.6 of this Agreement, including the terms included in each such

section, and provide that if the Purchase Agreement is terminated pursuant to any of such sections Participant shall be entitled to the return of the Deposit; and (v) require that the escrow instructions prepared for the conveyance of the Prospective Condominium Unit be approved by the Contract Officer, in his or her sole and absolute discretion. In the event that the Contract Officer, in his or her sole and absolute discretion, disapproves of any term or condition in the Purchase Agreement, or determines that any of the items in clauses (i) through (v) above are not reflected in the Purchase Agreement, the City may require Participant to terminate the Purchase Agreement and the Escrow. If the Purchase Agreement is terminated prior to the close of Escrow, Participant shall diligently seek to enter into an agreement for purchase that satisfies the requirements of this Section 2.1, or locate another Prospective Condominium Unit. All of the terms of this Agreement shall apply with respect to any such subsequent Prospective Condominium Unit as if it were the initial Prospective Condominium Unit.

2.2 Characteristics of Prospective Condominium Unit. Participant shall use its best efforts to locate a Prospective Condominium Unit that is uninhabited. The Prospective Condominium Unit shall contain at least two (2) bedrooms and one in one half (1 ½) bathrooms.

2.3 Participant's Notification Letter. Within five (5) days after Participant locates a Prospective Condominium Unit that it desires to purchase, and prior to the time Participant formally makes an offer to purchase the Prospective Condominium Unit or executes a Purchase Agreement, Participant shall notify the owner of the Prospective Condominium Unit (the "Owner"), in writing, (i) that Participant desires to acquire the Prospective Condominium Unit; (ii) that in the event negotiations regarding the sale of the Prospective Condominium Unit fail to result in an amicable agreement Participant does not have the power of eminent domain to acquire the Prospective Condominium Unit from Owner, and (iii) of Participant's estimation of the fair market value of the Prospective Condominium Unit ("Participant's Notification Letter"). Participant's Notification Letter shall be in the form attached hereto and incorporated herein as Attachment No. 5.

2.4 Condition of Title; City Title Policy. By the earlier of, (i) within three (3) days after the Escrow is opened, or (ii) within three (3) days after Participant receives a preliminary title report from the Title Company for the Prospective Condominium Unit (the "Title Report"), Participant shall provide the City with a copy of the Title Report. As one of City's Funding Conditions, the Contract Officer shall have approved, in its sole and absolute discretion, the exceptions to title listed in the Title Report or shall have stated in writing to Participant those exceptions to title that are acceptable and those that are unacceptable. Participant shall use commercially reasonable efforts to effect removal or deletion of those exceptions to title that are unacceptable to the Contract Officer.

Participant shall cause the Title Company to issue and deliver to City an ALTA lender's policy of title insurance in the amount of the Purchase Price, together with such endorsements as may be reasonably requested by City covering the Condominium Unit, showing title vested in Participant and insuring the validity and priority of, respectively, the Deed of Trust and the Regulatory Agreement (the "City Title Policy") subject only to:

1. All nondelinquent general and special real property taxes and assessments; and

2. such other matters as may be approved in writing by the Contract Officer, or his or her designee.

2.5 Appraisal. Within ten (10) days after the Escrow is opened, Participant shall commission an appraisal of the Prospective Condominium Unit, in accordance with the criteria for detailed appraisals set forth in 49 C.F.R. 24.103 (the "Appraisal"). Within five (5) days after Participant receives the completed Appraisal, Participant shall provide City with a copy of the same. As one of City's Funding Conditions, the Contract Officer shall have approved, in his or her sole and absolute discretion, the Appraisal, including, but not limited to the methodologies, and the comparable sales, set forth therein. If the Appraisal is less than the Purchase Price, Participant shall endeavor to amend the Purchase Agreement to revise the Purchase Price to reflect the value of the Prospective Condominium Unit set forth in the Appraisal. If the Owner is unwilling to amend the Purchase Agreement, the Purchase Agreement shall be deemed terminated.

2.6 Condition of the Prospective Condominium Unit; Tests and Inspections. Within three (3) days after Participant's receipt of any studies and/or reports concerning the Prospective Condominium Unit, including, but not limited to, home inspection reports, termite inspection reports, and phase I and/or phase II environmental reports (each, a "Study or Report"), Participant shall provide a copy of such Study or Report to the City. As one of City's Funding Conditions, the Contract Officer shall have approved, in his or her sole and absolute discretion, each Study or Report or shall have stated in writing to Participant any Study or Report that is acceptable and any Study or Report that is unacceptable. Participant shall use commercially reasonable efforts to remedy any disapproved condition contained in a Study or Report; provided, however, that if Owner and Participant are unable to provide for an amicable resolution of such condition, the Purchase Agreement shall be deemed terminated.

2.7 Extension of Timeframes. City agrees to extend any of the timeframes contained in this Section 2 upon any reasonable request of Participant; provided, however, that the cumulative amount of all such extensions may not exceed six (6) months.

3. FINANCING ACQUISITION OF THE PROSPECTIVE CONDOMINIUM UNIT.

3.1 City Loan.

3.1.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement, City shall provide Participant financial assistance in the form of a loan in an amount not to exceed One Hundred Eighty-Three Thousand One Hundred Thirty-Nine Dollars ($183,139) ("City Loan") to be applied towards the Purchase Price. The source of the City Loan is funds City has received from HUD pursuant to the Program. The City Loan is a portion of the fifteen percent (15%) of City's Program allocation that City is required to reserve for investment in housing to be developed, sponsored, or owned by CHDOs. Participant's acquisition of the Prospective Condominium Unit with the City Loan constitutes an investment by City in housing to be owned by a CHDO. In acquiring the Prospective Condominium Unit and performing all of the other tasks comprising the Project, Participant shall comply with all of the HOME Requirements.

3.1.2 Use of City Loan. Participant shall be permitted to use the City Loan proceeds only towards the Purchase Price of the Prospective Condominium Unit. If the Purchase Price is less than One Hundred Eighty-Three Thousand One Hundred Thirty-Nine Dollars ($183,139), the City Loan shall be the amount of the Purchase Price.

3.1.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Participant unless all of the following conditions (collectively the "Funding Conditions") are satisfied or City's Contract Officer waives such conditions in its sole and absolute discretion:

(a) *Execution and Delivery of Documents.* Participant shall have executed and delivered to City (i) the Note; (ii) the Deed of Trust (with signatures notarized; and (iii) the Regulatory Agreement (with signatures notarized).

(b) *Insurance.* Participant has provided to City evidence of the insurance required under Section 4.6 of this Agreement.

(c) *Financial Capability.* City shall have approved Participant's evidence of financial capability to develop the Project in accordance with Section 4.5 of this Agreement.

(d) *Condition of Title; City Title Policy.* Participant shall have timely delivered to City the Title Report, City shall have approved the same, and the Title Company shall be committed to issue to City the City Title Policy, in accordance with Section 2.4 of this Agreement.

(e) *Appraisal.* Developer shall have timely delivered to City the Appraisal, and City shall have approved the same, in accordance with Section 2.5 of this Agreement

(f) *Condition of Property.* Participant shall have timely delivered to City each Study or Report prepared concerning the Prospective Condominium Unit, and City shall have approved the same, in accordance with Section 2.6 of this Agreement.

(g) *Purchase Agreement.* Participant shall have timely delivered to City the Purchase Agreement, and City shall have approved the same, in accordance with Section 2.1 of this Agreement.

(h) *Participant's Notification Letter.* Participant shall have timely delivered to City the Participant's Notification Letter which Participant sent to Owner.

(i) *Closing Statement.* The escrow agent shall have prepared and delivered to Participant and to City a Buyer Estimated Closing Statement.

(j) *Closing under Purchase Agreement.* All conditions to the close of Escrow set forth in the Purchase Agreement shall have been satisfied or waived by Participant or Owner, as applicable, and, upon City's delivery into Escrow of the City Loan the Escrow shall be in a position to close.

(k) *No Default Under This Agreement.* Participant shall not be in material default of any of its obligations set forth in this Agreement.

(l) *No Default Under Purchase Agreement.* Neither Participant nor Owner shall be in default of any of their respective obligations set forth in the Purchase Agreement, and the Escrow shall be in a condition to close upon City's delivery into the Escrow of the City Loan.

In the event that any of the Funding Conditions are not satisfied or waived by City on or before the Closing Date, or such later deadline as may be mutually approved in writing by City and Participant in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Participant.

3.1.4 Disbursement of City Loan. Provided Participant is not in default of this Agreement, the City Loan shall be delivered into Escrow on or before the Closing Date.

3.1.5 Repayment of City Loan. Participant shall repay the City Loan in accordance with the terms of the Note; provided, however, that at the expiration of the Covenant Period, if the outstanding principal of, and accrued interest on, the City Loan, have not been accelerated pursuant to the provisions of Section 3 of the Note, the Note shall be cancelled and the Deed of Trust shall be reconveyed.

3.2 Execution and Recordation of Documents. No later than five (5) days prior to the anticipated Closing Date, Participant shall execute and deliver to City (i) the Note; (ii) the Deed of Trust (with signatures notarized); and (iii) the Regulatory Agreement (with signatures notarized). Within five (5) days after City receives the executed Note, Deed of Trust, and Regulatory Agreement and prior to or concurrent with City's disbursement of the City Loan, City shall execute the Regulatory Agreement, and shall cause the Regulatory Agreement and Deed of Trust to be recorded in the Official Records of Orange County, California.

3.3 Security Financing; Subordination. Mortgages, deeds of trust, and other similar forms of financing shall be permitted before acquisition of the Prospective Condominium Unit, but only for the purpose of securing loans of funds to be used for financing the acquisition of the Prospective Condominium Unit. Participant shall not enter into any such conveyance for financing purposes without the prior written consent of City's Contract Officer, which consent shall not be unreasonably withheld. The Contract Officer shall have the authority on behalf of City to execute subordination agreements in the form of the Subordination Agreement attached hereto as Attachment No. 9 to subordinate the Regulatory Agreement and Deed of Trust to the lien of financing for loans obtained by Participant for the acquisition of the Prospective Condominium Unit. The Subordination Agreement is reasonably designed to protect the City's investment in the event of a default by providing for rights of notice and opportunities to cure and other rights protective of City's interest.

3.4 HOME Requirements. Because the source of the City Loan is funds City has received from HUD pursuant to the federal government's HOME Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*), Participant is required to perform the Project in compliance with all of the HOME Requirements, including but not limited to the requirements which are summarized in Attachment No. 4 of this Agreement. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements.

3.5 Relocation. City shall not be responsible for relocating any occupants from the Prospective Condominium Unit to the extent any occupants are located within the Prospective Condominium Unit. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Prospective Condominium Unit, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 3.5.

4. PERFORMANCE OF THE PROJECT.

4.1 Rehabilitation of the Condominium Unit. Within the time set forth in the Schedule of Performance, Participant shall rehabilitate the Condominium Unit in a manner consistent with the Scope of Services attached hereto as Attachment No. 7.

4.1.1 Governmental Permits. Before commencement of any rehabilitation or other work to or within the Condominium Unit, Participant shall secure or cause to be secured any and all permits and approvals which may be required by City or any other governmental agency having jurisdiction over the Condominium Unit and the Project.

4.1.2 Compliance with Permits and Laws. Participant shall carry out the rehabilitation component of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation all applicable federal and state fair labor standards, including the payment of prevailing wages, if required, and all conditions and requirements of the HOME Requirements including those referred to in Attachment No. 4 to this Agreement.

4.1.3 Rights of Access. For the purpose of assuring compliance with this Agreement, representatives of City shall have the reasonable right of access to the Condominium Unit, without charges or fees, during normal construction hours during the period of rehabilitation for the purposes of this Agreement, including but not limited to the inspection of the rehabilitation work being performed by Participant to or within the Condominium Unit.

4.2 Provision of Transitional Housing and Support Services. Within sixty (60) days after the Escrow closes, Participant shall have (i) located, and entered into a lease or other occupancy agreement with, a Qualified Family (a "Participant Occupancy Agreement"), and

such Qualified Family shall be renting, at an Affordable Rent, and occupying the Condominium Unit; and (ii) begun providing to said Qualified Family Support Services.

4.2.1 Form of Participant Documentation. The form of the Participant Occupancy Agreement, and any other documentation Participant requires Qualified Families participating in its transitional housing program to complete (collectively, the "Participant Documentation"), shall be provided to City within the time set forth in the Schedule of Performance. City shall have reviewed and approved, in its reasonable discretion, the Participant Documentation, and any revisions to the initial forms of such documentation, prior to Participant's use of any of the Participant Documentation pursuant to this Agreement.

4.3 Anti-discrimination. Participant, for itself and its successors and assigns, agrees that Participant will not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry, or national origin in connection with activities undertaken pursuant to this Agreement.

4.4 Participant Responsible for Costs of the Rehabilitation Work. Participant shall be responsible for all costs of the Project, including but not limited to the cost to acquire the Condominium Unit (other than the amount of the City Loan); any and all development and building fees required to rehabilitate the Condominium Unit; the costs incurred to rehabilitate the Condominium Unit; relocation expenses payable to existing occupants of the Condominium Unit; costs for insurance and bonds (as required); costs for financing; and costs of operating its transitional housing program within the Condominium Unit, including but not limited to the costs of providing the Support Services and legal fees.

4.5 Approval of Evidence of Financial Capability. Within the time set forth in the Schedule of Performance, Participant shall submit to City evidence reasonably satisfactory to City that Participant has the financial capability necessary to undertake the Project pursuant to this Agreement. Such evidence of financial capability shall include the following:

i. a copy of the commitment or commitments obtained by Participant for each source of funds to assist in financing each component of the Project. All copies of commitments submitted by Participant to City shall be certified by Participant to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects; and

ii. if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (i) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Participant has adequate funds available and committed to cover such difference; and

iii. a copy of the bonded lump sum construction contract between Participant and its general contractor for any rehabilitation work to be constructed by Participant to or within the Condominium Unit, certified by Participant to be a true and correct copy thereof; provided, however, that City may accept another equally acceptable alternative form of security in its sole and absolute discretion, rather than requiring the construction contract be bonded; and

iv. a corporate surety bond or bonds or other security instrument, approved as to form, content, and company by City and its legal counsel with Participant's contractor or contractors as principal(s), in a penal sum not less than one hundred percent (100%) of the amount of the cost of any rehabilitation work to be performed guaranteeing completion of said rehabilitation work and the payment of wages for services engaged and bills contracted for materials, supplies, and equipment used in the performance of the work, and protecting Participant and City from any liability, losses, or damages arising therefrom. City shall have the discretion to accept alternate security in its sole and absolute discretion.

City shall complete its review of and shall approve or disapprove Participant's evidence of financial capability within the time set forth in the Schedule of Performance. If City shall disapprove such evidence of financing, it shall do so by written notice to Participant stating the reasons for such disapproval. In such event, Participant shall promptly resubmit its evidence of financial capability not less than thirty (30) days after receipt of City's disapproval.

4.6 Insurance. Within five (5) days prior to the date scheduled for the close of Escrow, Participant shall furnish or cause to be furnished to City evidence reasonably satisfactory to City's Risk Manager that Participant has procured insurance policies meeting the minimum requirements set forth in this Section 4.6. Participant shall keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Participant and City the policies described hereunder until expiration of the Covenant Period.

4.6.1 Types of Insurance Policies. The insurance policies to be maintained by Participant pursuant to this Section 4.6 are a follows:

(a) Commercial General Liability, including owner, landlord and tenant liability, and Automobile Liability and Workers' Compensation Insurance, in an amount not less than One Million Dollars ($1,000,000) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death, property damage liability, and claims arising from alleged discriminatory practices, subject to such increases in amount as City may reasonably require from time to time. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

(b) With respect to the improvements and any fixtures and furnishings to be owned or leased by Participant on the Property, all risk property insurance against fire, earthquake (if earthquake coverage is available at a reasonable cost), vandalism, water damage, sprinkler leakage (if the Condominium Unit contains, or will contain after any rehabilitation work performed by Participant, any sprinklers), and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Property insurance deductible shall not exceed Ten Thousand Dollars ($10,000).

4.6.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City within ten (10) days after the close of the Escrow, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Participant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Participant hereunder. In addition to the requirements set forth in Section 4.6.1, each insurance policy required to be carried by Participant pursuant to this Agreement:

(a) shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

(b) shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

(c) shall be "per occurrence" rather than "claims made" insurance;

(d) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

(e) shall provide that the policy will not be cancelled or limited in scope by the insurer or Participant unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City;

(f) shall be written by a California licensed insurer with a Best rating of not less than A:VII;

(g) shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City

and its officers, officials, employees, volunteers, agents, and representatives; and

(h) shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, representatives, volunteers and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

Prior to commencement of any rehabilitation work to or within the Condominium Unit, Participant shall furnish to City evidence reasonably satisfactory to City's Risk Manager of Builder's-Risk Coverage which shall be maintained in force throughout the course of the rehabilitation work. Such coverage shall include limits sufficient to cover 100% of the replacement cost of improvements and betterments and shall provide coverage for "all risks" of loss. Such insurance shall be endorsed to include a waiver of subrogation rights against City and its officers, officials, employees, volunteers, agents, and representatives, and notice of cancellation as described in subsection (e) above. Furthermore, such coverage shall provide that the policy cannot be cancelled or limited in scope without a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City. Such policy shall be written by a California licensed insurer with a Best rating of not less than A:VII in the most recent edition of Best Rating Guide.

Participant shall cause any contractors with whom Participant has contracted to perform any rehabilitation work to or within the Condominium Unit to maintain the insurance policies described in this Section.

Nothing in this Section 4.6 shall in any way limit Participant's indemnity obligations set forth in Section 6.6 herein.

4.7 Schedule of Performance. Participant shall begin and complete all of the various Project activities within the times set forth in the Schedule of Performance. Once the rehabilitation work to or within the Condominium Unit is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned for more than five (5) consecutive days, except when due to causes beyond the control and without the fault of Participant, as set forth in Section 7.3 of this Agreement.

5. USE OF THE CONDOMINIUM UNIT.

5.1 General. Participant and its successors and assigns shall use, operate, and maintain the Condominium Unit as Transitional Housing for Qualified Families in accordance with the provisions of this Agreement and the Regulatory Agreement, consistent with the HOME Requirements. Pursuant to the Regulatory Agreement, the Condominium Unit shall be restricted to occupancy by Qualified Families at an Affordable Rent until the expiration of the Covenant Period.

6. DEFAULTS, REMEDIES, AND TERMINATION.

6.1 Defaults--General. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement; provided, however, such party shall not be deemed to be in default if (a) it cures, corrects, or remedies such default within thirty (30) days after receipt of a notice from the other party specifying such failure or delay, or (b) for defaults that cannot reasonably be cured, corrected, or remedied within such time period, if such party commences to cure, correct, or remedy such failure or delay within such time period after receipt of a notice from the other party specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion. 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 the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

6.2 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement; provided, however, that Participant's damages shall be limited to the City Loan and in no event shall Participant be entitled to lost profits, consequential damages, or any damages of such kind or nature. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

6.3 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Agreement.

6.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

6.5 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorneys' fees from the other party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

6.6 Indemnification. Participant agrees to indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Participant or Participant's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Condominium Unit including without limitation any rehabilitation work to be performed thereto or therein. The Indemnitee shall promptly notify Participant of the filing of any such action and cooperate with Participant in the defense thereof (at no cost to Indemnitee). So long as Participant is not in default hereunder, the Indemnitee shall not compromise the defense of such action or permit a default judgment to be taken against the Indemnitee without the prior written approval of Participant.

7. GENERAL PROVISIONS.

7.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Participant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Joel D. Kuperberg, Esq.
To Participant:	Families Forward 9221 Irvine Boulevard Irvine, CA 92618 Attn: Executive Director

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any party may from time to time designate in writing.

7.2 Nonliability of City Officials and Employees. No member, official, employee, representative, agent, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under the terms of this Agreement.

7.3 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth this Section 7.3, performance by

either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; supernatural causes; 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; delays of any contractor, subcontractor or supplies; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse performance by City). Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 7.3 shall be limited to 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 knowledge of the commencement of the cause, or if no written notice is sent within thirty (30) days, from the date written notice is sent to the other party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Participant. The Contract Officer shall have the authority on behalf of City in its sole and absolute discretion to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days.

7.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Participant pertaining to the Condominium Unit and the Project as pertinent to the purposes of this Agreement.

7.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

7.6 Entire Agreement; Waivers. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged.

7.7 Amendments to this Agreement. The Participant and the City agree to mutually consider reasonable requests for amendments to this Agreement which may be made by either of the parties hereto, provided such requests are consistent with this Agreement and would not substantially alter the basic business terms included herein. The Contract Officer shall have the authority to approve, on behalf of the City, amendments to this Agreement that would not substantially alter the basic business terms. All other amendments shall require the action of the City Council. All amendments, including those authorized to be approved by the Contract

Officer, shall be in writing and shall be signed by authorized representatives of City and Participant.

7.8 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

7.9 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Participant and entered into this Agreement with Participant. Accordingly, until the expiration of the Covenant Period, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Condominium Unit or in the Project without the City's prior written approval. In considering whether it will grant approval to any assignment by Participant of its interest in the Condominium Unit and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Participant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, and operation of similar projects. No assignment shall be effective unless and until the proposed assignee and Participant execute and deliver to City an assignment and assumption agreement in form satisfactory to the Contract Officer and City's legal counsel.

7.10 Third Party Beneficiaries. Notwithstanding any other provision of this Agreement to the contrary, nothing herein is intended to create any third party beneficiaries to this Agreement, and no person or entity other than City and Participant, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

7.11 Broker's/Consulting Fees. City and Participant represent and warrant to the other that except for the "Coldwell Commission" (as defined below) neither City nor Participant has employed any real estate broker to represent its interest in this transaction or with Participant's acquisition of the Condominium Unit. Each party agrees to indemnify and hold the other free and harmless from and against any and all liability, loss, cost, or expense (including court costs and reasonable attorney's fees) in any manner connected with a claim asserted by any individual or entity for any broker's commission in connection with Participant's acquisition of the Condominium Unit arising out of agreements by the indemnifying party to pay any commission. Participant acknowledges that Participant will pay Coldwell Banker, its broker a 2.5 percent (2.5%) commission in connection with Participant's acquisition of the Condominium Unit (the "Coldwell Commission"). Participant agrees to indemnity and hold City harmless from and against any and all liability, loss, cost, or expense (including court costs and reasonable

attorneys' fees) in any manner connected with a claim asserted by any individual or entity related to the Coldwell Commission.

7.12 Representations and Warranties. Participant and each person executing this Agreement on behalf of Participant represents and warrants that: (a) Participant is a California nonprofit public benefit corporation in good standing and authorized to do business in the County of Orange; (b) Participant has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Participant, Participant's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Participant does not violate any provision of any other agreement to which Participant is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Participant are necessary in connection with the execution of this Agreement by Participant or with the performance by Participant of its obligations hereunder.

7.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

7.14 Attachments. This Agreement contains nine (9) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Schedule of Performance
2	Note
3	Deed of Trust
4	Home Investment Partnerships Program Information
5	Participant's Notification Letter
6	Regulatory Agreement and Declaration of Covenants and Restrictions
7	Scope of Services
8	Project Budget
9	Subordination Agreement

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the Effective Date.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

FAMILIES FORWARD, a California nonprofit public benefit corporation

By: _____
Margie Wakeham

Its: Executive Director

By: _____

Its: Board President

ATTACHMENT NO. 1

SCHEDULE OF PERFORMANCE

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
1.	Participant provides to City, for City's review and approval of, the Participant Documentation (§ 4.2.1).	Within ten (10) days after the Effective Date.
2.	Participant submits evidence of financial capability (§ 4.5).	Within thirty (30) days after the Effective Date.
3.	City approves (or disapproves) Participant's evidence of financial capability (§ 4.5).	Within fifteen (15) days after submittal.
4.	Participant delivers to the Owner of a Prospective Condominium Unit Participant's Notification Letter (§ 2.3).	Within five (5) days after Participant locates the Prospective Condominium Unit.
5.	Participant enters into a Purchase Agreement to acquire the Prospective Condominium Unit (§ 2.1).	Within six (6) months after the Effective Date.
6.	Participant provides to City a copy of the fully executed Purchase Agreement (§ 2.1).	Within three (3) days after full execution thereof.
7.	Participant provides to City a copy of the Title Report (§ 2.4).	By the earlier of (i) within three (3) days after the Escrow is opened; or (ii) within three (3) days after Participant receives the Title Report.
8.	Participant commissions the Appraisal (§ 2.5).	Within ten (10) days after the Escrow is opened.
9.	Participant provides to City a copy of the completed Appraisal (§ 2.5).	Within five (5) days after Participant's receipt thereof.
10.	Participant provides to City copies of each Study or Report (§ 2.6).	Within three (3) days after Participant's receipt thereof.
11.	Participant executes and delivers to City the Note, the Deed of Trust, and the Regulatory Agreement (§ 3.2).	Within five (5) days prior to anticipated Closing Date.

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
12.	City executes the Note, the Deed of Trust, and the Regulatory Agreement and records the Deed of Trust and the Regulatory Agreement (§ 3.2).	Within ten (10) days after City receives each of the same.
13.	All of the Funding Conditions are satisfied (§ 3.1.3).	No later than five (5) days before the anticipated Closing Date.
14.	City delivers City Loan into Escrow (§ 3.1.4).	Within five (5) days after all of the Funding Conditions have been satisfied.
15.	Participant closes the Escrow and acquires fee title to the Condominium Unit (§ 2.1).	Within five (5) days after satisfaction of Item No. 13, but in no event later than six (6) months after the Effective Date.
16.	Participant submits to City evidence of insurance and obtains City approval (§ 4.6).	Within five (5) days prior to the date scheduled for the Close of Escrow.
17.	Participant commences rehabilitation component of the Project (§ 4.1, 4.6).	Within ten (10) days after the Closing Date.
18.	Participant completes rehabilitation component of the Project and obtains Certificate of Occupancy (if required) (§ 4.1, 4.6).	Within fifteen (15) days after commencement of rehabilitation work; provided, however, that if said rehabilitation work involves actual construction, such as the removal of a wall, or other substantial work, Participant shall have a reasonable time, not to exceed sixty (60) days, to complete the same.
19.	Participant enters into Participant Occupancy Agreement with a Qualified Family, said Qualified Family is residing in the Condominium Unit, and Participant has commenced providing Support Services to said Qualified Family (§ 4.2).	Within sixty (60) days after the Escrow closes.
20.	Participant provides to City copies of Income Computation and Certification Forms.	Within five (5) days after Participant receives the same.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not

intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant. The Contract Officer shall have the authority on behalf of City to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days.

ATTACHMENT NO. 2

NOTE

[Attached]

NOTE

THIS NOTE IS SECURED BY A DEED OF TRUST WITH ASSIGNMENT OF RENTS WITH RIDER ATTACHED HERETO CONTAINING TERMS INCLUDING SECURITY AGREEMENT

_____, 2004 ("Note Date")

FOR VALUE RECEIVED, the undersigned, FAMILIES FORWARD, a California non-profit public benefit corporation, hereinafter referred to as "Borrower," promises to pay to the CITY OF IRVINE, a California municipal corporation, hereinafter referred to as "City," so much principal as may be outstanding in accordance with the terms of this Note, not exceeding ONE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED THIRTY-NINE DOLLARS ($183,139), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions hereinafter set forth.

Reference is made to:

(i) The Home Program Participation Agreement by and between Borrower and City, dated on or about _____, 2004, ("Agreement") which sets forth terms and conditions for (a) Borrower's location and acquisition of a condominium unit within the City (the "Condominium Unit"); (b) Borrower's subsequent rehabilitation thereof for use as transitional housing for homeless families; and (c) Borrower's provision to such families of certain support services, as further defined in the Scope of Services attached to the Agreement as Attachment No. 7. The Agreement is incorporated herein by reference as though fully set forth herein.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions, in the form attached as Attachment No. 6 to the Agreement, and recorded against the Condominium Unit on or about _____, 2004, which is incorporated herein by reference as though fully set forth herein (the "Regulatory Agreement").

(iii) The Deed of Trust with Assignment of Rents and Rider Attached Hereto Containing Terms Including Security Agreement, in the form attached as Attachment No. 3 to the Agreement, and recorded against the Condominium Unit on or about _____, 2004, which is incorporated herein by reference as though fully set forth herein (the "Deed of Trust").

1. Principal Amount; Interest Amount. The principal amount of the City's loan to Borrower is an amount not to exceed ONE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED THIRTY-NINE DOLLARS ($183,139) ("Loan Amount"), which City shall disburse to Borrower in accordance with the terms of the Agreement. The principal amount of this Note shall be subject to the pro-rata reduction as hereinafter described. No interest shall

accrue on the outstanding principal balance; provided, however, that interest shall accrue as set forth in Paragraph 3 in the event of a Borrower default.

2. Term of Note; Reduction of Principal Amount; Repayment of Pro Rata Repayment Amount. Subject to the provisions of Paragraph 3 herein which provide for acceleration of the then outstanding principal and accrued interest and immediate payment thereof in the event of a default by Borrower, this Note shall expire and be of no force or effect as of the date on which the Covenant Period (as defined in the Agreement) expires. Borrower shall not be obligated to make any payments on this Note unless and until any of the events described in Paragraph 3 occur. Upon the occurrence of an uncured default, the "Pro Rata Repayment Amount" (as defined below) shall be immediately due and payable as set forth in Paragraph 3.

3. Default; Acceleration; Cross-Default. In the event Borrower is in material default of any of the covenants, terms, or provisions of this Note, the Deed of Trust, the Agreement, or the Regulatory Agreement, and Borrower fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of this Note, or of the Deed of Trust, or of the Agreement, or of the Regulatory Agreement, shall be a default of all of the foregoing listed documents;

then Borrower shall be in default of this Note and the Pro Rata Repayment Amount plus any accrued interest thereon shall become immediately due and payable. The rate of interest applicable to periods of default for the defaults set forth in this Paragraph 3 shall be calculated at the lesser of ten percent (10%) per annum or the maximum legal rate, and shall accrue as of the date Agency disbursed the loan to Borrower.

The "Pro Rata Repayment Amount" shall be the amount obtained by multiplying the original loan principal of ONE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED THIRTY-NINE DOLLARS ($183,139) times the percentage obtained by dividing the number of months remaining in the Covenant Period by 240, which is the total number of months in the Covenant Period (20 years X 12 months). For example, if the breach occurs exactly at mid-point in the Covenant Period, Participant shall repay Ninety-One Thousand Five Hundred Sixty-Nine Dollars and Fifty Cents ($91,569.50) (i.e., one-half of the original loan amount of One Hundred Eighty-Three Thousand One Hundred Thirty-Nine Dollars ($183,139)) plus any and all interest that has accrued thereon. If a breach occurs prior to the commencement of the Covenant Period, the Pro Rata Repayment Amount shall be the full original loan amount plus any and all interest that has accrued thereon.

4. Additional Terms.

a. All payments shall be first credited to accrued interest, next to costs, charges, and fees which may be owing from time to time, and then to principal. All payment shall be made in lawful money of the United States. Payments shall be made to City at the address set forth in Paragraph 7 herein or at such other address as City or the holder of this Note may direct pursuant to notice delivered to Borrower in accordance with Paragraph 7.

b. Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collections, costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as attorney's fees in any action to enforce payment of this Note or any part of it if Agency prevails in such suit.

5. Nonassignability and Nonassumability. This Note shall not be assignable or assumable without the prior, express, written consent of the Contract Officer.

6. Presentment, Etc. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (a) notice of default or delinquency, (b) notice of acceleration, (c) notice of nonpayment, (d) notice of costs, expenses and losses and interest thereon, (e) notice of interest on interest and late charges, (f) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (g) the benefits of all waivable exemptions; and (h) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

7. Notices. Any notices required by law or this Agreement shall be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested.

Notices to Borrower shall be addressed to:

Families Forward
9221 Irvine Boulevard
Irvine, CA 92618
Attn: Executive Director

Notices to Agency shall be addressed to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Either party may designate that notices be sent to other or additional addresses by complying with the requirements of this section.

8. Litigation. This Note shall be governed by and construed under the laws of the State of California. The parties agree that in any litigation between the parties arising out of this Note, the Municipal and Superior Courts of the State of California in and for the County of

Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, expert witness fees, and any fees and costs for appeal. In the event of such legal action, service of process on City shall be made in such manner as provided by law for service on a California public entity; service of process on Borrower shall be made in such manner as may be provided for by law, and shall be valid whether made within or without the State of California.

9. Waiver. No waiver of any breach, default, or failure of condition under the terms of this Note, or the obligations secured hereby, shall be implied from any failure of City to take, or any delay by the City in taking, action with respect to such breach, default, or failure from any previous waiver or any similar or unrelated breach, default, or failure; and a waiver of any term of this Note must be made in writing and shall be limited to the express written terms of such waiver.

10. Time of Essence. Time is of the essence in this Note.

11. Severability. In the event that any term or provision of this Note is held to be unenforceable, the remainder of this Note shall remain in full force and effect to the fullest extent without inclusion of the unenforceable term or provision.

12. Interpretation. In the event of any conflict between this Note and the Agreement, the terms of this Note shall apply. The terms of this Note shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Note or any other rule of construction which might otherwise apply. The paragraph headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Note.

13. Security for Note. This Note shall be secured by the Deed of Trust, executed by Borrower as Trustor in favor of City as Beneficiary.

14. Assignment. City, at its option, may assign its right to receive payment under this Note without obtaining the consent of the Borrower or the holder or beneficiary of the lien of any deed of trust or other security instrument, whether recorded or unrecorded. Borrower shall not be permitted to assign or transfer this Note or any portion thereof without the prior express written consent of the Contract Officer, which consent may be given or withheld in the Contract Officer's sole discretion.

[End – Signature page follows]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Note Date.

"Borrower"

FAMILIES FORWARD, a California non-profit public benefit corporation

By: _____
Margie Wakeham
Its: Executive Director

By: _____

Its: _____

ATTACHMENT NO. 3

DEED OF TRUST

[Attached]

Order No.
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:

CITY OF IRVINE
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

SPACE ABOVE THIS LINE FOR RECORDER'S USE
EXEMPT FROM RECORDING FEE PER GOV. CODE § 27383

DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO CONTAINING TERMS INCLUDING SECURITY AGREEMENT

NOTE: RIDER ATTACHED TO THIS DEED OF TRUST
CONTAINING TERMS INCLUDING SECURITY AGREEMENT

This DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO ("Deed of Trust"), is made _____, 2004, between FAMILIES FORWARD, a California non-profit public benefit corporation, herein called "Trustor," whose address is 9221 Irvine Boulevard, Irvine, CA 92618, and _____, a _____ corporation, herein called "Trustee," and

CITY OF IRVINE, a California municipal corporation, herein called "Beneficiary."

WITNESSETH: that Trustor grants to Trustee in trust, with power of sale, Trustor's fee interest, in that property in the City of Irvine, County of Orange, State of California, described as:

SEE EXHIBIT "A" ATTACHED HERETO AND INCORPORATED HEREIN,

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of the sum of One Hundred Eighty-Three Thousand One Hundred Thirty-Nine Dollars ($183,139) with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof; (2) the performance of each agreement of Trustor incorporated by reference or contained herein; and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

SEE RIDER ATTACHED TO THIS DEED OF TRUST

FAMILIES FORWARD, a California non-profit public benefit corporation

By: _____
Margie Wakeham
Its: Executive Director

By: _____

Its: _____

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Deed of Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may

choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default (beyond any applicable cure period), Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

8) That 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. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or gender neutral, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO _____, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, an all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated _____

_____

_____

Please mail Deed of Trust,
Note and Reconveyance to _____

Do Not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

DEED OF TRUST
WITH POWER OF SALE

_____
_____
Company
TRUSTEE

EXHIBIT "A"

LEGAL DESCRIPTION

The land herein referred to is situated in the State of California, County of Orange, City of Irvine, and is described as follows:

[To be Inserted]

RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS

THIS RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Rider") is entered into this ____ day of _____, ____, by and between FAMILIES FORWARD, a California non-profit public benefit corporation, herein "Trustor," _____, herein "Trustee," and the CITY OF IRVINE, a California municipal corporation, herein "Beneficiary," the same parties to that certain form Deed of Trust With Assignment of Rents, of even date hereto, to which this Rider is attached. This Rider is made a part of and is incorporated into the form Deed of Trust. This Rider shall supersede any conflicting term or provision of the form Deed of Trust to which it is attached.

Reference is made to:

a. The HOME Program Participation Agreement by and between Trustor, a certified community housing development organization, as defined in 24 C.F.R. § 92.2, as "Participant" and Beneficiary as "City" dated on or about _____, 2004 (the "Agreement") which sets forth terms and conditions for (i) Borrower's location and acquisition of the real property legally described in Exhibit "A" to this Deed of Trust (the "Property"); (ii) the subsequent use of said property as transitional housing for homeless families; and (iii) the provision to such families of certain support services, as more specifically described in the Agreement.

b. The Promissory Note Secured By Deed of Trust With Assignment of Rents With Rider Attached Thereto Containing Term Including Security Agreement, of even date herewith, with Trustor as "Borrower" and Beneficiary as "City" or "Lender," in the principal amount of ONE HUNDRED EIGHTY-THREE THOUSAND ONE HUNDRED THIRTY-NINE DOLLARS ($183,139), for which this Deed of Trust is security.

c. The Regulatory Agreement and Declaration of Covenants and Restrictions, of even date herewith, with Trustor as "Declarant" and Beneficiary as "City," which places certain covenants and restrictions on Trustor's development, use, and operation of the Property (the "Regulatory Agreement").

The parties hereto agree:

1. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following obligations ("Secured Obligations"):

a. Payment to Beneficiary of all indebtedness at any time owing under the terms of the Note;

b. Payment and performance of all obligations of Trustor under this Deed of Trust;

c. Payment and performance of all obligations of Trustor under the Agreement and under the Regulatory Agreement.

d. Payment and performance of all future advances and other obligations of Trustor or any other person, firm, or entity with the approval of Trustor, may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Beneficiary, when the obligation is evidenced by a writing which recites that it is secured by this Deed of Trust; and

e. All modifications, extensions and renewals of any of the obligations secured hereby, however evidenced.

2. Obligations. The term "obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges, late charges and fees at any time accruing or assessed on any of the Secured Obligations.

3. Incorporation. All terms of the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the subject Property shall be deemed to have notice of the terms of the Secured Obligations and to have notice that, if provided therein, the Note or the Agreement may permit borrowing, repayment and re-borrowing.

4. Mortgagee-in-Possession. Neither the assignment of rents set forth in the Deed of Trust nor the exercise by Beneficiary of any of its rights or remedies hereunder shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property, unless Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor, or the entering into possession of the Property by such receiver, be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property.

5. No Cure. In the event Beneficiary collects and receives any rents under the Deed of Trust upon any default hereof, such collection or receipt shall in no way constitute a curing of the default.

6. Possession Upon Default. Upon the occurrence of a default, Beneficiary may, at its option, without any action on its part being required and without in any way waiving such default, take possession of the Property and have, hold, manage, lease and operate the same, on such terms and for such period of time as Beneficiary may deem proper, and may collect and receive all rents and profits, with full power to make, from time to time, all alterations, renovations, repairs or replacements thereto as may seem proper to Beneficiary, and to apply such rents and profits to the payment of (a) the cost of all such alterations, renovations, repairs and replacements, and all costs and expenses incident to taking and retaining possession of the Property, and the management and operation thereof, and keeping the same properly insured; (b) all taxes, charges, claims, assessments, and any other liens which may be prior in lien or payment of the Note, and premiums for insurance, with interest on all such items; and (c) the indebtedness secured hereby, together with all costs and attorney's fees, in such order or priority as to any of such items as Beneficiary in its sole discretion may determine, any statute, law, custom or use to the contrary notwithstanding. Any amounts received by Beneficiary or its agents in the performance of any acts prohibited by the terms of this assignment, including, but not limited to,

any amounts received in connection with any cancellation, modification or amendment of any lease prohibited by the terms of this assignment and any rents and profits received by Trustor after the occurrence of a default shall be held by Trustor as trustee for Beneficiary and all such amounts shall be accounted for to Beneficiary and shall not be commingled with other funds of the Trustor. Any person receiving any portion of such trust funds shall receive the same in trust for Beneficiary as if such person had actual or constructive notice that such funds were impressed with a trust in accordance therewith.

7. Receiver. In addition to any and all other remedies of Beneficiary set forth under this Deed of Trust or permitted at law or in equity, if a default shall have occurred and not been cured within any applicable cure period, Beneficiary, to the extent permitted by law and without regard to the value, adequacy or occupancy of the security for the Note and other sums secured hereby, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Property and to collect all rents and profits and apply the same as the court may direct, and such receiver may be appointed by any court of competent jurisdiction by ex parte application and without notice, notice of hearing being hereby expressly waived. The expenses, including receiver's fees, attorneys' fees, costs and agent's compensation, incurred pursuant to the power herein contained shall be secured by this Deed of Trust.

8. Security Agreement. This Deed of Trust also constitutes a Security Agreement with respect to all personal property in which Beneficiary is granted a security interest hereunder, and Beneficiary shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted in California (the "California Uniform Commercial Code") as well as all other rights and remedies available at law or in equity. Trustor hereby agrees to execute and deliver on demand and hereby irrevocably constitutes and appoints Beneficiary the attorney-in-fact of Trustor, to execute, deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements, continuation statements or other instruments as Beneficiary may request or require in order to impose, perfect or continue the perfection of, the lien or security interest created hereby. Trustor and Beneficiary agree that the filing of a financing statement in the record normally having to do with personal property shall never be construed as in any way derogating from or impairing the lien of this Deed of Trust and the intention of Trustor and Beneficiary that everything used in connection with the operation or occupancy of the Property is and at all times and for all purposes and in all proceedings, both legal and equitable, shall be regarded as real property or goods which are or are to become fixtures, irrespective of whether (i) any such item is physically attached to the buildings and improvements on the Property; (ii) serial numbers are used for the better identification of certain equipment items capable of being filed by the Beneficiary; or (iii) any such item is referred to or reflected in any such financing statement so filed at any time. Such mention in the financing statements is declared to be for the protection of the Beneficiary in the event any court or judge shall at any time hold that notice of Beneficiary's priority of interest must be filed in the California Commercial Code records to be effective against a particular class of persons, including, but not limited to, the federal government and any subdivision or entity of the federal government. Trustor covenants and agrees to reimburse Beneficiary for any costs incurred in filing such financing statement and any continuation statements.

Upon the occurrence of default hereunder, Beneficiary shall have the right to cause any of the Property which is personal property and subject to the security interest of Beneficiary hereunder to be sold at any one or more public or private sales as permitted by applicable law, and Beneficiary shall further have all other rights and remedies, whether at law, in equity, or by statute, as are available to secured creditors under applicable law, specifically including without limitation the right to proceed as to both the real property and the personal property contained within the Property as permitted by Uniform Commercial Code Section 9501(4), including conducting a unified sale thereof. Any such disposition may be conducted by an employee or agent of Beneficiary or Trustee. Any person, including both Trustee and Beneficiary, shall be eligible to purchase any part or all of such property at any such disposition.

9. Notice to Beneficiary. Notices to Beneficiary shall be sent to Beneficiary addressed to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

IN WITNESS WHEREOF, Trustor has executed this Rider on the date of Trustor's acknowledgment hereinbelow, to be effective for all purposes as of the day and year first set forth above.

TRUSTOR:

FAMILIES FORWARD, a California non-profit public benefit corporation

By: _____
Margie Wakeham
Its: Executive Director

By: _____

Its: _____

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

ATTACHMENT NO. 4

HOME INVESTMENT PARTNERSHIPS PROGRAM INFORMATION

[NOTE: The following is a summary only and shall not be construed as a complete statement of all Participant requirements. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.]

Participant shall undertake and perform the Project in compliance with all requirements of the HOME Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*) ("Program") and the HOME Regulations (24 C.F.R. § 92 *et seq.*), including, but not limited to, those requirements which are summarized below:

1. *Set-Aside for Community Housing Development Organizations (CHDOs).* The HOME Regulations require City to reserve not less than fifteen percent (15%) of its Program allocation for investment only in housing to be developed, sponsored, or owned by CHDOs (24 C.F.R. § 92.300).

2. *Affordability.* The Condominium Unit shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.252) or this Agreement and the Regulatory Agreement, whichever is more restrictive. If the Condominium Unit does not meet the affordability requirements of the HOME Requirements for the specified time period, after any applicable notice and cure period has expired, Participant shall repay the City Loan to City promptly upon demand by City. In such event, Participant shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. *Project Requirements.* Participant shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

4. *Uniform Administrative Requirements.* Participant shall comply with applicable uniform administrative requirements as described in 24 C.F.R. § 92.505, as required by 24 C.F.R. § 92.504.

5. *Property Standards.* Participant shall maintain the Condominium Unit in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R. Participant shall also maintain the Condominium Unit in compliance with 24 C.F.R. § 92.251 for the Covenant Period.

6. *Other Program Requirements.* Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92.

7. *Nondiscrimination.* Participant shall comply with the federal requirements and obligations in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal

opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and drug-free workplace.

8. *Displacement.* Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Participant shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Project.

9. *Conflict of Interest.* Participant shall comply with all requirements set forth regarding conflict of interest provisions as they apply in 24 C.F.R. § Section 92.356.

10. *Debarment and Suspension.* As required in 24 C.F.R. § 92.357, Participant shall comply with all debarment and suspension certifications.

11. *Records and Reports.* Participant shall provide to City all records and reports relating to the Project that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to 24 C.F.R. § 92.508 and 92.509.

12. *Enforcement of Agreement.* In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Participant's obligation to comply with the HOME Requirements.

13. *Monitoring.* Not less than once per year, City shall review Participant's activities and operations under the Agreement, the Regulatory Agreement, and Participant's compliance with the HOME Requirements. Such review may include an on-site inspection of the Condominium Unit (including unit interiors). If such an on-site inspection of the Condominium Unit is to be undertaken, City shall coordinate such inspection with Participant. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

14. *Section 3.* Participant shall comply with and cause its contractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts entered into with third parties for the rehabilitation component of the Project.

ATTACHMENT NO. 5

PARTICIPANT'S NOTIFICATION LETTER

[Attached]

Disclosure to Seller With Voluntary, Arm's Length Purchase Offer

Date: _____

Dear _____:

This letter is to inform you that Families Forward would like to purchase the property located at ___(Street Addressor Other Property Identification)___, if a satisfactory agreement can be reached.

Because Federal funds may be used in the purchase, however, we are required to disclose to you the following information:

1. The sale is voluntary. If you do not wish to sell, Families Forward will not acquire your property. Families Forward does not have the power to acquire your property by condemnation (i.e. will not use the power of eminent domain to acquire the property).

2. We estimate the fair market value of the property to be $_____.

Since the purchase would be a voluntary, arm's length transaction, you would not be eligible for relocation payments or other relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), or any other law or regulation.

If you have any questions about this matter, please contact _____ at _____.

Sincerely,

ATTACHMENT NO. 6

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this _____ day of _____, 2004 ("Effective Date"), by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, a California nonprofit public benefit corporation ("Declarant").

RECITALS

A. Declarant is the owner in fee of that certain "condominium" (as that term is defined in California Civil Code Section 1351(f)), located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" (the "Condominium").

B. City has certified Declarant as a community housing development organization (a "CHDO"), as defined in 24 C.F.R. § 92.2.

C. On or about _____, 2004, City and Declarant entered into that certain Home Program Participation Agreement ("Participation Agreement") concerning Declarant's (i) location, acquisition, and rehabilitation of the Condominium; (ii) the subsequent use thereafter of the Condominium as Transitional Housing for Qualified Families; and (iii) the provision to said Qualified Families of Support Services, all as more fully described in the Participation Agreement (collectively, the "Project"). The Participation Agreement is incorporated herein by reference and is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623. All of the terms, conditions, provisions and covenants set forth in the Participation Agreement are incorporated in this Agreement by reference as though written out at length herein and the Participation Agreement and this Agreement shall be deemed to constitute a single instrument or document. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Participation Agreement.

D. Pursuant to the Participation Agreement, City agreed to loan to Declarant up to One Hundred Eighty Three Thousand One Hundred Thirty-Nine Dollars ($183,139) to be applied towards Declarant's purchase price for the Condominium ("City Loan"). The source of the City Loan is funds City has received from HUD pursuant to the federal government's Home Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*) (the "Program"). The City Loan is a portion of the fifteen percent (15%) of City's Program allocation that City is required to reserve for investment in housing to be developed, sponsored, or owned by CHDOs. Delcarant's acquisition of the Condominium with the City Loan constitutes an investment by City in housing to be owned by CHDO. In acquiring the Condominium and performing all of the other tasks comprising the Project, Participant shall comply with all of the HOME Requirements.

E. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Condominium, including the imposition of affordability covenants requiring that the Condominium be used as transitional housing for Qualified Families at an Affordable Rent for a period of twenty (20) years.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Definitions. In addition to the terms defined elsewhere in this Agreement or incorporated by reference from the Participation Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall mean the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or (ii) a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the "Unit" (as that term is defined hereinafter). For purposes of calculating the Affordable Rent, adjustments for number of bedrooms in the Unit shall mean the following household assumptions: a household of three persons in the case of a one-bedroom Unit, a household of five persons in the case of a two-bedroom Unit, and a household of seven persons in the case of a three-bedroom Unit.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City Loan" shall have the meaning ascribed in Recital C of this Agreement.

"Condominium" shall mean that certain condominium described in Exhibit "A" hereto, which consists of an undivided fee simple interest in common area, together with a separate ownership interest in fee in the Unit and all easements appurtenant thereto, as further defined in California Civil Code Section 1351(f).

"Covenant Period" shall mean the twenty (20) year period during which Declarant shall be required to (i) utilize the Condominium for the provision of Transitional Housing for

Qualified Families, and (ii) provide to such Qualified Families Support Services. The Covenant Period shall commence on the first date on which a Qualified Family is occupying the Condominium pursuant to a Declarant Occupancy Agreement.

"Declarant" shall mean Families Forward, a California nonprofit public benefit corporation, and its successors and assigns in and to the Property.

"Declarant Occupancy Agreement" shall mean a lease or other occupancy agreement entered into between Declarant and a Qualified Family for occupancy of the Condominium by said Qualified Family.

"Homeless Person" shall mean a person who is, or is at risk to become, homeless (not imprisoned or otherwise detained pursuant to an Act of Congress or a State law), including the following: (i) an individual who lacks a fixed, regular, and adequate nighttime residence; and (ii) an individual who has a primary nighttime residence that is: (a) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill); (b) an institution that provides a temporary residence for individuals intended to be institutionalized; or (c) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

"HOME Requirements" shall have the meaning ascribed in Section 5 of this Agreement.

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

"Participation Agreement" shall mean the Home Program Participation Agreement between City and Declarant dated _____, 2004, including all exhibits and other documents attached thereto, referred to in Recital B of this Agreement, as may be amended from time to time.

"Project" shall have the meaning ascribed in Recital C of this Agreement and more particularly described in the Participation Agreement.

"Qualified Family" shall mean a family composed of the following types of Homeless Persons which earns not more than (65%) of the Orange County area median income adjusted for family size: (i) at least one parent or guardian and one child under the age of 18; (ii) a pregnant woman; or (iii) a person in the process of securing legal custody of a person under the age of 18.

"Support Services" shall mean (i) counseling and case management services to address depression, childcare, health care, food assistance, self-esteem, unemployment, and various other obstacles to self-sufficiency; and (ii) critical life skills such as education, budgeting, debt reduction, parenting assistance, and stress management, as further described in Attachment No. 7 to the Participation Agreement.

"Transitional Housing" shall mean housing that (i) is designed to provide housing and appropriate supportive services to Qualified Families; and (ii) has as its purpose facilitating the movement of Qualified Families to independent living within two (2) years or less from a family's initial date of occupancy.

"Unit" shall mean a three-dimensional volume of real property, consisting of the airspace element of the Condominium as further defined in Section 1351(f) of the California Civil Code.

2. **Performance of the Project**. Declarant shall undertake all Project activities on the Property within the times and subject to the terms and conditions set forth in the Participation Agreement.

3. **Term**. All of the covenants set forth in this Agreement, including but not limited to the obligation to utilize the Condominium for the provision of Transitional Housing for Qualified Families, and to provide to said Qualified Families Support Services shall remain in effect from the Effective Date until expiration of the Covenant Period.

4. **Use**. Declarant hereby covenants and agrees that the Condominium shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Condominium for use as Transitional Housing for Qualified Families; provided, however, that only one Qualified Family shall be permitted to occupy and reside in the Condominium at any one time. Declarant may not charge rent for the Condominium in excess of an Affordable Rent. Declarant shall not permit the Condominium to be utilized as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Principal Residence. The Condominium shall be used as the principal residence of the Qualified Family during the term of the Declarant Occupancy Agreement executed by and between the Qualified Family and Declarant and for no other purpose. A Qualified Family shall not lease or sublease the Condominium or its right of occupancy. Declarant shall institute a program to ensure that the Condominium remains occupied by a Qualified Family.

4.3 Occupancy Limits. The number of persons permitted to occupy the Condominium shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The Declarant Occupancy Agreement shall include a provision limiting the number of persons permitted to occupy the Condominium in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Qualified Family Status. Immediately prior to a Qualified Family's occupancy of the Condominium, Declarant shall obtain an Income Computation and Certification Form in the form attached to this Agreement as Exhibit "B" from each such Qualified Family dated immediately prior to the date of initial occupancy of the Condominium by such Qualified Family. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a family's status as a Qualified Family. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a)

obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City. Declarant shall provide to City a copy of each Income Computation and Certification Form it receives pursuant to this Section and Section 4.5 within (5) days after its receipt thereof, and shall maintain each such Income Computation and Certification Form for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of the Condominium by a Qualified Family (if such Qualified Family intends to continue its occupancy of the Condominium, and the Qualified Family's Declarant Occupancy Agreement permits such continued occupancy), Declarant shall recertify the income of such Qualified Family by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Condominium. If, upon recertification, the occupants do not qualify as a Qualified Family, Declarant shall assist the occupants in locating other suitable housing and shall locate a Qualified Family to reside in and occupy the Condominium. At no time during the Covenant Period shall the Condominium remain vacant for a period longer than one (1) month.

4.6 Leasing the Condominium. The Condominium shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Condominium, except to the extent that the Condominium is required to be rented to a Qualified Family. Declarant shall maintain a list of persons who have applied for the Condominium and, should multiple families be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent the Condominium, Declarant shall rent the Condominium to Qualified Families that meet Declarant's program requirements on a first-come, first-served basis, or pursuant to a lottery system.

4.7 Declarant Occupancy Agreement. The form of the rental agreement between Declarant and each Qualified Family that will rent and occupy the Condominium shall be approved by City prior to the rental or leasing of the Condominium. Once approved, no changes shall be made to the form of the Declarant Occupancy Agreement without City's prior written approval. The Declarant Occupancy Agreement shall obligate the Qualified Families to comply with the provisions set forth in Section 4 of this Agreement and a Qualified Family who violates such requirements shall be in default under the Declarant Occupancy Agreement. Not by way of limiting the foregoing, each Declarant Occupancy Agreement with a Qualified Family shall include a provision to the effect that the Declarant has relied on the information provided by the Qualified Family on the Income Computation and Certification Form and all other supporting information supplied by the Qualified Family in determining qualification for occupancy of the Condominium, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such Declarant Occupancy Agreement. In addition, each Declarant Occupancy Agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the

Qualified Family as such and will be will be cause for immediate termination of such Declarant Occupancy Agreement.

5. **Compliance with Home Requirements.** Commencing on the Effective Date and continuing until the expiration of the Covenant Period, Declarant shall operate the Project in accordance with, and shall comply with, all requirements of the HOME Investment Partnerships Program (42 U.S.C. § 12741 *et seq.*) and the HOME Regulations (24 C.F.R. § 92 *et seq.*) (collectively, the "HOME Requirements"), including, but not limited to, those requirements which are summarized in Attachment No. 4 of the Participation Agreement. Declarant, at its expense, shall submit to the appropriate entities any and all reports required to be submitted pursuant to the HOME Requirements. The Declarant Occupancy Agreement between Declarant and a Qualified Family shall comply with 24 C.F.R. § 92.253. In the case of any conflict between the HOME Requirements and the provisions of this Agreement during the Covenant Period, the HOME Requirements shall govern; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements.

6. **Maintenance of Condominium**. Declarant shall maintain or cause to be maintained the Condominium and all improvements thereon or therein, in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Condominium free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of five (5) days after written notice from the City (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Condominium and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Condominium and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Condominium, and to attach a lien on the Condominium, or to assess the Condominium, 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 fifteen percent (15%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. Management.

7.1 Property Manager. Declarant shall manage or shall cause the Project to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Property in accordance with the terms of this Agreement ("Property Manager"); provided, however, that the selection and hiring of such a Property Manager shall be subject to approval by City, which shall not be unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Property Manager, whether that Property Manager is Declarant or a third party. The replacement Property Manager shall be required to operate and maintain the Property in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Property Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have five (5) days after receipt of such notice to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate the Condominium for use as a Transitional Housing project of the highest standard, and shall include, but is not limited to, the following:

i. Knowingly allowing the Condominium to be occupied by a person or family who does not qualify as a Qualified Family;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Condominium in the manner prescribed in Section 6;

iv. Failure to submit timely reports required under the HOME Requirements;

v. Fraud or embezzlement of Project monies; and

vi. Failure to fully cooperate with the Irvine Police Department in maintaining a crime free environment on the Property.

8. Records. Declarant shall maintain complete and accurate records pertaining to the Project, and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Condominium at any time during regular business hours. Such records shall include, but not be limited to, all of the following: (i) the Notice of Declarant's grant award; (ii) motions, resolutions, or minutes documenting actions of Declarant's Board of Directors related to the Project; (iii) a copy of this Agreement; (iv) a copy of the City's

Notice to Proceed; (v) correspondence regarding requests to revise, and revisions to, the Project Budget; (vi) documentation related to Declarant's compliance with the Uniform Relocation Act and implementing regulations (if Declarant's acquisition of the Condominium displaces a tenant or other occupant of the Condominium); (vii) documentation evidencing that HOME funds were not used to acquire real property in which a member of Declarant's Board of Directors or a staff member of Declarant has a financial interest; (viii) the "Appraisal" (as defined in the Participation Agreement"); (ix) the title policy issued to Declarant for the Condominium; (x) evidence that the "Purchase Agreement" (as defined in the "Participation Agreement") was drafted by an attorney or licensed real estate agent

9. Right to Inspect. Upon 24 hours notice to Declarant, City shall have the right to inspect the Condominium for purposes of assuring compliance with this Agreement. The Declarant Occupancy Agreement shall include this provision.

10. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Condominium if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocations benefits or assistance that may be asserted by any tenants or occupants of the Condominium.

12. Indemnification. Declarant shall defend, indemnify and hold harmless City and City and their respective officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Condominium or Declarant's performance under this Agreement, except to the extent caused by the sole negligence or willful misconduct of City.

13. Insurance. Commencing on the Effective Date and continuing until expiration of the Covenant Period, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 13.

13.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant pursuant to this Section 13 are a follows:

i. Commercial General Liability, including owner, landlord and tenant liability, and Automobile Liability and Workers' Compensation Insurance, in an amount not less than One Million Dollars ($1,000,000) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death, property damage liability, and claims arising from alleged discriminatory practices, subject to such increases in amount as City may reasonably require from time to time. City and its officers, officials, employees, volunteers, agents,

and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Condominium, all risk property insurance against fire, earthquake (if earthquake coverage is available at a reasonable cost), vandalism, water damage, sprinkler leakage (if the Condominium contains, or will contain after any rehabilitation work performed by Declarant, any sprinklers), and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Property insurance deductible shall not exceed Ten Thousand Dollars ($10,000).

13.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City within ten (10) days after the Effective Date, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 13.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled or limited in scope by the insurer or Declarant unless there is a minimum of

thirty (30) days prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, representatives, volunteers and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

14. Repair of Damage. If any improvements on or within the Condominium shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Condominium can continue to be operated and occupied as Transitional Housing in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed one (1) year from the date or the destruction unless City, in its sole and absolute discretion, approves a longer period of time.

15. Defaults and Remedies.

15.1 Defaults. Failure or delay by any party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other party specifying the default (or 5 days with respect to certain defaults described in Sections 6 and 7.2) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion. 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. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

15.2 Institution of Legal Actions. In addition to any other rights or remedies, any party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

15.3 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

16. Miscellaneous.

16.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof, with the exception of the Participation Agreement and the agreements attached to the Participation Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

16.2 Attorneys' Fees and Costs. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

16.3 Prohibition Against Assignment and Transfer. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, until the expiration of the Covenant Period, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Condominium or in the Project without the City's prior written approval. In considering whether it will grant approval to any assignment by Declarant of its interest in the Condominium and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, and operation of similar projects. No assignment shall be effective unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form satisfactory to City and City's legal counsel.

16.4 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California

16.5 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

16.6 Notices. All notices required to be delivered under this Agreement to City or Declarant must be in writing and shall be addressed to the respective parties at such address set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

If to City:
City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attention: Grants Coordinator

If to Declarant:
Families Forward
9221 Irvine Boulevard
Irvine, CA 92618
Attention: Executive Director

16.7 City Obligations. Unless otherwise specified, all actions required of City hereunder shall be performed by City's Grant's Coordinator or such other person as may be designated by the City Manager of City.

16.8 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Condominium, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Condominium and shall be binding upon all persons having any right, title or interest in the Condominium, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns, shall be binding upon Declarant and its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's interest in the Condominium is rendered less valuable thereby. Declarant hereby furthers declare its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Condominium by Qualified Families, and by furthering the public purposes for which City was formed.

In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all

such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

16.9 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

"DECLARANT"

FAMILIES FORWARD, a California nonprofit public benefit corporation

By: _____
Margie Wakeham
Its: Executive Director

By: _____

Its: _____

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

[to be inserted]

EXHIBIT "B"

INCOME COMPUTATION AND CERTIFICATION FORM

[Attached]

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date: _____
Move-in Date: _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____

Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above — TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____ X Passbook Rate 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income — TOTAL INCOME FROM ASSETS (K) $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ _____ _____ _____
Signature *(Date)* Signature *(Date)*

_____ _____ _____ _____
Signature *(Date)* Signature *(Date)*

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Household Meets Income Restriction at:
☐ 65% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

RECERTIFICATION ONLY:
Current Income Limit x 140%: $

Household Income exceeds 140% at recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $

Household Income at Move-in: $

Household Size at Move-in:

PART VI. RENT

Tenant Paid Rent $
Utility Allowance $

Rent Assistance: $
Other non-optional charges: $

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:
☐ 65% ☐ 50% ☐ 40% ☐ 30% ☐ ____%

Maximum Rent Limit for this unit: $

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?

☐ yes ☐ no

If yes, Enter student explanation* (also attach documentation)

Enter 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. _____ ☐ *(Name of Program)*
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 65% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 66% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 65% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE _____ DATE _____

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.

Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)	Enter the greater of the total in Column (I) or (J)
Row (L)	Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.

Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

**Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

ATTACHMENT NO. 7

SCOPE OF SERVICES

A. Project Summary

Participant has been certified as a community housing development organization (a "CHDO"), as defined in 24 C.F.R. § 92.2. Participant's Homeless Intervention Program (HIP) follows a two-prong approach of providing immediate relocation of homeless families to safe housing and provision of intense support services to equip families with the tools to become self-sufficient. Families in the HIP reside in transitional housing for up to two years, at the discretion of Participant, and receive the following "Support Services": (i) counseling and case management services to address depression, childcare, health care, food assistance, self-esteem, transportation assistance, job search assistance, eviction prevention, income support, unemployment benefits assistance, and various other obstacles to self-sufficiency; and (ii) critical life skills such as education, budgeting, debt reduction, parenting assistance, and stress management. Participant is acquiring the Condominium Unit for purposes of meeting increased demand and the growing list of homeless families.

B. The Work To Be Performed

Participant will use the Condominium Unit acquired with City funds as Transitional Housing for Qualified Families in Irvine, as part of its HIP. Participant will be the sole owner of the Condominium Unit, which shall be managed as part of the HIP for at least twenty (20) years, during the Covenant Period. The Condominium Unit will be a one-story attached dwelling constructed from wood, with at least two bedrooms and one and one-half baths to accommodate Qualified Families. To the extent possible, Participant will purchase a condominium in close proximity to schools, shopping stores, bus stops, and other public amenities.

The source of the City's funds is HOME Investment Partnerships Program (42 U.S.C. § 12741, *et seq.*) (the "Program"), which requires City to reserve not less than fifteen percent (15%) of its Program allocation for investment only in housing to be developed, sponsored, or owned by CHDOs (24 C.F.R. § 92.300). City's loan of funds to Participant in accordance with the terms of the Agreement and with the HOME Regulations (24 C.F.R. § 92 *et seq.*) constitute an investment in housing to be owned by a CHDO.

C. Project Outcomes

HOME funds will be applied towards the Purchase Price of the Condominium Unit. The use of HOME funds in this manner will leave unencumbered other funds that may be utilized by Participant to increase the self-sufficiency of Qualified Families residing in the new Condominium Unit by providing Support Services. Specifically, HOME funds will help achieve the following outcomes for at least one household during each two-year period during the Covenant Period:

a. Reduce homelessness and/or the risk of being homeless

b. Maintain housing for up to two years while in transitional housing and for six months after leaving transitional housing

c. Increase income

d. Exhibit appropriate life skills to maintain self-sufficiency

Participant may provide in its Participant Occupancy Agreement for an initial ninety (90) day rental period for each Qualified Family. Participant shall automatically renew any such rental period for at least three (3) additional, successive ninety (90) day rental periods (i.e., for a total minimum rental period of one (1) year); provided, however, that Participant may elect not to renew the rental term, if (i) a particular Qualified Family has located alternative, suitable housing that is affordable to said Qualified Family, and Participant believes, in its experienced opinion, that the Qualified Family has obtained sufficient Support Services to relocate, on a long-term basis, to the alternative housing; or (ii) the Qualified Family has violated the terms and conditions of its Participant Occupancy Agreement and has failed to cure such violation(s) within the applicable cure period, after written notice from Participant specifying with particularity the violation and the time within which it must be cured.

D. Design Features

The new Condominium Unit will follow Participant's scattered site model, whereby Qualified Families will reside independently from other Participant clients with off-site property management conducted by Participant.

Once the Condominium Unit has been acquired, Participant will furnish the Condominium Unit with commercial-grade carpeting and linoleum flooring in an effort to keep the Condominium Unit affordable for Qualified Families. With this feature, the cost of maintenance is less expensive for both the Qualified Families and the Participant. The Condominium Unit will also be equipped with energy-efficient appliances to contain utility costs. All of Participant's current transitional homes have energy-efficient refrigerators, gas dryers, gas stoves and ovens, and fans or screen doors rather than air conditioning units.

Furthermore, the health and safety of each Qualified Family that resides in the Condominium Unit will be insured through rigorous inspections. Participant will hire a professional contractor to examine the home and inspect all potential safety hazards such as electrical outlets, smoke alarms, mold, fire extinguishers, etc.

ATTACHMENT NO. 8

PROJECT BUDGET

[to be inserted]

Project Budget
Families Forward CHDO Condo Purchase

Bank Loan (pre-approved amount)	$300,000
City of Irvine HOME Loan	$183,139
Total Project Budget	**$483,139**

ATTACHMENT NO. 9

SUBORDINATION AGREEMENT

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

(Space Above Line for Recorder's Use)

SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT ("Subordination Agreement") is entered into this ___ day of _____, ____, by and among the CITY OF IRVINE, a California municipal corporation ("City"), FAMILIES FORWARD, a California nonprofit public benefit corporation ("Borrower"), and _____, a _____ ("Senior Lender").

RECITALS:

A. Borrower is the owner in fee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto ("Property").

B. City has made a loan to Borrower ("City Loan") evidenced by a promissory note ("City Note") which is secured by that certain Deed of Trust with Assignment of Rents and Rider Attached Thereto Containing Terms Including Security Agreement recorded against the Property on _____, as Instrument No. _____ in the Orange County Recorder's Office ("City Deed of Trust"). City and Borrower have also executed and recorded against the Property that certain Regulatory Agreement and Declaration of Covenants and Restrictions recorded on _____, 2004 as Instrument No. _____ in the Orange County Recorder's Office ("Regulatory Agreement"). The City Note, City Deed of Trust, and Regulatory Agreement are collectively referred to herein as the "City Documents."

C. Borrower has obtained or will obtain a loan from Senior Lender in the amount of _____ Dollars ($_____) ("Senior Loan"). Borrower has executed or is about to execute a deed of trust encumbering the Property to secure a promissory note in the amount of the Senior Loan, payable upon the terms and conditions described in such note (respectively, the "Senior Deed of Trust" and "Senior Note").

D. Senior Lender is willing to make the Senior Loan provided the Senior Deed of Trust is a lien or charge upon the Property prior and superior to the City Documents and provided that City will specifically and unconditionally subordinate the lien or charge of the City Documents to the lien or charge of the Senior Deed of Trust.

E. It is to the mutual benefit of Senior Lender, City, and Borrower that Senior Lender make the Senior Loan to Borrower, and City has agreed that the Senior Deed of Trust

shall, when recorded, constitute a lien or charge upon the Property which is unconditionally prior and superior to the lien or charge of the City Documents, subject to the specific terms and provisions of this Subordination Agreement.

NOW, THEREFORE, in consideration of the foregoing Recitals and the covenants and promises hereinafter contained, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Senior Lender to make the Senior Loan, the parties hereto agree as follows:

1. Subordination by City.

1.1 Necessity of Subordination. City hereby finds that no economically feasible alternative method of financing the acquisition of the Property on substantially comparable terms and conditions without subordination is reasonably available and City has obtained written commitments to protect the City's investment in the event of a default, as specified in this Subordination Agreement. Therefore, City hereby agrees to subordinate the lien or charge of the City Documents to the Senior Deed of Trust on the terms set forth in this Subordination Agreement. This Subordination Agreement shall set forth the priority of liens between the parties and govern the terms and conditions of such subordination.

1.2 Subordination of City Documents to Senior Deed of Trust. The Senior Deed of Trust and any renewals or extensions thereof shall unconditionally be and remain at all times a lien or charge on the Property, prior and superior to the lien or charge of the City Documents, to all present and future indebtedness and obligations secured thereby, together with all rights and privileges of City thereunder, but subject to the terms and conditions of this Subordination Agreement.

2. Reliance by Senior Lender and City.

Senior Lender would not make the Senior Loan and City would not have agreed to subordinate the City Documents without this Subordination Agreement and each of the undersigned understands that in reliance upon and in consideration of this subordination, specific loans and advances are being and will be made and specific monetary and other obligations are being and will be entered into which would not be made or entered into but for such reliance upon this subordination.

3. Notice of Default and Cure Rights.

Concurrently with Senior Lender's delivery of a notice of default to Borrower, Senior Lender shall deliver to City notice of Borrower's default. City shall have the right to cure the noticed default at any time prior to the foreclosure of the Senior Deed of Trust. In connection therewith, Senior Lender agrees that Senior Lender shall not foreclose the Senior Deed of Trust prior to the date that is thirty (30) days after the expiration of Borrower's cure period, provided, however, for defaults that cannot reasonably be cured, corrected, or remedied within such time period, Senior Lender shall not foreclose the Senior Deed of Trust if City commences to cure, correct, or remedy the default within such time period and diligently prosecutes such cure, correction or remedy to completion. Senior Lender agrees that the exercise of the rights set forth

in this Section 3 by City shall not give rise to any right on the part of Senior Lender to exercise any right to accelerate the amounts due under the Senior Loan.

4. Miscellaneous.

4.1 Successors and Assigns. This Subordination Agreement shall inure to and bind the heirs, legatees, devisees, administrators, executors, successors and assigns of the parties hereto.

4.2 Governing Law. This Subordination Agreement shall be construed according to the internal laws of the State of California.

4.3 Severability. If any term, provision, condition or covenant of this Subordination Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of this instrument, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable shall not be affected thereby, and each term and provision of this Subordination Agreement shall be valid and enforceable to the fullest extent permitted by law.

4.4 Notice. Formal notices, demands, and communications between City, Borrower, and Senior Lender shall be sufficiently given if personally delivered, delivered by a reputable same-day or overnight courier services that provides a receipt showing date and time of delivery, or delivered by United States mail, registered or certified, postage prepaid, return receipt requested, to the following addresses:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd., Suite 1400 Costa Mesa, California 92626 Attn: Joel D. Kuperberg
To Borrower:	Families Forward 9221 Irvine Boulevard Irvine, CA 92618 Attn: Executive Director
With a copy to:	_____ _____ _____ _____

To Senior Lender: _____
_____
_____
_____

With a copy to: _____
_____
_____
_____

All notices shall be deemed to be received as of the earlier of actual receipt by the addressee thereof or the expiration of forty-eight (48) hours after depositing in the United States Postal System in the manner described in this Section. Such written notices, demands, and communications may be sent in the same manner to such other addresses as a party may from time to time designate by mail.

4.5 Attorneys' Fees. In the event that any action, suit or other proceeding is brought to enforce the obligations under this Agreement, the prevailing party shall be entitled to receive all of such party's costs and expenses of suit, including attorneys' fees, expert witness fees and all costs incurred in each and every such action, suit or other proceeding, including any and all appeals or petitions therefrom.

4.6 Counterparts. This Subordination Agreement may be executed in any number of counterparts, each of which, when all the parties hereto have signed this Subordination Agreement, shall be deemed an original.

[END - SIGNATURE PAGES FOLLOW]

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

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

"BORROWER"

FAMILIES FORWARD, a California nonprofit public benefit corporation

By: _____
Margie Wakeham
Its: Executive Director

By: _____
Its: _____

"SENIOR LENDER"

_____, a
_____

By: _____
Its: _____

By: _____
Its: _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

[to be inserted]

Supporting Documents from Table 1
Documents 8–9
Project Name: Families Forward
Year: 2005

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5024-1**
AMENDMENT NUMBER:	
CONTRACT TYPE:	**LOAN**
CONTRACT NAME:	**JHC-CULVER, L.P.**
CONTRACT DATE:	**07/01/05**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**CDBG; COMMUNITY DEVELOPMENT BLOCK GRANT**
ITEM NUMBER:	**12**
CONTRACT AMOUNT:	
MEETING DATE:	**04/12/05**
COUNCIL ACTION:	**APPROVED**

ORIGINAL

AFFORDABLE HOUSING AND LOAN AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation,

and

JHC-CULVER, L.P.,
a California limited partnership

TABLE OF CONTENTS

			Page
1.	DEFINITIONS		1
2.	CITY FINANCIAL ASSISTANCE.		4
	2.1	Amount and Source of City Loan	4
	2.2	Use of City Loan	4
	2.3	City Loan Funding Conditions	4
	2.4	Disbursement of City Loan	5
	2.5	Repayment of City Loan; Leasehold Deed of Trust	5
	2.6	Leasehold Deed of Trust	5
	2.7	Execution and Delivery of Documents	5
	2.8	Lender Approvals	6
	2.9	HOME and CDBG Requirements	6
3.	DEVELOPMENT OF THE PROJECT.		6
	3.1	Scope of Development	6
	3.2	Schedule of Performance; Progress Reports	6
	3.3	Compliance with Permits and Laws	6
	3.4	Commercial General Liability, Workers' Compensation, and Builders Risk Insurance	7
	3.5	Rights of Access	7
	3.6	Financing the Development of the Project	8
	3.7	Relocation	9
4.	USE OF THE SITE		9
	4.1	General	9
	4.2	Lease	9
5.	DEFAULTS, REMEDIES, AND TERMINATION		9
	5.1	Defaults--General	9
	5.2	Institution of Legal Actions.	10
	5.3	Applicable Law	10
	5.4	Rights and Remedies are Cumulative	10
	5.5	Attorney's Fees	10
	5.6	Plans, Drawings and Documents to be Assigned to City	10
	5.7	Indemnification	11
6.	GENERAL PROVISIONS.		11
	6.1	Notices, Demands, and Communications Between the Parties	11
	6.2	Nonliability of City Officials and Employees	11
	6.3	Enforced Delay; Extension of Times of Performance	12
	6.4	Inspection of Books and Records	12
	6.5	Interpretation	12
	6.6	Entire Agreement, Waivers and Amendments	12
	6.7	Severability	12

Page

6.8 Prohibition Against Assignment and Transfer 13
6.9 Third Party Beneficiaries 13
6.10 Representations and Warranties 13
6.11 Execution in Counterparts 14
6.12 Attachments 14

ATTACHMENTS

1. LEGAL DESCRIPTION OF SITE
2. SCHEDULE OF PERFORMANCE
3. HOME INVESTMENT PARTNERSHIPS PROGRAM INFORMATION
4. COMMUNITY DEVELOPMENT BLOCK GRANT INFORMATION
5. PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST
6. LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
7. AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

AFFORDABLE HOUSING AND LOAN AGREEMENT

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("Agreement") is entered into this 13th day of June, 2005, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-CULVER, L.P., a California limited partnership ("Participant").

RECITALS

A. Participant is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("Site"). Participant is developing a 162-unit residential rental project, landscaping, driveways, and related improvements on the Site ("Project").

B. City has received HOME funds from the United States Department of Housing and Urban Development ("HUD") under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*). In addition, City has received Community Development Block Grant funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et. seq.*), and the regulations promulgated thereunder (24 C.F.R. § 570, *et seq.*). City desires to assist in the development of the Project by providing financial assistance to Participant in the form of a loan of HOME funds and CDBG funds in the collective amount of Three Hundred Thousand Dollars ($300,000) for certain predevelopment expenses associated with the Project.

C. The development and operation of the Project on the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Participant, including all exhibits and other documents attached hereto.

"Amendment to Regulatory Agreement" shall mean the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions in the form attached hereto as Attachment No. 7.

"CDBG Portion of City Loan" shall mean the portion of the City Loan in the amount of Sixty-Two Thousand Nine Hundred Eighty-Seven Dollars ($62,987) comprised of Community Development Block Grant funds awarded by HUD to City under Title I of the Housing and Community Development Act of 1974.

"CDBG Requirements" shall mean the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*).

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Participant in the amount of Three Hundred Thousand Dollars ($300,000), for certain predevelopment expenses associated with the Project, as more fully discussed in Section 2 of this Agreement. The City Loan is comprised of the $62,987 CDBG Portion of City Loan and the $237,013 HOME Portion of City Loan.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Participant's repayment of the City Loan to City.

"Contract Officer" shall mean City's Grants Coordinator or such other person as may be designated by the City Manager of City.

"County Loan" shall mean the loan to be obtained by Participant from the County of Orange in the original principal amount not to exceed the sum of $3,827,033, the proceeds of which will be used to pay down the loans Participant obtained from U.S. Bank and the Irvine Company, as part of the Existing Project Financing.

"Effective Date" shall mean the date this Agreement is approved by City, which date shall be inserted in the preamble to this Agreement.

"Eligible Loan Expenses" shall mean the Transportation Corridor Agency development impact fees paid or caused to be paid by Participant for the development of the Project and the title insurance premiums and recording fees paid by Participant in connection with the Existing Project Financing and the City Loan.

"Existing Project Financing" shall collectively refer to the following loans obtained by Participant prior to the Effective Date for the development of the Project: (a) a loan in the original principal amount of $15,500,000 from U.S. Bank National Association, a national banking association; (b) a loan in the original principal amount of $250,000 from The Irvine Company, a Delaware corporation; and (c) and a loan in the original principal amount of $600,000 from the City of Irvine.

"First City Project Contract" shall refer to that certain Community Development Block Grant Capital Expenditures Contract between City and Participant dated November 1, 2003,

which provides for City to loan Community Development Block Grant funds to Participant for the Project.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing the City Loan to Participant.

"Funding Conditions Satisfaction Date" shall mean the date on which all of the Funding Conditions are actually satisfied.

"HOME Portion of City Loan" shall mean the portion of the City Loan in the amount of Two Hundred Thirty-Seven Thousand Thirteen Dollars ($237,013) comprised of funds awarded by HUD to City under the HOME Investment Partnerships Act.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

"Lease" shall mean the lease agreement dated December 19, 2003, between Participant, as lessee, and The Irvine Company, as lessor, for the lease of the Site to Participant.

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents in the form attached hereto as Attachment No. 6 which secures, among other things, Participant's payment obligations under the City Note.

"Participant" shall mean JHC-CULVER, L.P., a California limited partnership, having its offices at 2081 Business Center Drive, Suite 110, Irvine, CA 92612. The term "Participant" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Participant hereunder, in accordance with Section 6.8 of this Agreement.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.6.4 of this Agreement.

"Project" shall mean the development on the Site of a 162-unit apartment project, landscaping, driveways, community room, tot lots, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 162 units are comprised of 84 two-bedroom one-bath units and 78 three-bedroom two-bath units. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for Participant's development of the Project to be submitted by Participant to City pursuant to Section 3.6.2 this Agreement.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions between City and Participant regulating the operation and maintenance of the Site recorded on December 22, 2003, as Instrument No. 2003001507358 in the Official Records of Orange County, California. The Regulatory Agreement was entered into by City and Participant pursuant to the First City Project Contract.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1.

2. CITY FINANCIAL ASSISTANCE.

2.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Participant financial assistance for the Project in the form of a loan in the collective amount of Three Hundred Thousand Dollars ($300,000) ("City Loan"). The City Loan is comprised of the CDBG Portion of City Loan in the amount of Sixty-Two Thousand Nine Hundred Eighty-Seven Dollars ($62,987) and the HOME Portion of City Loan in the amount of Two Hundred Thirty-Seven Thousand Thirteen Dollars ($237,013). The source of the CDBG Portion of City Loan is funds City received from HUD under Title I of the Housing and Community Development Act of 1974 and the source of the HOME Portion of City Loan is funds City received from HUD under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

2.2 Use of City Loan. The City Loan shall be used to reimburse Participant for the Eligible Loan Expenses. The purpose of the City Loan is to provide gap financing to cover Project costs that were not anticipated by Participant at the time Participant originally obtained financing for the development of the Project.

2.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Participant unless all of the following conditions (collectively the "Funding Conditions") are satisfied.

(a) *Execution and Delivery of Documents.* Participant shall have executed and delivered to City the documents referred to in Section 2.6 of this Agreement.

(b) *Approval of Project Budget and Evidence of Financing.* City shall have approved Participant's Project Budget and evidence of financial capability to complete development of the Project in accordance with Sections 3.6.2 and 3.6.3 of this Agreement.

(c) *Insurance.* Participant shall have provided to City evidence of the insurance required under Section 3.4 of this Agreement.

(d) *Approval of Lenders.* Participant shall have provided to City the lender approvals required pursuant to Section 2.7 of this Agreement.

(e) *Eligible Loan Expenses.* Participant shall have provided to City evidence that Participant has incurred the Eligible Loan Expenses.

(f) *No Default.* Participant shall not be in material default of any of its obligations set forth in this Agreement.

In the event that any of the Funding Conditions are not satisfied on or before the date that is forty-five (45) days after the Effective Date, or such later deadline as may be mutually approved in writing by City and Participant in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Participant.

2.4 Disbursement of City Loan. Provided Participant is not in default of this Agreement, City shall disburse the City Loan to Participant within fifteen (15) days after the Funding Conditions Satisfaction Date.

2.5 Repayment of City Loan; Leasehold Deed of Trust. Participant's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides for Participant to pay to City a percentage of the cash flow generated from the Site.

2.6 Leasehold Deed of Trust. Participant's obligation to repay the City Loan will be secured by the Leasehold Deed of Trust. City acknowledges that the Leasehold Deed of Trust will be subordinate to each of the three deeds of trust recorded against the Site securing the Existing Project Financing. The Leasehold Deed of Trust contains an acceleration clause which generally provides that, to the extent permitted by law, in the event Participant shall (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with this Agreement and the Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer; refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Property exceeds 90% of the appraised value of the Site as evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction, maintenance, and operation of the rental project on the Site; or (d) default on any of its obligations set forth in this Agreement, the City Note, the Leasehold Deed of Trust, or the Regulatory Agreement, as amended by the Amendment to Regulatory Agreement, and fail to cure the default within the applicable cure period; then, City, at its option, may declare the entire indebtedness evidenced thereby immediately due and payable.

2.7 Execution and Delivery of Documents. No later than ten (10) days prior to the anticipated Funding Conditions Satisfaction Date, Participant shall deliver to City the following documents to be held by City in trust until the Funding Conditions Satisfaction Date: (a) the City Note, executed by Participant; (b) the Leasehold Deed of Trust, executed and acknowledged by Participant; and (c) the Amendment to Regulatory Agreement, executed and acknowledged by Participant. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds to Participant, City shall execute the Amendment to Regulatory Agreement and shall cause the Amendment to Regulatory Agreement and the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California. In

the event the Funding Conditions are not satisfied and this Agreement is terminated pursuant to Section 2.3, City shall return to Participant the documents delivered by Participant to City pursuant to this Section.

2.8 Lender Approvals. The approval of the lenders of the Existing Project Financing (U.S. Bank, The Irvine Company, and City) is required for the City Loan and the transactions contemplated under this Agreement. Participant represents and warrants to City that no other lender approvals are required. Within thirty (30) days after the Effective Date, Participant shall provide to City copies of the lender approvals obtained from U.S. Bank and The Irvine Company. City, in its capacity as the lender of the loan made to Participant under the First City Project Contract, hereby consents to the transactions contemplated under this Agreement, including without limitation the issuance of the City Loan to Participant, on the terms and subject to the conditions set forth in this Agreement.

2.9 HOME and CDBG Requirements. Because the source of the City Loan is funds City has received from HUD pursuant to the federal government's HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), Participant is required to construct and operate the Project in compliance with all applicable provisions of the HOME Requirements and CDBG Requirements, including but not limited to the requirements which are summarized in Attachment No. 3 and Attachment No. 4 of this Agreement. In the case of any conflict between the applicable provisions of the HOME Requirements and CDBG Requirements and this Agreement, the HOME Requirements and CDBG Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements and CDBG Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements and CDBG Requirements.

3. DEVELOPMENT OF THE PROJECT.

3.1 Scope of Development. Participant shall develop the Project on the Site in strict accordance with the plans and drawings approved by City. If Participant desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Participant shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.2 Schedule of Performance; Progress Reports. Participant shall complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than five (5) consecutive days, except when due to causes beyond the control and without the fault of Participant, as set forth in Section 6.3 of this Agreement. During the course of construction, Participant shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.3 Compliance with Permits and Laws. Participant shall carry out the construction of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation all applicable federal and state fair

labor standards, including the payment of prevailing wages, if required, the final plans approved by City, and all applicable conditions and requirements of the HOME Requirements and CDBG Requirements.

3.4 Commercial General Liability, Workers' Compensation, and Builders Risk Insurance. Participant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000 or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Participant's general contractor in conformance with the requirements set forth in this Section 3.4, including without limitation the requirement that City be named as a loss payee.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Participant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.4 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Participant shall maintain the insurance set forth in the Regulatory Agreement.

Participant agrees that the provisions of this Section 3.4 shall not be construed as limiting in any way the extent to which Participant may be held responsible for the payment of damages to any persons or property resulting from Participant's activities or the activities of any person or persons for which Participant is otherwise responsible.

3.5 Rights of Access. For the purpose of assuring compliance with this Agreement, representatives of City shall have the reasonable right of access to the Site, without charges or fees, at normal construction hours during the period of construction for the purposes of this

Agreement, including but not limited to the inspection of the work being performed by Participant in constructing the Project.

3.6 Financing the Development of the Project.

3.6.1 Participant Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to Section 2, Participant shall be responsible for all costs of developing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses payable to occupants of the Site; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; costs for any necessary public improvements; and legal fees.

3.6.2 Approval of Project Budget. Within fifteen (15) days after the Effective Date, Participant shall submit to City for City's review and approval a detailed line item budget showing the development costs for the Project (the actual costs for items completed and the estimated costs of items not yet completed). Once approved, the Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs to increase or decrease from what is shown in the Project Budget or that causes any line item in the Project Budget to increase or decrease by more than 10%).

3.6.3 Approval of Evidence of Financial Capability. Within fifteen (15) days after the Effective Date, Participant shall submit to City evidence reasonably satisfactory to City that Participant has the financial capability necessary to complete development of the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Participant for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Participant to City shall be certified by Participant to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects; and

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (b) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Participant has adequate funds available and committed to cover such difference.

3.6.4 Security Financing. Participant may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project provided that the cumulative amount of the loans encumbering the Site does not exceed 90% of the appraised

value of the Site as evidenced by an appraisal or other evidence acceptable to City ("Permitted Encumbrances"). Notwithstanding the foregoing, the City Loan, the Existing Project Financing, and the County Loan shall be deemed to constitute Permitted Encumbrances notwithstanding that the combined amount of said loans may exceed 90% of the appraised value of the Site.

3.6.5 Subordination to County Loan. City hereby finds and determines that the covenants and restrictions set forth in the Regulatory Agreement, the Leasehold Deed of Trust, and the deed of trust recorded against the Site in favor of City in connection with the First City Project Contract, may be subordinated to the lien of permanent financing for the County Loan. City's Contract Officer shall have the authority on behalf of City to execute a subordination agreement(s) for that purpose in such form as reasonably approved by the Contract Officer and City Attorney. The subordination agreement(s) shall be reasonably designed to protect City in the event of a default by providing for rights of notice and opportunities to cure and other rights protective of City's interest.

3.7 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 3.7.

4. USE OF THE SITE.

4.1 General. Participant and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement, consistent with the HOME Requirements and the CDBG Requirements.

4.2 Lease. Participant represents and warrants that Participant's performance under this Agreement and the agreements attached hereto will not cause Participant to be in default of the Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Lease. Participant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Lease in order not to cause a default thereunder. Participant shall not amend or modify the Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its sole and absolute discretion.

5. DEFAULTS, REMEDIES, AND TERMINATION.

5.1 Defaults—General. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement; provided, however, such party shall not be deemed to be in default if (a) it cures, corrects, or remedies such default within thirty (30) days after receipt of a notice from the other party specifying such failure or delay, or

(b) for defaults that cannot reasonably be cured, corrected, or remedied within such time period, if such party commences to cure, correct, or remedy such failure or delay within such time period after receipt of a notice from the other party specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion. 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 the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

5.2 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

5.3 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Agreement.

5.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

5.5 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorneys' fees from the other party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

5.6 Plans, Drawings and Documents to be Assigned to City. If this Agreement is terminated for any reason other than an uncured material default by City hereunder, Participant covenants to immediately assign and release to City any ownership rights and interest that Participant may have in any and all of the plans, drawings, and permits as have been prepared for the development of the Project prior to the termination; provided, that Participant does not covenant to convey the copyright or other ownership rights of third parties.

5.7 Indemnification. Participant agrees to indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Participant or Participant's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Participant of the filing of any such action and cooperate with Participant in the defense thereof (at no cost to Indemnitee).

6. GENERAL PROVISIONS.

6.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Participant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Joel D. Kuperberg, Esq.
To Participant:	JHC-CULVER, L.P. 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any party may from time to time designate in writing.

6.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under the terms of this Agreement.

6.3 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 6.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; supernatural causes; 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; delays of any contractor, subcontractor or supplies; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse performance by City). Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 6.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

6.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Participant pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

6.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

6.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant.

6.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by

the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

6.8 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant, and the qualification of Jamboree Housing Corporation ("Jamboree") as a non-profit public benefit company, are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Participant and entered into this Agreement with Participant. Accordingly, except as expressly set forth herein, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue as the general partner of Participant.

Notwithstanding the foregoing, the following shall not require City approval for the purposes of this Section 6.8: (a) a transfer of Participant's leasehold interest in the Site and the Project to Jamboree; (b) a transfer of The Irvine Company's limited partnership interest in Participant to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage the operation of the Project; or (c) any Permitted Encumbrance. As used in the preceding sentence, the term "affiliate" shall mean an entity who directly or indirectly controls, or is controlled by, Jamboree.

Participant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Participant of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Participant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, including assignments which do not require City approval hereunder, but excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Participant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

6.9 Third Party Beneficiaries. Notwithstanding any other provision of this Agreement to the contrary nothing herein is intended to create any third party beneficiaries to this Agreement, and no person or entity other than City and Participant, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

6.10 Representations and Warranties. Participant and each person executing this Agreement on behalf of Participant represents and warrants that: (a) Participant is a California limited partnership in good standing and authorized to do business in the County of Orange; (b) Participant has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements

attached to this Agreement; (c) by proper action of Participant, Participant's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Participant does not violate any provision of any other agreement to which Participant is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Participant are necessary in connection with the execution of this Agreement by Participant or with the performance by Participant of its obligations hereunder.

6.11 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

6.12 Attachments. This Agreement contains seven (7) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Home Investment Partnerships Program Information
4	Community Development Block Grant Program Information
5	Promissory Note Secured by Leasehold Deed of Trust
6	Leasehold Deed of Trust with Assignment of Rents
7	Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the Effective Date.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: Mayor

By: _____

Its: Director of Community Development

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

JHC-CULVER, L.P., a California limited partnership

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
General Partner

By: _____
Laura Archuleta, President

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the Effective Date.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

By: _____
Its: Director of Community Development

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

JHC-CULVER, L.P., a California limited partnership

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
General Partner

By: _____
Laura Archuleta, President

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOTS 17, 18, 19 AND 20 OF TRACT NO. 15661, AS SHOWN ON A MAP FILED IN BOOK 770 PAGES 12 TO 20 INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Participant submits to City evidence of insurance and obtains City approval (§ 3.4).	No later than 5 days after the Effective Date.
2.	Participant submits Project Budget and evidence of financing (§§ 3.6.2, 3.6.3).	No later than 15 days after the Effective Date.
3.	Participant delivers to City the lender approvals (§ 2.8)	No later than 30 days after the Effective Date.
4.	Participant executes and delivers to City the City Note, the Leasehold Deed of Trust, and the Amendment to Regulatory Agreement (§ 2.7).	No later than 10 days prior to the anticipated Funding Conditions Satisfaction Date.
5.	Funding Conditions are satisfied (§ 2.3).	No later than 45 days after the Effective Date.
6.	City executes the Amendment to Regulatory Agreement and records the Amendment to Regulatory Agreement and Leasehold Deed of Trust (§ 2.7).	Within 10 days after the Funding Conditions Satisfaction Date and prior to disbursement of the City Loan.
7.	City disburses City Loan proceeds to Participant (§ 2.4).	Within 15 days after the Funding Conditions Satisfaction Date and completion of Item Nos. 1-6.
8.	Participant completes construction of the Project and obtains City approval of final inspection (§ 3.2).	No later than September 30, 2005.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

ATTACHMENT NO. 3

HOME INVESTMENT PARTNERSHIPS PROGRAM INFORMATION

The following is a summary only and shall not be construed as a complete statement of all Participant requirements. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.

Participant shall construct and operate the Project in compliance with all applicable requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the HOME Regulations (24 C.F.R. § 92, *et seq.*), including, but not limited to, those requirements which are summarized below:

1. *Use of the HOME Funds.* The HOME Portion of City Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214), and all construction activities shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Participant and the Schedule of Performance attached thereto.

2. *Affordability.* The units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the Regulatory Agreement,[1] whichever is more restrictive. If the units do not meet the affordability requirements of the HOME Requirements for the specified time period, Participant shall repay the HOME Portion of City Loan to City promptly upon demand by City. In such event, Participant shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. *Uniform Administrative Requirements.* Participant shall comply with applicable uniform administrative requirements as described in 24 C.F.R. § 92.205.

4. *Project Requirements.* Participant shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

5. *Property Standards.* Participant shall construct the Project and maintain the Site in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

6. *Other Program Requirements.* Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92.

---

[1] As used in this Attachment No. 3, the term "Regulatory Agreement" shall mean the Regulatory Agreement, as amended by the First Amendment to Regulatory Agreement, and as may be further amended from time to time.

7. *Affirmative Marketing.* Prior to completion of construction of the Project Participant shall establish for City's review and approval a plan and procedures to affirmatively market the units in the Project. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Participant shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

(a) methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

(b) requirements and practices Participant must adhere to in order to carry out the affirmative marketing procedures and requirements;

(c) procedures to be used by Participant to inform and solicit applications from persons in the housing market area who are not likely to apply for the housing without special outreach;

(d) records that will be kept describing actions taken by Participant to affirmatively market units and records to assess the results of those actions; and

(e) a description of how Participant will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

8. *Nondiscrimination.* Participant shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

9. *Displacement.* Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Participant shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Project.

10. *Labor Requirements.* Participant shall comply with applicable labor requirements set forth in 24 C.F.R. § 92.354.

11. *Conflict of Interest.* Participant shall comply with the conflict of interest provisions in 24 C.F.R. § 92.356, as applicable.

12. *Debarment and Suspension.* As required in 24 C.F.R. § 92.357, Participant shall comply with all debarment and suspension certifications.

13. *Records and Reports.* Participant shall provide to City all records and reports relating to the Project that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to 24 C.F.R. §§ 92.508 and 92.509.

14. *Enforcement of Agreement.* In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Participant's obligation to comply with the HOME Requirements.

15. *Return of HOME Funds.* Upon expiration or termination of the Agreement or completion of the Project, Participant shall transfer to City any HOME funds on hand at the time of such expiration or termination and any accounts receivable attributable to the use of HOME funds.

16. *Monitoring.* Not less than once per year, City shall review Participant's activities and operations under the Agreement, the Regulatory Agreement, and Participant's compliance with the HOME Requirements. Such review may include an on-site inspection of the Project (including unit interiors). If such an on-site inspection of the Project is to be undertaken, City shall coordinate such inspection with Participant. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

17. *Section 3.* Participant shall comply with and cause its contractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts entered into with third parties for the construction of the Project.

18. *Tenant Participation Plan.* Participant shall provide to City for approval the form of the lease agreement to be used for the HOME-assisted units, which lease must be fair and provide for a grievance procedure. In addition, Participant shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

19. *Community Housing Development Organization.* Participant's general partner is a Community Housing Development Organization (CHDO). Participant shall cause said general partner to remain a CHDO until the expiration of the initial twenty (20) year period following completion of the Project. Participant shall, upon request by City from time to time, provide to City evidence reasonably satisfactory to City demonstrating Participant's general partner's status as a CHDO, including without limitation annual board rosters and certification of continuing compliance with the foregoing.

ATTACHMENT NO. 4

COMMUNITY DEVELOPMENT BLOCK GRANT INFORMATION

The following is a summary only and shall not be construed as a complete statement of all Participant requirements. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.

Participant shall construct and operate the Project in compliance with all applicable requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*), including, but not limited to, those requirements which are summarized below:

1. *Equal Opportunity and Nondiscrimination.*

a. Participant shall comply with Title VI of the Civil Rights Act of 1964 which provides that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

b. Participant shall comply with Section 109 of the Housing and Community Development Act of 1974 which provides that no person shall on the grounds of race, color, or national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving funds under this Title.

c. Participant shall comply with Executive Order 11246, as amended by Executive Orders 11375 and 12086, which prohibits discrimination on the grounds of race, creed, color, sex or national origin in employment under federally assisted contracts.

d. Participant shall comply with Executive Order 11063, as amended by Executive Order 12259, which requires equal opportunity in housing and related facilities.

e. Participant shall comply with Section 504 of the Rehabilitation Act of 1973, and implementing regulations, which provides that handicapped individuals may not be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity receiving federal financial assistance.

f. EEO/AA Statement. Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action Employer.

g. Minority/Women Business Enterprise. Participant will use its best efforts to afford minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "minority and female business enterprise" means a business at least

fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surname or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

h. Participant shall comply with Section 3 of the Housing and Community Development Act of 1968.

2. *Uniform Administrative Requirements*. Participant shall comply with the uniform administrative requirements described in 24 C.F.R. § 570.502.

3. *Other Program Requirements*. Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 C.F.R. § 570 except for City's environmental responsibilities under 24 C.F.R. § 570.604 and City's responsibility for initiating the review process under the provisions of 24 C.F.R. Part 52.

4. *Religious Organizations*. If Participant is a religious organization as defined by the CDBG Requirements, Participant shall comply with all conditions prescribed by HUD for the use of CDBG funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. § 200(j).

5. *Reversion of Assets*. Upon the expiration or sooner termination of the Agreement, Participant shall transfer to City (a) any and all CDBG funds and program income on hand, and (b) any accounts receivable attributable to the use of CDBG funds or program income.

6. E*nvironmental.*

a. Air and Water. Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. § 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; U.S. Environmental Protection Agency regulations pursuant to 40 C.F.R. Part 50, as amended.

b. Flood Disaster Protection. In accordance with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. § 4001), Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

c. Lead-Based Paint. Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. § 570.608, including 24 C.F.R. Part 35, *et. al.*

d. Historic Preservation. Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. § 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

7. *Conflict of Interest.* Participant will comply with the provisions of the applicable HUD requirements of 24 C.F.R. § 570.611 regarding the avoidance of conflict of interest.

8. *Relocation.* City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601, *et seq.*, as amended, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to the provision of relocation assistance.

9. *Allowable Costs.* Participant shall comply with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable.

10. *Labor Standards.* When applicable, Participant shall comply with the provisions of 24 C.F.R. § 570.603 and related requirements. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts.

11. *Records and Reports.* Participant shall provide to City all records and reports relating to the Project that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements.

12. *Section 3.* Participant shall comply with and cause its contractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts entered into with third parties for the construction of the Project.

13. *Community Based Development Organization.* Participant's general partner is a Community-Development Based Organization (CBDO). Participant shall cause said general partner to remain a CBDO until the expiration of the initial twenty (20) year period following completion of the Project. Participant shall, upon request by City from time to time, provide to City evidence reasonably satisfactory to City demonstrating Participant's general partner's status as a CBDO, including without limitation annual board rosters and certification of continuing compliance with the foregoing.

ATTACHMENT NO. 5

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$300,000 June 20, 2005

FOR VALUE RECEIVED, the undersigned, JHC-CULVER, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Three Hundred Thousand Dollars ($300,000), plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, dated June 13, 2005, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of a residential rental project ("Facility") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, recorded on December 22, 2003, as Instrument No. 2003001507358 in the Official Records of Orange County, California, as amended by the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions in the form attached as Attachment No. 7 to the Loan Agreement, and recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time (collectively, the "Regulatory Agreement").

(iii) The Leasehold Deed of Trust With Assignment of Rents securing this Note recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time ("Leasehold Deed of Trust").

1. **Loan Amount.** The principal amount of the City's loan to Borrower is Three Hundred Thousand Dollars ($300,000) ("City Loan"). The City Loan shall be disbursed to Borrower as set forth in the Loan Agreement.

2. **Term of Note; Repayment of Loan Amount.** Except as provided below, the entire City Loan shall be due and payable in a single lump-sum payment on October 1, 2060. Borrower shall make annual payments to City in an amount equal to six and one-quarter percent

(6.25%) of Project Cash Flow (as hereinafter defined) for the preceding calendar year within ninety (90) days of the end of each calendar year during the entire term of this Note. Borrower's obligation to make annual payments hereunder shall be applicable only to the extent there is sufficient Project Cash Flow available from the Facility from the preceding fiscal year. For purposes of this Section 2, the following definitions shall apply:

"***Gross Income***" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Facility or any portion thereof, and for services provided thereon.

"***Index***" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-84'100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"***Operating Expenses***" shall mean all expenses paid by Borrower in connection with the Facility, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any lender or any limited partner of Borrower; (II) all taxes and assessments (other than taxes based upon Borrower's income); (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Facility (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Facility; (iii) maintenance, repair and capital improvements to the Facility, including component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees in connection with its rental of units at the Facility for the applicable calendar year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on indebtedness (other than any indebtedness payable solely from available Project Cash Flow); provided that if any loan from any mortgage is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses; (V) payments into operating and replacement reserves required by a mortgagee or a limited partner of Borrower; (VI) any partnership management fee paid to the general partner in Borrower not to exceed Twenty Thousand Dollars ($20,000) per calendar year (which amount shall increase annually by the lesser of three percent (3%) or the rate of increase in the Index from the prior calendar year); (VII) any social services fee paid to the general partner of Borrower not to exceed Thirty-Three Thousand Six Sixty Hundred Dollars ($33,660) per calendar year (which amount shall increase annually by the lesser of three percent (3%) or the rate of increase in the Index from the prior calendar year; (VIII) any asset management fee payable to the limited partner of Borrower; and (IX) the amount of any developer fee paid pursuant to the development agreement between Borrower and Jamboree Housing Corporation. Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees

paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Facility, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like.

"***Project Cash Flow***" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles.

3. **Records**. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Facility (or at, such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses. City expressly approves the location of such records to be at the principal office of Borrower's managing general partner currently in Irvine, California.

4. **Reports**. Borrower shall submit to City on or before three (3) months following the end of each calendar year, together with the remittance of the payment due, if any, a written statement signed by Borrower, and certified by it (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The statements and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower omits to prepare and deliver promptly any required statement, City shall have the right to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the statement or statements which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such statement.

5. **Audit**. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than 72 hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements.

6. **Default**. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note any such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion, or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), the City Loan shall become immediately due and payable.

7. **Additional Terms.**

(i) Payment of the City Loan shall be made in lawful money of the United States. Payments shall be made to City at One Civic Center Plaza, Irvine, CA 92623-9575, Attn: Cashier, or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely pay the City Loan, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the City Loan from the day the City Loan was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. **Assignment**. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's reasonable discretion.

9. **Waiver of Presentment**. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if Borrower shall: (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Property in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Property exceeds 90% of the appraised value of the Property as evidenced by an appraisal or other evidence acceptable to City; or (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the Facility, then City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Municipal and Superior Courts of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced hereby, and any judgment, decree or order for the payment of money obtained in any action to enforce the

obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

JHC-CULVER, L.P., a California limited partnership

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
General Partner

By: _____
Laura Archuleta, President

Supporting Documents from Table 1
Document 10
Project Name: Families Forward
Year: 2005

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5239**
AMENDMENT NUMBER:	
CONTRACT TYPE:	**FUNDING**
CONTRACT NAME:	**WOODBURY PARTNERS; BRIDGE HOUSING CORPORATION**
CONTRACT DATE:	**04/21/06**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**AFFORDABLE HOUSING AND LOAN AGREEMENT**
ITEM NUMBER:	
CONTRACT AMOUNT:	
MEETING DATE:	**04/11/05**
COUNCIL ACTION:	**APPROVED**

AFFORDABLE HOUSING AND LOAN AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation,

and

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

an affiliate of
BRIDGE HOUSING CORPORATION,
a California nonprofit public benefit corporation

TABLE OF CONTENTS

Page

1. DEFINITIONS 1

2. ACQUISITION OF LEASEHOLD INTEREST. 4
   - 2.1 Diligent Efforts 4
   - 2.2 Executed Ground Lease 4

3. FINANCING DEVELOPMENT OF THE PROJECT. 5
   - 3.1 City Loan 5
   - 3.2 Execution and Recordation of Loan Documents 7
   - 3.3 Security Financing; Subordination 7
   - 3.4 Relocation 8

4. DEVELOPMENT OF THE PROJECT. 8
   - 4.1 Scope of Development 8
   - 4.2 Development Approvals and Permits 8
   - 4.3 Schedule of Performance; Progress Reports 9
   - 4.4 Compliance with Permits and Laws 9
   - 4.5 Anti-discrimination 9
   - 4.6 Insurance 9
   - 4.7 Rights of Access 11
   - 4.8 Borrower Responsible for Cost of Development 11
   - 4.9 Approval of Evidence of Financial Capability 11
   - 4.10 Release of Construction Covenants 12

5. USE OF THE SITE 13
   - 5.1 General 13
   - 5.2 Ground Lease 13

6. DEFAULTS, REMEDIES, AND TERMINATION 13
   - 6.1 Defaults in General 13
   - 6.2 Institution of Legal Actions 14
   - 6.3 Applicable Law 14
   - 6.4 Rights and Remedies are Cumulative 14
   - 6.5 Attorney's Fees 14
   - 6.6 Indemnification 14

7. GENERAL PROVISIONS. 15
   - 7.1 Notices, Demands, and Communications Between the Parties 15
   - 7.2 Nonliability of City Officials and Employees 16
   - 7.3 Enforced Delay; Extension of Times of Performance 16
   - 7.4 Inspection of Books and Records 16
   - 7.5 Interpretation 17
   - 7.6 Entire Agreement, Waivers and Amendments 17
   - 7.7 Severability 17
   - 7.8 Prohibition Against Assignment and Transfer by Borrower 17

Page

7.9 Prohibition Against Assignment and Transfer by City 18
7.10 Third Party Beneficiaries 18
7.11 Right of Refusal to Purchase Borrower's Interest 18
7.12 Representations and Warranties 19
7.13 Marketing of Units 19
7.14 Execution in Counterparts 19
7.15 Attachments 19

AFFORDABLE HOUSING AND LOAN AGREEMENT

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("Agreement") is dated as of April 21, 2006, and entered into by and between the CITY OF IRVINE, a California municipal corporation ("City"), and WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Borrower"). City and Borrower are hereinafter sometimes referred to collectively as the "Parties" and individually as a "Party."

RECITALS

A. Borrower is a California limited partnership and its primary purpose is to develop, operate and manage affordable housing for low-income households.

B. Borrower has entered into that certain ground lease ("Ground Lease") with THE IRVINE COMPANY, LLC, a Delaware limited liability company ("Landlord") for that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("Real Property"). All buildings and other improvements and structures now or hereafter located on the Real Property are collectively known as "Improvements." The Real Property and Improvements thereon are collectively referred to as the "Site." Borrower has entered into the Ground Lease to develop and operate on the Site a one hundred fifty (150) unit residential rental project for lower income households ("Project").

C. City desires to assist Borrower in the construction and development of the Project by providing financial assistance to Borrower in the amount of Two Million Eight Hundred Fifty Thousand Dollars ($2,850,000.00) in the form of a loan to be funded in accordance with City Council Resolution No. 05-82, which authorized potential funding from City in-lieu housing funds, Irvine Redevelopment Agency ("Agency") Low and Moderate Income Housing Funds ("20% Set Aside Funds"), direct contributions from other residential projects to meet their affordable housing requirements, or a combination of these or other local funds.

D. The construction, development and operation of the Project on the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals which are hereby incorporated by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by the Parties, City and Borrower hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"20% Set Aside Funds" shall mean those funds available from the Agency's Low and Moderate Income Housing Set Aside as required by Health and Safety Code section 33334.2 and other pertinent state laws.

"Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law. (Health and Safety Code § 33000 et seq.)

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Borrower, including all exhibits, attachments, and other documents attached hereto.

"Approved Preliminary Plans" shall mean those preliminary plans for the development of the Site as prescribed in Attachment No. 9 hereto as required pursuant to the Ground Lease.

"Borrower" shall mean Woodbury Partners, A California Limited Partnership. The term "Borrower" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Borrower hereunder, in accordance with Section 7.8 of this Agreement.

"City" shall mean the City of Irvine, a California municipal corporation.

"City Attorney" shall mean legal counsel for the City of Irvine, California.

"City Council" shall mean the City Council for the City of Irvine.

"City Loan" shall mean the loan to be provided by City to Borrower in the amount not to exceed Two Million Eight Hundred Fifty Thousand Dollars ($2,850,000.00) pursuant to the terms and conditions of this Agreement.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust with Assignment of Rents, in the form attached hereto as Attachment No. 3 which sets forth the terms for Borrower's repayment of the City Loan to City.

"City Title Policy" shall mean an ALTA lender's policy of title insurance for the benefit of the City as prescribed in Section 3.1.4 of this Agreement.

"CLT" shall stand for community land trust.

"Construction Budget" shall mean the costs estimates for Borrower's construction and development of the Project set forth in Attachment No. 7. The Construction Budget may not be materially changed without the prior written approval of the Contract Officer. Borrower shall deliver to City a request for approval of any material change, and said material change shall be deemed approved if written notice of disapproval is not received by Borrower within ten (10) days of receipt by City of the request for approval. For purposes of this Agreement, a "material change" is a change or series of changes that causes the total construction costs to increase or decrease by more than One Hundred Thousand Dollars ($100,000.00) from what is shown in the Construction Budget or that causes any line item in the Construction Budget to increase or decrease by more than Fifty Thousand Dollars ($50,000.00).

"Contract Officer" shall mean City's Director of Community Development or designee.

"Development Plans" shall mean the final plans for development of the Site as prescribed in Attachment No. 10 hereto and as required pursuant to the Ground Lease.

"Development Schedule" shall mean that certain Development Schedule attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Effective Date" shall mean the date this Agreement is fully executed by the Parties, which date shall be inserted in the preamble to this Agreement.

"Finance Budget" shall mean the budget to finance the costs and operation of the Site as set forth in Attachment No. 8 hereto and as required by the Ground Lease.

"Funding Conditions" shall be those conditions prescribed in Section 3.1.4 of this Agreement.

"Funding Conditions Satisfaction Date" shall mean that date set forth in Section 3.1.4 of this Agreement.

"Ground Lease" shall mean that certain ground lease entered into by and between Borrower and Landlord for the Real Property.

"Improvements" shall mean all buildings or other improvements and structures now or hereafter located on the Real Property.

"Irvine CLT" shall mean the community land trust duly authorized according to law for the purpose of creating and maintaining affordable housing within the City, as more fully described in Section 7.9 of this Agreement.

"Leasehold Deed of Trust" shall mean that certain Leasehold Deed of Trust with Assignment of Rents in the form attached hereto as Attachment No. 4 which secures among other things Borrower's payment obligations under the City Note.

"Loan Documents" shall collectively refer to this Agreement, the Leasehold Deed of Trust, the City Note, and the Regulatory Agreement.

"Marketing Plan" shall mean the marketing plan prepared by Borrower for the leasing of certain units as provided in Section 7.13 of this Agreement.

"Project" shall mean the grading of the Site and the development on the Site of a one hundred fifty (150) unit affordable housing apartment project and all landscaping, driveways, and related improvements, and all other on-site and offsite improvements required for development, with all improvements to be consistent with the Development Plans and final and other plans and permits approved by the City. In the event of any inconsistency between the description of the project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Real Property" shall mean that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions regulating the operation and maintenance of the Site in the form attached hereto as Attachment No. 6. The Regulatory Agreement shall be acknowledged and approved as binding on the Site by Landlord for the duration of the term of the Ground Lease even if the Ground Lease is terminated pursuant to Section 16.7 of the Regulatory Agreement.)

"Release of Construction Covenants" shall have the meaning ascribed in Section 4.10 of this Agreement. The form of the Release of Construction Covenants shall be as set forth in Attachment No. 6.

"Site" shall mean the Real Property and all Improvements thereon as described in Recital B of this Agreement.

"Title Company" shall mean First American Title Company having its offices at 2 First American Way, Santa Ana, California 92707, or such other title company approved by City in its reasonable discretion, that will issue the City Title Policy.

2. ACQUISITION OF LEASEHOLD INTEREST.

2.1 Diligent Efforts. In the event Borrower and Landlord have not entered into and executed the Ground Lease as of the Effective Date of this Agreement, then this Section 2.1 shall control this Agreement. Borrower shall exercise diligent efforts to finalize and enter into the Ground Lease with the Landlord for the lease of the Site to Borrower in accordance with this Section 2.1. The lease (a) shall have a term of no less than fifty-eight (58) years; (b) shall permit the Site to be developed and operated in accordance with the terms set forth in this Agreement (which by definition includes the attachments hereto), and shall otherwise be consistent with this Agreement such that compliance with this Agreement will not cause a default under the Ground Lease and vice-versa; (c) shall provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Borrower; (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Borrower under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Site in accordance with the Ground Lease; and (e) shall provide that modifications to the Ground Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of the City or its successor or assignee as authorized pursuant to this Agreement. The City shall have the right to approve the form of the Ground Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Ground Lease by Borrower and Landlord, Borrower shall deliver a copy of the executed Ground Lease to City, and it shall be attached to this Agreement and incorporated herein as Attachment No. 11 and this Section 2.1 shall cease to be of further force or effect.

2.2 Executed Ground Lease. In the event the Ground Lease has been executed by Borrower and Landlord prior to the Effective Date of this Agreement, this Section 2.2 shall control this Agreement. Borrower hereby represents and warrants that the terms specified in

Subsections (a) through (e) above in Subsection 2.1 have been incorporated into the terms and covenants in the Ground Lease, and Borrower acknowledges and agrees that the City has entered into this Agreement based upon said representations and warrantees and that compliance with this Agreement will not cause a default under the Ground Lease and vice-versa. The Ground Lease is attached to this Agreement as Attachment No. 11.

3. FINANCING DEVELOPMENT OF THE PROJECT.

3.1 City Loan. Subject to the terms and conditions set forth in this Agreement and provided Borrower is not in default of this Agreement, City shall provide Borrower financial assistance in the form of a loan as prescribed in this Section 3.1.

3.1.1 Amount of City Loan. The amount of the City Loan shall not exceed Two Million Eight Hundred Fifty Thousand Dollars ($2,850,000.00).

3.1.2 Source of City Loan. The source of the City Loan shall include funds available from City in-lieu housing funds and other local funds (which shall not include any federal funds or tax-exempt bond proceeds), subject to approval in accordance with City Council Resolution No. 05-82 by the City Council on April 25, 2006.

3.1.3 Use of City Loan. Borrower shall use the City Loan proceeds only for development costs incurred for the development of the Project as described in the Approved Preliminary Plans, Development Plans, Construction Budget, and in accordance with the approved plans and permits as provided by the City, including hard and soft costs and reimbursement for predevelopment expenses.

3.1.4 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Borrower unless and until the following conditions (collectively the "Funding Conditions") are satisfied or City's Contract Officer waives such conditions in its sole and absolute discretion:

(a) *Execution and Delivery of Documents.* Borrower shall have executed and delivered to City the Loan Documents referred to in Section 3.2 of this Agreement.

(b) *City Title Policy.* The Title Company is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("City Title Policy"), with liability in the amount of the City Loan, showing title to a leasehold interest in the Real Property vested in Borrower, insuring in favor of City the Leasehold Deed of Trust and the Regulatory Agreement, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by City in its sole and absolute discretion. Borrower shall pay the premium for the City Title Policy.

(c) *Insurance.* Borrower has provided to City evidence of the insurance required under Section 4.6 of this Agreement.

(d) *Approvals and Permits.* Borrower shall have timely obtained all land use approvals and permits for the Project to be developed according to the Approved Preliminary Plans and Development Plans.

(e) *Financial Capability.* City shall have approved Borrower's evidence of financial capability to develop the Project in accordance with Section 4.9 of this Agreement. The evidence of financial capability shall support and confirm the revenues and expenditures set forth in the Construction Budget and Finance Budget.

(f) *Ground Lease.* Borrower shall have delivered to City the Ground Lease executed by Borrower and Landlord, and the Ground Lease shall be in full force and effect with all contingencies satisfied such that there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance of either party thereunder, and Borrower's possession of the Site is absolute and not terminable and not subject to any unsatisfied conditions.

(g) *Partnership Agreement.* Borrower shall have delivered to City Borrower's executed partnership agreement and Certificate of Limited Partnership LP-1 filed with the California Secretary of State.

(h) *No Default.* Borrower shall not be in material default of any of its obligations set forth in this Agreement.

In the event that any of the Funding Conditions are not satisfied or waived by City on or before the date (the "Funding Conditions Satisfaction Date") that is forty-five (45) days after the Effective Date, or such later date as may be mutually approved in writing by City and Borrower in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Borrower.

3.1.5 Disbursement of City Loan. Provided Borrower is not in default of this Agreement, the City Loan shall be disbursed by City to Borrower no more frequently than once every thirty (30) days after the Funding Conditions Satisfaction Date, as provided hereinbelow:

(a) When Borrower desires a disbursement of City Loan funds, Borrower shall present to City's Contract Officer the following information:

(i) an invoice, contract, or similar documentation verifying that the costs for which Borrower seeks a disbursement are solely for permissible construction costs as authorized in Section 3.1.3 of this Agreement;

(ii) certification from the Project architect or engineer that the work for which a disbursement is sought has been completed and conforms to the approved plans and permits;

(iii) appropriate conditional or unconditional lien releases and waivers, including for mechanic's liens, materialman's liens, stop notice claims, and equitable lien claims, with

said lien releases and waivers to be in a form reasonably required by City's Contract Officer and in conformance with the requirements of California Civil Code Section 3262; and

(iv) any other documentation or evidence that may be reasonably required by City.

(b) Notwithstanding the requirements of subparagraph (a) above, in the event that Borrower desires to obtain an advance disbursement for work scheduled to be undertaken or work not yet completed (e.g., as a down payment, advance payment, or progress payment), Borrower shall present to City's Contract Officer all the information set forth in subparagraph (a), except instead of the information set forth in subparagraph (a)(ii), Borrower shall provide a contract or other evidence that the contractor or subcontractor performing the work is entitled to an advance payment and Borrower has incurred the obligation to make such payment, and a certification from the Project architect or engineer that the work to be undertaken or already begun conforms to the approved plans and permits.

(c) The procedure for Borrower's request for disbursements shall be as follows: Upon receipt of all of the documentation required to be received by City from Borrower pursuant to subparagraph (a) or (b) above, as applicable, City's Contract Officer shall, within ten (10) days of receipt of a request and all required supporting documentation, review the information and determine whether the request for disbursement appears proper. In the event City's Contract Officer determines that insufficient supporting documentation has been submitted with the reimbursement request or that the request will not be approved, City shall promptly notify Borrower and the Parties shall promptly meet and confer in good faith in an effort to resolve the dispute. Payment of a disbursement shall be made by City to Borrower within five (5) days after City has approved a payment request.

3.1.6 Repayment of City Loan. Borrower's obligation to repay the City Loan shall be as set forth in the City Note.

3.2 Execution and Recordation of Loan Documents. No later than ten (10) days prior to the Funding Conditions Satisfaction Date, Borrower shall deliver to the Contract Officer the following documents: (a) the City Note, executed by Borrower; (b) the Leasehold Deed of Trust, executed and acknowledged by Borrower; and (c) the Regulatory Agreement, executed and acknowledged by Borrower and acknowledged and accepted by Landlord. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds, City shall execute the Regulatory Agreement and shall cause the Regulatory Agreement and the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California.

3.3 Security Financing; Subordination. Mortgages, deeds of trust, and other similar forms of financing shall be permitted before completion of the Project, but only for the purpose of securing loans of funds to be used for financing the construction of the Project. Prior to City's

issuance of the Release of Construction Covenants, Borrower shall not enter into any such conveyance for financing purposes without the prior written consent of City's Contract Officer, which consent shall not be unreasonably withheld. The City Manager shall have the authority on behalf of City to execute subordination agreements in such form as reasonably approved by City's Contract Officer and City Attorney to subordinate the Leasehold Deed of Trust to a lien of construction and permitted financing for loans obtained by Borrower for the development of the Project, including the financing from Wells Fargo Bank, N.A. pursuant to that certain Building Loan Agreement with Borrower, California Community Reinvestment Corporation, a California nonprofit public benefit corporation ("CCRC") pursuant to that certain Loan Agreement with Borrower, and the County of Orange pursuant to that certain HCS Loan to Borrower. The subordination agreements shall be reasonably designed to protect the City's investment in the event of default by providing for rights of notice and opportunities to cure and other rights protective of City's interest.

3.4 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located thereon. If required, Borrower shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Borrower shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Borrower pursuant to this Section 3.4.

4. DEVELOPMENT OF THE PROJECT.

4.1 Scope of Development. Borrower shall develop the Project on the Site in strict accordance with the Approved Preliminary Plans, Development Plans, and all Plans as approved by City. If Borrower desires to make any material change in any of said plans after the same have been approved, the proposed change shall be submitted to City for approval, which approval shall not be unreasonably withheld or delayed. Borrower shall be responsible for all construction and installation and for obtaining all necessary permits. Borrower acknowledges that the design and quality of construction of the Project are of particular concern to City and that the Project shall be subject to the design and constructions standards imposed by City.

4.2 Development Approvals and Permits.

4.2.1 Final Plans. Within the time set forth in the Development Schedule, Borrower shall submit to City for review and approval a complete set of final plans and specifications for the Project ("final plans"). The final plans and drawings shall contain all information required to obtain all necessary building permits required for the Project and shall be consistent with the Approved Preliminary Plans and Development Plans. City shall exercise reasonable diligence to complete its review of the final plans within the time set forth in the Development Schedule. Any disapproval shall be in writing and shall state the reasons therefor. Upon receipt of a disapproval, Borrower shall act promptly to revise or correct the final plans as necessary to conform to City requirements. The same procedures and requirements shall apply to subsequent submittals and reviews until the final plans are finally approved by City. Once approved, no substantial changes (or any other changes that require approval by City in City's capacity as a regulatory agency) shall be permitted without prior written approval of City.

4.2.2 Other Governmental Permits. Before commencement of construction of the Project or other work on the Site or such earlier period of time as provided for herein, Borrower shall secure or cause to be secured any and all permits and approvals which may be required by City or any other governmental agency having jurisdiction over the Site and the Project.

4.3 Schedule of Performance; Progress Reports. Borrower shall begin and complete construction of the Project within the times set forth in the Development Schedule. Once construction is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned for more than five (5) consecutive days, except when due to causes beyond the control and without the fault of Borrower, as set forth in Section 7.3 of this Agreement. During the course of construction, and prior to the issuance of the Release of Construction Covenants for the Project, Borrower shall provide to City quarterly written reports on the progress of construction.

4.4 Compliance with Permits and Laws. Borrower shall carry out the construction of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction over the Site, including without limitation all applicable federal and state fair labor standards, including the payment of prevailing wages, if required, and the final plans to be approved by the City as set forth in Section 4.2 herein. This Agreement has been prepared with the intention that the City Loan meets the exception set forth in California Labor Code section 1720(c)(6)(E).

4.5 Anti-discrimination. Borrower, for itself and its successors and assigns, agrees that Borrower will not discriminate against any employee or applicant for employment because of race, color, creed, religion, sex, marital status, ancestry, national origin or disability in connection with activities undertaken pursuant to this Agreement.

4.6 Insurance. Prior to commencement of any work on the Site, Borrower shall furnish or cause to be furnished to City evidence reasonably satisfactory to City's Contract Officer of Commercial General Liability coverage in the amount of at least One Million Dollars ($1,000,000.00) combined single limits, naming City and its officers, officials, employees, volunteers, agents, and representatives as named insureds. In addition, all such insurance:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled or limited in scope by the insurer or Borrower unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer, agents, and representatives which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, employees, volunteers, agents, and representatives.

Any deductible or self-insured retention must be declared to City. None of the above described policies shall include a deductible or self-insured retention amount of more than Ten Thousand Dollars ($10,000.00) unless approved in writing by the Contract Officer.

Borrower shall also furnish or cause to be furnished to the Contract Officer prior to commencement of work on the construction of the Project evidence reasonably satisfactory to the Contract Officer that Borrower and any contractor with whom Borrower has contracted for the performance of work on and around the Site have current Workers' Compensation insurance as required by the State of California as well as Employer's Liability Coverage of not less than One Million Dollars ($1,000,000.00) per accident. Such insurance shall be endorsed to include a waiver of subrogation rights against City and its officers, officials, employees, volunteers, agents, and representatives, and notice of cancellation as described in subsection (v) above. Such policies shall be written by California licensed insurers with Best ratings of not less than A:VII in the most recent edition of Best Rating Guide.

Prior to commencement of work, Borrower shall also furnish to City evidence reasonably satisfactory to City's Contract Officer of Builder's-Risk Coverage which shall be maintained in force throughout the course of construction and development of the Project on the Site. Such coverage shall include limits sufficient to cover one hundred percent (100%) of the replacement cost of improvements and betterments and shall include City as a loss payee and shall provide coverage for "all risks" of loss. Such insurance shall be endorsed to include a waiver of subrogation rights against City and its officers, officials, employees, volunteers, agents, and representatives, and notice of cancellation as described in subsection (v) above. Furthermore, such coverage shall provide that the policy cannot be cancelled or limited in scope without a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City. Such policy shall be written by a California licensed insurer with a Best rating of not less than A:VII in the most recent edition of Best Rating Guide.

Prior to commencement of work, Borrower shall also furnish to City evidence reasonably satisfactory to the Contract Officer of automobile liability insurance (bodily injury and property damage liability) which shall be maintained in force throughout the course of construction and development of the Project. Such coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined. Such insurance shall be endorsed to include a waiver of subrogation rights against the City and its officers, officials, employees, volunteers, agents and representatives, and notice of cancellation as described in Subsection (v) above. Furthermore, such coverage shall provide that the policy cannot be cancelled or limited in scope without a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City.

Borrower shall cause any contractors with whom Borrower has contracted to construct the Project to maintain the insurance policies described in this Section.

The foregoing obligations shall remain in effect throughout the course of construction on the Site and shall terminate after City issues the Release of Construction Covenants for the Project as provided in Section 4.10 of this Agreement; provided, however, that completed operations coverage shall be maintained continuously for thirty-six (36) months following City's issuance of the Release of Construction Covenants. Upon City's issuance of the Release of Construction Covenants, Borrower shall procure and maintain the insurance set forth in the Regulatory Agreement. Nothing in this Section 4.6 shall in any way limit Borrower's indemnity obligations as provided in Section 6.6 of this Agreement.

4.7 Rights of Access. For the purpose of assuring compliance with this Agreement, representatives of City shall have the reasonable right of access to the Site, without charges or fees, at normal construction hours following 48 hours' written notice to Borrower during the period of construction for the purposes of this Agreement, including but not limited to the inspection of the work being performed by Borrower in constructing the Project. The foregoing right of access shall be in addition to, and shall not limit City from exercising, any other rights of access City may have in its capacity as a regulatory agency.

4.8 Borrower Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to this Agreement, Borrower shall be responsible for all costs of developing and constructing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the costs incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses, if any, payable to existing occupants of the Site, costs for insurance and bonds as required; costs of financing; all on-site construction costs; costs for any necessary public improvements; and its own legal fees.

4.9 Approval of Evidence of Financial Capability. No later than ten (10) days prior to the Funding Conditions Satisfaction Date, Borrower shall submit to City evidence reasonably satisfactory to City that Borrower has the financial capability necessary for the development of the Project pursuant to this Agreement, the Construction Budget and the Finance Budget. Such evidence of financial capability shall include the following:

i. a copy of the commitment or commitments obtained by Borrower for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Borrower to City shall be certified by Borrower to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects; and

ii. if the total costs set forth in the Construction Budget exceed the amount of financing commitments received pursuant to subparagraph (i) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Borrower has adequate funds available and committed to cover such difference; and

iii. a copy of the bonded guaranteed maximum price construction contract between Borrower and its general contractor for all of the improvements required to be constructed by Borrower hereunder, certified by Borrower to be a true and correct copy thereof; provided, however, that City may accept another equally acceptable alternative form of security in its sole and absolute discretion, rather than requiring the construction contract be bonded; and

iv. a corporate surety bond or bonds or other security instrument, approved as to form, content, and company by City and City Attorney with Borrower's contractor or contractors as principal(s), in a penal sum not less than one hundred percent (100%) of the amount of the cost of constructing the Project guaranteeing completion of construction and the payment of wages for services engaged and bills contracted for materials, supplies, and equipment used in the performance of the work, and protecting Borrower and City from any liability, losses, or damages arising therefrom. City shall have the discretion to accept alternate security in its sole and absolute discretion.

City shall complete its review of and shall approve or disapprove Borrower's evidence of financial capability within ten (10) days after the Funding Conditions Satisfaction Date and prior to the disbursement of any City Loan proceeds. If City disapproves such evidence of financing, it shall do so by written notice to Borrower stating the reasons for such disapproval. In such event, Borrower shall promptly resubmit its evidence of financial capability not less than ten (10) days after receipt of City's disapproval, and City's disapproval of any such resubmitted evidence shall be final and upon said disapproval City may terminate this Agreement by delivering written notice to Borrower.

4.10 Release of Construction Covenants. Upon the satisfactory completion of construction of the Project, City shall furnish Borrower with a Release of Construction

Covenants upon written request therefor by Borrower. City shall not unreasonably withhold such Release of Construction Covenants. Such Release of Construction Covenants shall be a conclusive determination of satisfactory completion of the construction required by this Agreement upon the Site and the Release of Construction Covenants shall so state. The Release of Construction Covenants shall be in the form attached hereto as Attachment No. 6 or such other similar form as to permit it to be recorded in the Recorder's Office of Orange County, California. If City refuses or fails to furnish a Release of Construction Covenants for the Project after written request from Borrower, City shall within ten (10) days of written request therefor, provide Borrower with a written statement of the reasons for the refusal or failure to furnish the requested Release of Construction Covenants. The statement shall also contain City's opinion of the actions Borrower must take to obtain the Release of Construction Covenants. If the reason for such refusal is confined to the immediate unavailability of specific items of materials for landscaping or other minor "punch list" items, City shall issue the Release of Construction Covenants upon the posting of cash, a bond, or other security acceptable to City in its sole discretion by Borrower with City in an amount representing the fair value of the work not yet completed, and Borrower shall thereafter complete the "punch list" work within sixty (60) days of issuance of the Release of Construction Covenants. A Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Borrower to any holder of any mortgage or any insurer of a mortgage securing money loaned to finance the improvements, or any part of this Agreement, or a release of any obligations under this Agreement or the Regulatory Agreement which survive issuance of the Release of Construction Covenants. A Release of Construction Covenants is not a notice of completion as referred to in the California Civil Code Section 3093.

5. USE OF THE SITE.

5.1 General. Borrower and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement.

5.2 Ground Lease. Borrower represents and warrants that the Ground Lease and Borrower's development, use and operation of the Site thereunder will be materially consistent with the terms of this Agreement and the agreements attached hereto and the compliance with one will not cause Borrower to be in default of the other. Borrower shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Borrower shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement (which by definition includes all of the attachments hereto) in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which shall not be unreasonably withheld or delayed.

6. DEFAULTS, REMEDIES, AND TERMINATION.

6.1 Defaults in General. Failure or delay by either Party to perform any term or provision of this Agreement (which by definition includes all attachments hereto) constitutes a default under this Agreement; provided, however, such Party shall not be deemed to be in default if (a) it cures, corrects, or remedies such default within thirty (30) days after receipt of a notice from the other Party not in default specifying such failure or delay, or (b) for defaults that cannot reasonably be cured, corrected, or remedied within such thirty (30) day period, if such Party

commences to cure, correct, or remedy such failure or delay within such thirty (30) day period after receipt of a notice from the other Party not in default specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion within an additional sixty (60) days following the conclusion of the thirty (30) day period, for a total of ninety (90) days. The time to cure set forth in this Section 6.1 shall apply generally and shall not apply to any shorter or longer time to cure for a specific default as may be provided in this Agreement. Except as required to protect against further damages, the Party not in default may not institute proceedings against the Party in default until the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a Party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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. City shall provide written notice to Landlord and Borrower's Investor Limited Partner of any default of Borrower under this Agreement and will recognize any cure of any default of Borrower tendered by Landlord or Borrower's Investor Limited Partner with the same effect as if the same were tendered by Borrower.

6.2 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

6.3 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Agreement without regard to conflict of law principles.

6.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

6.5 Attorney's Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. If any Party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other Party, then the Party so litigating shall be entitled to reasonable attorneys' fees from the other Party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a Party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

6.6 Indemnification. Borrower agrees to indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Borrower or Borrower's officers, employees, contractors, and agents, in the

performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon, except to the extent caused by the active negligence or willful misconduct of the Indemnitee. The Indemnitee shall promptly notify Borrower of the filing of any such action and cooperate with Borrower in the defense thereof (at no cost to Indemnitee). So long as Borrower is not in default hereunder, the Indemnitee shall not compromise the defense of such action or permit a default judgment to be taken against the Indemnitee without the prior written approval of Borrower.

7. GENERAL PROVISIONS.

7.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Borrower:	Woodbury Partners c/o BRIDGE Housing Corporation 345 Spear Street, Suite 700 San Francisco, CA 94105 Attn: President
With copies to:	BRIDGE Housing Corporation – Southern California 9191 Towne Centre Drive, Suite 310 San Diego, CA 92122 Attn: Director
and	The Irvine Company 550 Newport Center Drive Newport Beach, CA 92660 Attn: General Counsel
and	Goldfarb & Lipman LLP 1300 Clay Street, 9th Floor Oakland, CA 94612 Attn: Polly Marshall, Esq.

and

MMA Woodbury I, LLC
c/o MMA Financial, Inc.
101 Arch Street
Boston, MA 02110
Attn: Asset Management

and

Holland & Knight, LLP
10 St. James Avenue
Boston, MA 02116
Attn: James E. McDermott, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

7.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Borrower in the event of any default or breach by City or for any amount which may become due to Borrower or on any obligations under the terms of this Agreement.

7.3 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth this Section 7.3, performance by either Party hereunder shall not be deemed to be in default and such Party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such Party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; supernatural causes; 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; and delays of any contractor, subcontractor or supplies. Notwithstanding the foregoing, Borrower's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Borrower to an extension of time to perform. An extension of time for any cause permitted under this Section 7.3 shall be limited to 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 knowledge of the commencement of the cause, or if no written notice is sent within thirty (30) days, from the date written notice is sent to the other Party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Borrower. The Contract Officer shall have the authority on behalf of City in its sole and absolute discretion to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days.

7.4 Inspection of Books and Records. City shall have the right at all reasonable times with 48 hours prior written notice to inspect the books and records of Borrower pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

7.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any Party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

7.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the Parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Borrower.

7.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform, taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the Parties; and the Parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

7.8 Prohibition Against Assignment and Transfer by Borrower. The qualifications and identity of Borrower are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Borrower and entered into this Agreement with Borrower. Accordingly, Borrower shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. In considering whether it will grant approval to any assignment by Borrower of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Borrower's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects. No assignment or transfer of Borrower's interest in this Agreement or the Site, including a transfer pursuant to clauses (i)-(vi) of the following sentence, shall be effective unless and until the proposed assignee and Borrower execute and deliver to City an assignment and assumption agreement in form satisfactory to the Contract Officer and City Attorney. City hereby approves the following transfers: (i) transfer of a general partnership interest in Borrower to a nonprofit or limited liability company affiliate of BRIDGE SC, LLC, a California limited liability company ("BSC LLC") or BRIDGE Housing Corporation – Southern California, a California nonprofit public benefit corporation ("BSC"); (ii) removal of BSC LLC by the limited partner pursuant to the Borrower's partnership agreement, provided a new nonprofit or limited liability company general partner approved by City (such approval not to be unreasonably withheld) is designated by the limited partner within ninety (90) days; (iii) transfer of limited partnership interests in Borrower; (iv) execution of an option agreement between Borrower and BSC LLC; (v) exercise of the option and purchase of Borrower's leasehold interest in the Site and the Project by BSC or BSC LLC, or a nonprofit or

limited liability company affiliate of BSC or BSC LLC; and (vi) exercise by Landlord of its option to purchase Borrower's leasehold interest as set forth and in accordance with the terms of the Ground Lease. As used in the preceding sentence, the term "affiliate" shall mean an entity who directly or indirectly controls BSC or BSC LLC, or is controlled by BSC or BSC LLC, such as, but not limited to, BRIDGE Housing Corporation, a California nonprofit public benefit corporation.

7.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Borrower's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Borrower's approval to the Agency, or (b) with the approval of Borrower, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the community land trust ("CLT") duly created and existing pursuant to law for the benefit of creating and maintaining affordable housing within the City (the "Irvine CLT"). At the time of execution of this Agreement, the Irvine CLT has not been created but is anticipated to be duly authorized and in existence soon after the execution of this Agreement, and Borrower hereby acknowledges and agrees that the provisions in this Section 7.9 shall be binding upon Borrower upon the lawful creation of the Irvine CLT.

7.10 Third Party Beneficiaries. The Agency is an intended third party beneficiary of this Agreement (which by definition includes all attachments hereto) and shall have the right, but not the obligation, to enforce its provisions. Except as provided in this Section 7.10, no person or entity other than City, Borrower, and the Agency, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

7.11 Right of Refusal to Purchase Borrower's Interest. In the event that: (i) Borrower desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than BSC, BSC LLC, or any affiliate of BSC or BSC LLC (as defined in Section 7.8 above), and (ii) Borrower has complied with any and all approvals as required by Landlord pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Borrower has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Borrower shall give written notice to City of Borrower's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted assignee or successor) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Borrower in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Borrower hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer.

If City elects to exercise its option, City shall deliver to Borrower its written "Notice of Exercise of Option" of such election within sixty (60) days after receipt of the Notice

of Intent to Sell, where the option set forth in this Section 7.11 shall remain open and available to City for the sixty (60) day period. In the event City fails to exercise its option within the sixty (60) day period, then: (i) Borrower shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of such sixty (60) day period; and (ii) City shall, upon request, deliver to Borrower an acknowledgement of City's failure or decision not to exercise the option and Borrower's right to sell the Interest pursuant to this Section 7.11.

7.12 Representations and Warranties. Borrower and each person executing this Agreement on behalf of Borrower represents and warrants that: (a) Borrower is a California limited partnership in good standing and authorized to do business in the County of Orange; (b) Borrower has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Borrower, Borrower's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Borrower does not violate any provision of any other agreement to which Borrower is a party; (e) Borrower is an "affiliate," as that term is defined in Section 7.8 of this Agreement, of BRIDGE Housing Corporation, a California nonprofit public benefit corporation; and (f) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Borrower are necessary in connection with the execution of this Agreement by Borrower or with the performance by Borrower of its obligations hereunder.

7.13 Marketing of Units. No later than thirty (30) days prior to the date Borrower anticipates the commencement of the marketing of the Project, Borrower shall prepare and submit to the City Manager or designee for approval, which shall not be unreasonably withheld or delayed, a marketing plan (the "Marketing Plan") for the leasing of the Restricted Units, as that term is defined in the Regulatory Agreement.

7.14 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

7.15 Attachments. This Agreement contains eleven (11) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Development Schedule
3	Promissory Note Secured by Leasehold Deed of Trust with Assignment of Rents
4	Leasehold Deed of Trust with Assignment of Rents
5	Regulatory Agreement and Declaration of Covenants and Restrictions
6	Release of Construction Covenants
7	Construction Budget
8	Finance Budget
9	Approved Preliminary Plans
10	Development Plans
11	Ground Lease

IN WITNESS WHEREOF, City and Borrower have entered into this Agreement as of the Effective Date.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: City Manager

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"BORROWER"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

ATTACHMENT NO. 1

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

LEGAL DESCRIPTION OF SITE

[Attached]

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

ATTACHMENT NO. 2

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

DEVELOPMENT SCHEDULE

Acquisition of Site's Leasehold Interest	June 2006
Commencement of Construction	June 2006
Construction Completion	January 2008
Completion of Lease Up Activities	July 2008

It is understood that the attached Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Borrower. The Contract Officer shall have the authority on behalf of City to approve extensions of time not to exceed a cumulative total of one hundred eighty (180) days.

ATTACHMENT NO. 3

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

WITH ASSIGNMENT OF RENTS

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

WITH ASSIGNMENT OF RENTS

$2,850,000.00 April 21, 2006

FOR VALUE RECEIVED, on the date entered above (the "Note Date"), the undersigned, WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Two Million Eight Hundred Fifty Thousand Dollars ($2,850,000.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("City Note").

Reference is made to:

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, with an Effective Date of April 21, 2006, as may be amended from time to time with City's approval, ("Affordable Housing Agreement"), which sets forth terms and conditions for Borrower's development and operation of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Affordable Housing Agreement ("Real Property"). All buildings and other improvements and structures now or hereafter located on the Real Property are collectively known as "Improvements." The Real Property and Improvements thereon are collectively referred to as the "Site." The Affordable Housing Agreement provides for the construction and operation of a one hundred fifty (150) unit affordable housing rental housing project on the Site (the "Project"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Affordable Housing Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, in the form attached as Attachment No. 6 to the Affordable Housing Agreement, and recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time with City's approval ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust with Assignment of Rents securing this City Note recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time with City's approval ("Leasehold Deed of Trust").

(iv) The Ground Lease between Borrower and The Irvine Company ("Landlord") for the lease of the Site to Borrower, as may be amended from time to time with City's approval ("Ground Lease").

1. **Principal Amount; Interest Amount.** The principal amount of the City's loan to Borrower is Two Million Eight Hundred Fifty Thousand Dollars ($2,850,000.00) ("City Loan"). Simple interest shall accrue on the outstanding principal balance of the City Loan at the rate of three percent (3%) per annum, or the maximum legal limit, whichever is less, upon the first disbursement of funds from the City Loan, until accrued interest and unpaid principal are paid in full. The City Loan shall be disbursed to Borrower as set forth in the Affordable Housing Agreement.

2. **Repayment of City Loan.**

(a) Term of City Note. The term of this City Note (the "City Note Term") shall be fifty-eight (58) years from the Note Date. The date that marks the end of the City Note Term is the "Maturity Date." If not sooner paid, all remaining accrued interest and unpaid principal of the City Loan shall be due and payable on the Maturity Date.

(b) Repayment of City Loan. Borrower shall be obligated to repay the principal amount of the City Loan and accrued interest, without setoff or deduction, by paying to City annual payments equal to fifteen percent (15%) of the Project Cash Flow (as that term is defined below) for the preceding calendar year. Each annual payment shall be due and payable no later than June 1 of the following calendar year. Borrower's obligation to make annual payments hereunder shall be applicable only to the extent there is sufficient Project Cash Flow available from the Project from the preceding calendar year. For purposes of this Section 2, the following definitions shall apply:

> *"Gross Income"* shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including, without limitation, rent, cost reimbursements, parking charges and amounts received by, payable to, or payable to the order of Borrower.
>
> *"Index"* shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-84=100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.
>
> *"Operating Expenses"* shall mean all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance; (II) all taxes and assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs and contractors' fees incurred in the management, maintenance and/or operation of the Project; (iii) maintenance, repair and

component replacement of mechanical, plumbing, heating and air conditioning systems and elevators; (iv) property management fees not to exceed the lesser of (a) Forty Two Dollars and Fifty Cents ($42.50) per unit per month (which amount shall increase annually by the lesser of three percent (3%) or the rate of increase in the Index from the prior Lease Year) or (b) seven percent (7%) of the gross rental income received by Borrower in connection with its rental of units for the applicable Lease Year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on indebtedness (other than the indebtedness of the County Financing and the City Financing, each of which shall be payable from Project Cash Flow and shall not be included in determining Operating Expenses) scheduled in the Finance Budget (if any loan from any Mortgagee is exonerated or satisfied as a result of a foreclose proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses); (V) debt service on any loan made by a Mortgagee at a rate not in excess of then prevailing market rates, the proceeds of which loan are used solely for the purpose of paying off the then remaining principal balance of the County Financing on the maturity thereof, provided that the payment terms on such loan are approved by Landlord and not in excess of the County Debt Service; (VI) payments into operating and replacement reserves scheduled in the Finance Budget; (VII) any partnership management fee paid to the general partner of Borrower not to exceed Fifteen Thousand Dollars ($15,000.00) per Lease Year (which amount shall increase annually by three percent (3%)), and (VIII) payment to BRIDGE Housing Corporation, a California nonprofit public benefit corporation ("BRIDGE HC"), of a deferred developer fee, not to exceed One Hundred Thousand Dollars ($100,000.00) per Lease Year, related to the initial development of the Site in accordance with the Development Services Agreement concerning the Site between Borrower and BRIDGE HC as in effect as of the date hereof to the extent such deferred developer fee is not paid from capital contributions to Tenant or from financing proceeds and provided that Landlord has approved the amount of such deferred developer fee in the exercise of its reasonable discretion. Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (VI) above, Operating Expenses shall not include the cost of any recapture bond contemplated by that certain Purchase Option Agreement between Borrower and BRIDGE SC, LLC dated on or about April 25, 2006, and Operating Expenses shall not include any real property taxes or assessments for which Borrower is entitled to receive an exemption under Section 2.14(g) of the California Revenue and Taxation Code. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Site, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any Mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however, that the costs associated with appeals of real

property taxes and assessments shall be included in Operating Expenses only if Landlord has approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to be unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, as to each calendar year (or partial calendar year in the case of the first year in which Gross Income is generated), the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a cash basis without regard to any carry-over of profit or loss from any prior calendar year.

At the time each payment is due hereunder, Borrower shall provide to City a full accounting of the amount of Borrower's Gross Income and Operating Expenses for the preceding period for which Borrower's payment to City is to be determined, certified by Borrower to be true and correct, in order to enable City to verify the accuracy of Borrower's payment. Borrower shall keep and maintain on the Site or BRIDGE Housing Corporation's office, or at such other location approved by City, full, complete, accurate, and auditable books, records, and accounts of all income and expenses for a payment period until the date that is at least four (4) years after such payment is made. City and its designated agents and employees shall have the right at reasonable times upon request to examine and inspect all of the books and records of Borrower for the purpose of investigating and verifying the accuracy of any payment by Borrower. In addition, City may cause an audit of Borrower's books and records to be made by an independent certified accountant of City's selection and if the statement of the amount due to City made by Borrower shall be found to be inaccurate, then and in that event, there shall be an adjustment and one party shall pay to the other on demand such sums as may be necessary to settle in full the accurate amount that should have been paid for the period or periods covered by such inaccurate statement and payment, together with interest on any past due amounts in accordance with Section 2(d) herein. If said audit shall disclose an inaccuracy on the part of Borrower which resulted in an underpayment greater than three percent (3%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City. In addition, if such audit shall disclose any willful inaccuracy with respect to the payment obligation reported by Borrower, Borrower shall triple the amount otherwise shown to be due as a result of the audit. If City requests an inspection or makes an audit as set forth herein, the necessary books and records shall be produced, at Borrower's election, at the Site, City Hall, or an office of Borrower located in Orange County, within five (5) business days after request therefor.

(c) Late Charge. If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(d) Application of Payments. All payments shall be first credited to accrued interest, next to costs, charges, and fees which may be owing from time to time, and then to reduction of the outstanding principal balance. All payments shall be made in lawful money of the United States.

(e) Place of Payment. Payments shall be made to City at One Civic Center Plaza, Irvine, California 92623, Attn: Grants Coordinator, Community Development

Department, or at such other address or such other City official as City may direct pursuant to written notice delivered to Borrower.

3. **Default; Cross-Default**. Borrower shall be deemed in default of this City Note in the event (a) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (b) Borrower is in default of any of the other terms of this City Note, or in default of the Leasehold Deed of Trust, the Affordable Housing Agreement, or the Regulatory Agreement following expiration of the applicable cure period or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure. In the event Borrower is in default, City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable. City will recognize any cure of any default of Borrower under this City Note tendered by Landlord or Borrower's limited partner with the same effect as if the same were tendered by Borrower.

Notices of default to Borrower shall be addressed to:

Woodbury Partners
c/o BRIDGE Housing Corporation
345 Spear Street, Suite 700
San Francisco, CA 94105
Attn: President

With copies provided to:

BRIDGE Housing Corporation-Southern California
9191 Towne Centre Drive, Suite 310
San Diego, CA 92122
Attn: Director

The Irvine Company
550 Newport Center Drive
Newport Beach, CA 92660
Attn: General Counsel

MMA Woodbury I, LLC
c/o MMA Financial, Inc.
101 Arch Street
Boston, MA 02110
Attention: Asset Management

Holland & Knight, LLP
10 St. James Avenue
Boston, MA 02116
Attn: James E. McDermott, Esq.

4. **Acceleration Upon Sale, Lease, Encumbrance, or Refinance**. To the extent permitted by applicable law, if Borrower shall: (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign,

transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Affordable Housing Agreement and the Regulatory Agreement or other transfers contemplated in such agreements approved in writing by City); or (b) refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance; then, or at any time thereafter, City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable.

5. **Collection Costs; Litigation**. If this City Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this City Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this City Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

6. **Waiver of Presentment, Etc.**. To the extent permitted by law, Borrower and all endorsers, guarantors, and persons liable or to become liable on this City Note waive presentment, notices of protest, demand, and dishonor and nonpayment of this City Note, and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this City Note released in whole or in part or increased, changed, or exchanged by agreement between City and any owner of the premises affected by said documents securing this City Note, without in any way affecting the liability of any party to this City Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. **No Waiver by City**. No waiver of any breach, default, or failure of condition under the terms of this City Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

8. **Not Assignable**. This City Note shall not be assignable or assumable without the express written consent of City, which may be given or withheld in City's sole and absolute discretion.

9. **Severability; Governing Law; Amendment**. The unenforceability or invalidity of any provision or provisions of this City Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This City Note has been executed and delivered by Borrower in the State of California and is to

be governed and construed in accordance with the laws thereof. Neither this City Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

10. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced hereby, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site.

IN WITNESS WHEREOF, Borrower has executed this City Note as of the Note Date set forth above.

"BORROWER"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name:_____
Lydia Tan, Vice President

ATTACHMENT NO. 4

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS is made this 21st day of April, 2006, among WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Trustor"), whose address is c/o BRIDGE Housing Corporation, 345 Spear Street, Suite 700, San Francisco, California 94105, and FIRST AMERICAN TITLE COMPANY ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. **Grant In Trust.** For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest the real property located in the City of Irvine, County of Orange, State of California described in Exhibit "A" attached hereto and incorporated herein by this reference ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured.** Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Two Million Eight Hundred Fifty Dollars ($2,850,000.00) and interest accrued thereon, according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) performance of Trustor under the City Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated April 21,

2006 ("Affordable Housing Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Borrower's leasehold interest in the Site on or about the date hereof ("Regulatory Agreement"), as such agreements may be amended from time to time, and each agreement of Trustor incorporated by reference or contained herein; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing Agreement, and the Regulatory Agreement are collectively referred to herein as the "Loan Documents."

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default**. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Affordable Housing Agreement and Regulatory Agreement or other transfers approved by City or pre-approved by City pursuant to the Affordable Housing Agreement); (b) refinance any lien or encumbrance which has priority over this Leasehold Deed of Trust for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance; or (c) default on any of its obligations set forth in the Loan Documents following expiration of the applicable cure period or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. **Assignment of Rents and Performance of Leases.**

4.1 **Assignment of Rents and Leases**. Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents (including, but not limited to, all costs and expenses that must be paid from Project Cash Flow as set forth in the City Note), before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term,

condition, covenant, agreement or obligation contained in any Loan Document or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation, or if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to a cure within sixty (60) additional days thereafter (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a Lease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said Site is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"BORROWER"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me ~~(or proved to me on the basis of satisfactory evidence)~~ to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in his/her/their authorized capacity~~(ies)~~, and that by his/her/their signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On April 26, 2006, before me, Teri L. Beach,
personally appeared Sean Joyce

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

Witness my hand and official seal.

Notary Public

[SEAL]

TERI L. BEACH
COMM. # 1634143
NOTARY PUBLIC CALIFORNIA
ORANGE COUNTY
My comm. expires Jan. 10, 2010

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

Notary Public

[SEAL]

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	By: _____
_____	
_____	By: _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

[Attached]

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

ATTACHMENT NO. 5

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

REGULATORY AGREEMENT AND DECLARATION

OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this 21st day of April, 2006, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Declarant"). City and Declarant may sometimes hereinafter be referred to collectively as the "Parties" and individually as a "Party."

RECITALS

A. Declarant is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" ("Real Property"). All buildings and other improvements and structures now or hereafter located on the Real Property are collectively known as "Improvements." The Real Property and Improvements thereon are collectively referred to as the "Site." Only Declarant's leasehold interest in the Site shall be subject to this Agreement.

B. On or about April 21, 2006, City and Declarant entered into that certain Affordable Housing and Loan Agreement ("Affordable Housing Agreement") concerning the construction and operation of a one hundred fifty (150) unit affordable housing rental housing project on the Site (the "Project"). The Affordable Housing Agreement is incorporated herein by reference and is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623. All of the terms, conditions, provisions and covenants set forth in the Affordable Housing Agreement are incorporated in this Agreement by reference as though written out at length herein and the Affordable Housing Agreement and this Agreement shall be deemed to constitute a single instrument or document. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Affordable Housing Agreement.

C. Pursuant to the Affordable Housing Agreement, the source of the City Loan includes funds available from City in-lieu housing funds and other local funds (which shall not include any federal funds or tax-exempt bond proceeds), subject to approval in accordance with City Council Resolution No. 05-82 by the City Council on April 25, 2006.

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the affordability covenants to run with the land for a period set forth in this Agreement on no less than one hundred forty-eight (148) units, as more fully provided herein.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Definitions. In addition to the terms defined elsewhere in this Agreement or incorporated by reference from the Affordable Housing Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordability Term" shall mean the term the affordability covenants shall be binding upon the Site as provided in Section 3 of this Agreement.

"Affordable Housing Agreement" shall mean the Affordable Housing and Loan Agreement between City and Declarant as shown in Recital B of this Agreement, including all attachments, exhibits, and other documents attached thereto, as may be amended from time to time.

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent under Health and Safety Code Section 50053 or successor statute according to the following:

(a) For the Low Income Restricted Units, the Affordable Rent shall be the amount equal to annual rent that does not exceed the maximum percentage of income that can be devoted to rent for "lower income households" (which at the date of this Agreement is thirty percent (30%) times sixty percent (60%) of the Median Income adjusted for family size appropriate to the Restricted Unit), less a utility allowance for tenant paid utilities based on the schedule published from time to time by the Orange County Housing Authority or successor entity; and

(b) For the Moderate Income Restricted Units, the Affordable Rent shall be the amount equal to annual rent that does not exceed the maximum percentage of income that can be devoted to rent for "moderate income households" (which at the date of this Agreement is thirty percent (30%) times one hundred ten percent (110%) of the Median Income adjusted for family size appropriate to the Restricted Unit), less a utility allowance for tenant paid utilities based on the schedule published from time to time by the Orange County Housing Authority or successor entity.

For purposes of calculating the Affordable Rent, as used in clauses (a) and (b) above, "adjusted for family size appropriate to the Restricted Unit" shall mean a household of 1.5 persons in the case of a one-bedroom Restricted Unit, a household of 3 persons in the case of a two-bedroom Restricted Unit, and a household of 4.5 persons in the case of a three-bedroom Restricted Unit. In the event that "adjusted family size appropriate to the Restricted Unit" conflicts with the tax credit requirements, the tax credit requirements shall prevail.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City Loan" shall have the meaning ascribed in Recital C of this Agreement.

"City Note" shall mean that certain Promissory Note Secured by Leasehold Deed of Trust, executed by Declarant for the benefit of City on or about the same date of execution of this Regulatory Agreement and attached and incorporated into the Affordable Housing Agreement.

"Declarant" shall mean WOODBURY PARTNERS, A California Limited Partnership, and its permitted successors and assigns in and to its leasehold interest in the Site.

"Eligible Tenant" shall mean persons and families who, as of the commencement date of occupancy, are "persons or families of low or moderate income" whose income does not exceed the income limits as defined in Health and Safety Code Section 50093 or successor statute. At the time of this Agreement, "persons or families of low or moderate income" are defined by an income that does not exceed one hundred twenty percent (120%) of Median Income adjusted for family size.

"Low Income Restricted Units" shall mean those Restricted Units designated to be occupied at Affordable Rent by Eligible Tenants whose income does not exceed the income limit for "lower income households" as defined in Health and Safety Code Section 50079.5 or successor statute. At the time of this Agreement, a "lower income household" is defined as a household that earns no more than eighty percent (80%) of Median Income.

"Median Income" shall mean the Orange County area median income, adjusted for family size, as established by the United States Department of Housing and Urban Development, and as published periodically by the State of California Department of Housing and Community Development. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Moderate Income Restricted Units" shall mean those Restricted Units, other than Low Income Restricted Units, designated to be occupied at Affordable Rent by Eligible Tenants.

"Project" shall mean the development on the Site referred to in Recital B of this Agreement and more particularly described in the Affordable Housing Agreement.

"Release of Construction Covenants" shall mean the Release of Construction Covenants in the form attached to the Affordable Housing Agreement to be recorded against Declarant's leasehold interest in the Site upon the completion of the Project.

"Rental Agreement" shall mean the agreement between Declarant and each Eligible Tenant for rental of a Restricted Unit as provided in Section 4.7 of this Agreement.

"Residential Units" shall mean all of the one hundred fifty (150) residential units on the Site. The Residential Units are comprised of the following use matrix:

Unit Type	Number of Units	Square Footage (Appx.)	Beds/Bathrooms
1	30	689	1 bedroom/1 bath
2	60	854	2 bedrooms/1 bath
3	14	868	2 bedrooms/1 bath
4	6	1,062	3 bedrooms/2 bath
5	40	1,070	3 bedrooms/2 bath
TOTAL:	150		

"Restricted Units" shall mean the one hundred forty-eight (148) Residential Units on the Site that shall be rented to Eligible Tenants at Affordable Rent.

"Site" shall mean the real property described in Exhibit "A" and all improvements and structures now or hereafter constructed thereon.

"Site Manager" shall mean the property manager as provided in Section 7.1 of this Agreement.

"Site Manager Units" shall mean the Residential Units dedicated for use by Site Managers as authorized pursuant to Section 4.1 of this Agreement.

2. Development of the Project. Declarant shall commence and complete construction of the Project on the Site within the times and subject to the terms and conditions set forth in the Affordable Housing Agreement.

3. Affordability Term. This Agreement shall be recorded concurrently with the Leasehold Deed of Trust and on even date with the date of execution of the City Note. The covenants set forth in this Agreement, including the obligation to rent the Restricted Units to Eligible Tenants at Affordable Rent, shall remain in effect for a term (the "Affordability Term") of the longer of (a) fifty-eight (58) years from the Note Date (as that term is defined in the City Note) or (b) the length of the term of Borrower's leasehold interest as provided the Ground Lease (including any extension thereof as provided therein).

4. **Use.** Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as a residential rental complex. Declarant shall not permit any of the Residential Units or the Site in general to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facility, or other non-residential use.

Declarant shall designate no less than one hundred forty-eight (148) of the total one hundred fifty (150) Residential Units as Restricted Units. Forty-nine percent (49%) of the Restricted Units shall be Low Income Restricted Units, and the remaining Restricted Units shall be Moderate Income Restricted Units. Declarant shall have the authority in its sole discretion to dedicate no more than two (2) Residential Units for use by Site Managers ("Site Manager Units"); provided, however, that at no time while this Agreement is in force shall Declarant designate a Residential Unit as a Site Manager Unit if said designation would require or result in an Eligible Tenant being relocated to another Residential Unit or otherwise moved away from that Eligible Tenant's Restricted Unit. The Site Manager Units may, but need not be restricted to either Eligible Tenants or Affordable Rent. Declarant shall at all times use its best efforts to keep each and every Residential Unit occupied in accordance with the provisions of this Agreement.

4.2. Principal Residence. Each Restricted Unit shall be used as the principal residence of the Restricted Unit's Eligible Tenant and for no other purpose. An Eligible Tenant shall not lease or sublease its Restricted Unit or its right of occupancy. Declarant shall institute a program to ensure that the Restricted Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Restricted Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Restricted Unit shall include a provision limiting the number of persons permitted to occupy each Restricted Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a Restricted Unit, Declarant shall obtain an Income Computation and Certification Form in the form attached to this Agreement as Exhibit "B" from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Restricted Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said

agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City. Declarant shall maintain each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Restricted Unit by an Eligible Tenant, and on each anniversary date thereafter, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Restricted Unit. If, upon recertification, the occupant of a Low Income Restricted Unit has a household income that exceeds one hundred forty percent (140%) of the maximum eligible income for a "lower income household" as defined in Health and Safety Code Section 50079.5 or successor statute, or the occupant of a Moderate Income Restricted Unit has a household income that exceeds the income limits defined in Health and Safety Code Section 50093 or successor statute, Declarant shall terminate the Rental Agreement of the former Eligible Tenant in accordance with Section 5 of this Agreement.

4.6 Leasing Restricted Units. The Restricted Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Restricted Units, except for the following:

(a) To the extent that the Restricted Units are required to be rented to Eligible Tenants; and

(b) Pursuant to Section 7.13 of the Affordable Housing Agreement, which provides that, no later than thirty (30) days prior to the date Declarant anticipates the commencement of the marketing of the Project, Declarant shall prepare and submit to the City Manager or designee for approval, which shall not be unreasonably withheld or delayed, a marketing plan (the "Marketing Plan") for the leasing of the Restricted Units; and

(c) Declarant shall give priority in renting Restricted Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a Restricted Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Restricted Unit, Declarant shall rent available Restricted Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Restricted Units that become available in accordance with the Marketing Plan prepared by Declarant and approved by the City pursuant to Section 7.13 of the Affordable Housing Agreement.

4.7 Rental Agreement. The form of the rental agreement between Declarant and each of the Eligible Tenants ("Rental Agreement") shall be approved by City prior to the rental or leasing of any of the Restricted Units. Once approved, no changes shall be made to the

form of the Rental Agreement without City's prior written approval. The Rental Agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Not by way of the foregoing, each Rental Agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Restricted Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such Rental Agreement. In addition, each rental agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such Rental Agreement.

5. **Termination of Rental Agreement.** In addition to the provisions in Section 4.7 above, the Rental Agreement shall provide the terms, including notice and appeal rights, for the termination of a tenancy in the event the recertification process reveals the occupant's household income exceeds the maximum eligible income allowable as set forth in Section 4.5 of this Agreement. The notice shall provide that the occupant's assistance will be withdrawn six (6) months from the date of delivery of said notice, and shall provide the date of termination of the tenancy upon which the occupant must vacate the Restricted Unit.

6. **Maintenance of Site.** Declarant shall maintain or cause to be maintained the Site and all improvements on the Site, including the Restricted Units, in first class condition and repair consistent with similar projects (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of five (5) days after written notice from a City (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but is not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to attach a lien on the Site, or to assess the Site, 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 fifteen percent (15%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. **Management.**

7.1 Site Manager. Declarant shall manage or shall cause the rental project on the Site to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Site in accordance with the terms of this Agreement ("Site Manager"); provided, however, that the selection and hiring of such a Site Manager company shall be subject to approval by City, which shall not be unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Site Manager, whether that Site Manager is Declarant or a third party. The replacement Site Manager shall be required to operate and maintain the Site in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Site Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have five (5) days after receipt of such notice to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate the Restricted Units as an affordable housing project of the highest standard, and shall include, but is not limited to, the following:

i. Knowingly allowing a Restricted Unit to be occupied by a person who does not qualify as an Eligible Tenant;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Site in the manner prescribed in Section 6;

iv. Repeated failure to collect and review the Income Computation and Certification Form and supporting documents required pursuant to Sections 4.4 and 4.5 of this Agreement for the initial certification of applicants and annual recertification of Eligible Tenants;

v. Fraud or embezzlement of Project monies; and

vi. Failure to fully cooperate with the Irvine Police Department or other City agency or department in maintaining a crime free environment on the Site.

8. Records. Declarant shall maintain complete and accurate records pertaining to the Restricted Units, and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Restricted Units.

9. Right to Inspect. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement.

10. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocations benefits or assistance that may be asserted by any tenants or occupants of the Site.

11. Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its sole and absolute discretion

12. Indemnification. Declarant shall defend, indemnify and hold harmless City and its respective officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

13. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 13.

13.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are a follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and

after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in the Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

13.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 13.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled or limited in scope by the insurer or Declarant unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

14. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, and subject to the rights of senior lenders and the Landlord of the Site under the Ground Lease, Declarant 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement and the Affordable Housing Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed 18 months from the date of the destruction unless City, in its sole and absolute discretion, approves a longer period of time.

15. Defaults and Remedies.

15.1 Defaults. Failure or delay by any party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other party specifying the default (or five (5) days with respect to certain defaults described in Sections 6 and 7.2) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within sixty (60) days of the expiration of the initial thirty (30) day period (for a total of ninety (90) days). 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. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. City will provide written notice to Landlord of any default of Declarant under this Agreement and will recognize any cure of any default of Declarant tendered by Landlord with the same effect as if the same were tendered by Declarant.

15.2 Institution of Legal Actions. In addition to any other rights or remedies, any party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

15.3 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

16. Miscellaneous.

16.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof, with the exception of the Affordable Housing Agreement and the agreements attached to the Affordable Housing Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

16.2 Attorneys' Fees and Costs. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

16.3 Prohibition Against Assignment and Transfer. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects. No assignment or transfer of Declarant's interest in this Agreement or the Site, including a transfer pursuant to clauses (i)-(vi)

of the following sentence, shall be effective unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form satisfactory to the Contract Officer and City Attorney. City hereby approves the following transfers: (i) transfer of a general partnership interest in Declarant to a nonprofit or limited liability company affiliate of BRIDGE SC, LLC, a California limited liability company ("BSC LLC") or BRIDGE Housing Corporation – Southern California, a California nonprofit public benefit corporation ("BSC"); (ii) removal of BSC LLC by the limited partner pursuant to the Declarant's partnership agreement, provided a new nonprofit or limited liability company general partner approved by City (such approval not to be unreasonably withheld) is designated by the limited partner within ninety (90) days; (iii) transfer of limited partnership interests in Declarant; (iv) execution of an option agreement between Declarant and BSC LLC; (v) exercise of the option and purchase of Declarant's leasehold interest in the Site and the Project by BSC or BSC LLC, or a nonprofit or limited liability company affiliate of BSC or BSC LLC; and (vi) exercise by Landlord of its option to purchase Declarant's leasehold interest as set forth and in accordance with the terms of the Ground Lease. As used in the preceding sentence, the term "affiliate" shall mean an entity who directly or indirectly controls BSC or BSC LLC, or is controlled by BSC or BSC LLC, such as, but not limited to, BRIDGE Housing Corporation, a California nonprofit public benefit corporation.

16.4 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California without regard to conflict of law principles.

16.5 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

16.6 Notices. Whenever in this Agreement one party to the Agreement is required or permitted to give or serve a notice, request or demand to or on the other, such notice, request or demand shall be given or served upon the party to whom it is directed in writing and shall be delivered personally with a delivery receipt, or forwarded by certified mail, postage prepaid, return receipt requested or by commercial delivery service with a delivery receipt, addressed as follows:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.

To Declarant:	Woodbury Partners c/o BRIDGE Housing Corporation 345 Spear Street, Suite 700 San Francisco, CA 94105 Attn: President
With copies to:	BRIDGE Housing Corporation – Southern California 9191 Towne Centre Drive, Suite 310 San Diego, CA 92122 Attn: Director
and	The Irvine Company 550 Newport Center Drive Newport Beach, CA 92660 Attn: General Counsel
and	MMA Woodbury I, LLC c/o MMA Financial, Inc. 101 Arch Street Boston, MA 02110 Attention: Asset Management
and	Holland & Knight, LLP 10 St. James Avenue Boston, MA 02116 Attn: James E. McDermott, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

16.7 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with Declarant's leasehold interest in the Site, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Site and shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns; shall be binding upon Declarant and its successors and assigns; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's interest in the Site is rendered less valuable thereby. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site by Eligible Tenants, and by furthering the public purposes for City.

In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

Furthermore, upon termination of Declarant's leasehold interest in the Site, except for a termination pursuant to Article 8 (concerning Alteration, Damage or Destruction) or Artice 11 (concerning Eminent Domain) of the Ground Lease, the covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall not terminate, shall continue to run with the land, shall be binding upon the Site for the remainder of the Affordability Term as defined in Section 3 of this Agreement, and shall inure to the benefit of and be enforceable by the City and its successor and assigns. As evidenced by Landlord's signature below, Landlord hereby acknowledges, agrees and consents to the terms in this Section 16.7.

16.8 RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST. THIS SITE IS SUBJECT TO A RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST FOR THE DURATION OF THIS REGULATORY AGREEMENT. As set forth in the Affordable Housing Agreement, in the event that: (i) Declarant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than BRIDGE Housing Corporation – Southern California, a California nonprofit public benefit corporation ("BSC"), BRIDGE SC, LLC ("BSC LLC"), or any affiliate of BSC or BSC LLC (as defined in Section 16.3 of this Agreement), and (ii) Declarant has complied with any and all approvals as required by Landlord pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Declarant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Declarant shall give written notice to City of Declarant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted assignee or successor) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Declarant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Declarant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer.

If City elects to exercise its option, City shall deliver to Declarant its written "Notice of Exercise of Option" of such election within sixty (60) days after receipt of the Notice of Intent to Sell, where the option set forth in this Section 16.8 shall remain open and available to City for the sixty (60) day period. In the event City fails to exercise its option within the sixty (60) day period, then: (i) Declarant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of such sixty (60) day period; and (ii) City shall, upon request, deliver to Declarant an acknowledgement of City's failure or decision not to exercise the option and Declarant's right to sell the Interest pursuant to this Section 16.8.

16.9 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: City Manager

ATTEST:

_____
City Clerk

"DECLARANT"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

The IRVINE COMPANY, LLC, a Delaware limited liability company, "Landlord" herein, hereby acknowledges, agrees and consents to the terms of Section 16.7 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By the IRVINE COMPANY, LLC, a Delaware limited liability company:

By:_____

Its:_____

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

"DECLARANT"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

The IRVINE COMPANY LLC, a Delaware limited liability company, "Landlord" herein, hereby acknowledges, agrees and consents to the terms of Section 16.7 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By the IRVINE COMPANY LLC, a Delaware limited liability company:

By: SEE ATTACHED SIGNATURE BLOCK

Its: _____

LEGAL REVIEW

SIGNATURE BLOCK
FOR
Acknowledgement of
City Regulatory Agreement

PRINCIPAL

THE IRVINE COMPANY LLC, a Delaware limited liability company

By: _____
Clarence Barker
President, Investment Properties Group

By: _____
Richard E. Lamprecht
Senior Vice President, Development
Irvine Apartment Communities LLC,
authorized signatory



State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in his/her/their authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On April 26, 2006, before me, Teri L. Beach,
personally appeared Sean Joyce

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

Witness my hand and official seal.

Notary Public

[SEAL]

TERI L. BEACH
COMM. # 1634143
NOTARY PUBLIC CALIFORNIA
ORANGE COUNTY
My comm. expires Jan. 10, 2010

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

[Attached]

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

EXHIBIT "B"

INCOME COMPUTATION AND CERTIFICATION FORM

[Attached]

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date: _____
Move-in Date: _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____

Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above — TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____ X Passbook Rate 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income — TOTAL INCOME FROM ASSETS (K) $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ _____ _____ _____

Signature *(Date)* Signature *(Date)*

Signature _____ (Date) _____ Signature _____ (Date) _____

PART V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY:

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $ _____

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

Current Income Limit x 140%: $ _____

Household Income exceeds 140% at recertification: ☐ Yes ☐ No

Current Income Limit per Family Size: $ _____

Household Income at Move-in: $ _____ Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent $ _____
Utility Allowance $ _____

Rent Assistance: $ _____
Other non-optional charges: $ _____

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $ _____

Unit Meets Rent Restriction at:
θ 60% θ 50% θ 40% θ 30% θ____%

Maximum Rent Limit for this unit: $ _____

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?

☐ yes ☐ no

If yes, Enter student explanation* (also attach documentation)

Enter 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. _____ ☐ *(Name of Program)*
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

tased on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant ncome Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement if applicable), to live in a unit in this Project.

:IGNATURE OF OWNER/REPRESENTATIVE DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)	Enter the greater of the total in Column (I) or (J)
Row (L)	Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in

certification.

Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

**Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.
Other	If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

ATTACHMENT NO. 6

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

RELEASE OF CONSTRUCTION COVENANTS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator

(Space Above Line for Recorder's Use)

This Release of Construction Covenants is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

RELEASE OF CONSTRUCTION COVENANTS

This RELEASE OF CONSTRUCTION COVENANTS ("Release") is made this ____ day of _____, _____, by the CITY OF IRVINE, a California municipal corporation ("City"), in favor of WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Borrower").

RECITALS

A. Borrower is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Real Property"). All buildings and other improvements and structures now or hereafter located on the Real Property are collectively known as "Improvements." The Real Property and Improvements thereon are collectively referred to as the "Site." This Agreement shall be recorded against Borrower's leasehold interest in the Site.

B. On or about April 21, 2006, City and Borrower entered into that certain Affordable Housing and Loan Agreement ("Affordable Housing Agreement") concerning the construction of an affordable housing project on the Site and related improvements, more particularly described in the Affordable Housing Agreement as the "Project."

C. Pursuant to the Affordable Housing Agreement, upon request by Borrower, City is required to furnish Borrower with this Release upon completion of all construction work to be completed by Borrower on the Site under the Affordable Housing Agreement.

D. The issuance by City of this Release shall be conclusive evidence that Borrower has complied with the terms of the Affordable Housing Agreement pertaining to the construction of the Project on the Site.

NOW, THEREFORE:

1. As provided in the Affordable Housing Agreement, City does hereby certify that the construction of the Project has been satisfactorily performed and completed, and that such development and construction work complies with the Affordable Housing Agreement.

2. This Release does not constitute evidence of compliance with or satisfaction of any obligation of Borrower to any holder of a mortgage or any insurer of a mortgage security money loaned to finance the work of construction of improvements and development of the Site, or any part thereof, nor shall it affect any obligations under the Affordable Housing Agreement that survive the issuance of this Release.

3. This Release is not a notice of completion as referred to in Section 3093 of the California Civil Code.

IN WITNESS WHEREOF, City has executed this Release as of this ____ day of _____, _____.

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

On behalf of the undersigned, I hereby consent to the recordation of this Release of Construction Covenants against the undersigned's leasehold interest in the Site.

"BORROWER"

Dated: _____

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Printed Name:_____
Title:_____

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

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

Witness my hand and official seal.

_____
Notary Public

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

[Attached]

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

ATTACHMENT NO. 7

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

CONSTRUCTION BUDGET

[Attached]

Billing Schedule of Values

Woodbury

A COST CODE	B DESCRIPTION OF WORK	C QTY. OF UNITS	D AMOUNT PER UNIT	E SCHEDULED VALUE (C x D)	F TOTAL UNITS COMPLETE	G TOTAL COMPLETED TO DATE (F x D)	% COMPLETE (G/C)	H BALANCE TO FINISH (C-G)	Previous Applications Gross	Current Bill Gross	Current Ret	Current Bill Net
Div. 02000	**SITE WORK**											
2-100	**Site Clearing and Grubbing**			75,000.00						0.00	0.00	0.00
	Upon completion	1	75,000.00	75,000.00	-	-	0%	75,000.00		-	-	-
2-200	**Rough Clean Site**			125,000.00						0.00	0.00	0.00
	Recreation Building	1	18,750.00	18,750.00	-	-	0%	18,750.00		-	-	-
	Per Building	10	10,625.00	106,250.00	-	-	0%	106,250.00		-	-	-
2-210	**Rough Grading**			450,000.00						0.00	0.00	0.00
	Upon completion	1	450,000.00	450,000.00	-	-	0%	450,000.00		-	-	-
2-215	**Finish Grading**			120,000.00						0.00	0.00	0.00
	Recreation Building	1	12,000.00	12,000.00	-	-	0%	12,000.00		-	-	-
	Per Building	10	10,800.00	108,000.00	-	-	0%	108,000.00		-	-	-
2-220	**(A) Import/Export**			50,000.00						0.00	0.00	0.00
	At completion of Foundations	1	50,000.00	50,000.00	-	-	0%	50,000.00		-	-	-
2-330	**Erosion & Sediment Control**			85,000.00						0.00	0.00	0.00
	1st Month	1	10,000.00	10,000.00	-	-	0%	10,000.00		-	-	-
	Monthly	17	4,411.76	75,000.00	-	-	0%	75,000.00		-	-	-
2-600	**Domestic Water Distribution Systems**			375,000.00						0.00	0.00	0.00
	Layout and Trench	1	135,000.00	135,000.00	-	-	0%	135,000.00		-	-	-
	Install Pipe	1	97,500.00	97,500.00	-	-	0%	97,500.00		-	-	-
	Valves and Taps	1	142,500.00	142,500.00	-	-	0%	142,500.00		-	-	-
2-610	**Disinfection of Water Systems**			5,000.00						0.00	0.00	0.00
	Upon completion	1	5,000.00	5,000.00	-	-	0%	5,000.00		-	-	-
2-630	**Fire Water Systems**			185,000.00						0.00	0.00	0.00
	Layout and Trench	1	37,000.00	37,000.00	-	-	0%	37,000.00		-	-	-
	Install Pipe	1	74,000.00	74,000.00	-	-	0%	74,000.00		-	-	-
	Valves and Taps	1	74,000.00	74,000.00	-	-	0%	74,000.00		-	-	-
2-640	**Sanitary Sewerage Systems**			165,000.00						0.00	0.00	0.00
	Trench and Pipe	1	49,500.00	49,500.00	-	-	0%	49,500.00		-	-	-
	Structures and Back Fill	1	115,500.00	115,500.00	-	-	0%	115,500.00		-	-	-
2-650	**Storm Sewerage Systems**			165,000.00						0.00	0.00	0.00
	Trench and Pipe	1	80,850.00	80,850.00	-	-	0%	80,850.00		-	-	-
	Structures and Back Fill	1	84,150.00	84,150.00	-	-	0%	84,150.00		-	-	-
2-670	**Dry Utilities**			168,000.00						0.00	0.00	0.00
	Recreation Building	1	19,200.00	19,200.00	-	-	0%	19,200.00		-	-	-
	Per Building	10	14,880.00	148,800.00	-	-	0%	148,800.00		-	-	-
2-510	**Asphalt Paving**			225,500.00						0.00	0.00	0.00
	Sub Grade and Base	1	124,025.00	124,025.00	-	-	0%	124,025.00		-	-	-
	Pave Section	1	101,475.00	101,475.00	-	-	0%	101,475.00		-	-	-
2-515	**Paving Markings**			8,500.00						0.00	0.00	0.00
	Upon completion	1	8,500.00	8,500.00	-	-	0%	8,500.00		-	-	-
2-522	**Asphalt Patching**			7,500.00						0.00	0.00	0.00
	Section 1	1	7,500.00	7,500.00	-	-	0%	7,500.00		-	-	-
2-540	**Concrete Curb and Gutter**			150,000.00						0.00	0.00	0.00
	Upon completion	1	150,000.00	150,000.00	-	-	0%	150,000.00		-	-	-
2-545	**Concrete Paving**			20,000.00						0.00	0.00	0.00
	Upon completion	1	20,000.00	20,000.00	-	-	0%	20,000.00		-	-	-
2-550	**Concrete Sidewalks**			195,500.00						0.00	0.00	0.00
	Recreation Area and Entry	1	23,000.00	23,000.00	-	-	0%	23,000.00		-	-	-
	Per Building	10	17,250.00	172,500.00	-	-	0%	172,500.00		-	-	-
2-831	**Fences and Gates**			10,000.00						0.00	0.00	0.00
	Upon completion	1	10,000.00	10,000.00	-	-	0%	10,000.00		-	-	-
2-380	**Retaining Walls**			30,500.00						0.00	0.00	0.00
	Upon completion	1	30,500.00	30,500.00	-	-	0%	30,500.00		-	-	-
2-883	**Carports**			32,500.00						0.00	0.00	0.00
	Per Section	4	8,125.00	32,500.00	-	-	0%	32,500.00		-	-	-
2-900	**(A) Landscaping / Irrigation / Toilet / Drain**			325,000.00						0.00	0.00	0.00
	Recreation Building	1	48,750.00	48,750.00	-	-	0%	48,750.00		-	-	-
	Per Building	10	27,625.00	276,250.00	-	-	0%	276,250.00		-	-	-
2-910	**Community Entry Monumentation**			5,500.00						0.00	0.00	0.00
	Upon completion	1	5,500.00	5,500.00	-	-	0%	5,500.00		-	-	-
	Total Site Work			2,979,500.00		-		2,979,500.00		-	-	-
Div. 02990	**OFF SITE WORK**											
2-991	**Off Site Asphalt Patch Paving**			5,500.00						0.00	0.00	0.00
	Upon completion	1	5,500.00	5,500.00	-	-	0%	5,500.00		-	-	-
2-992	**Off Site Public Walkways**			40,000.00						0.00	0.00	0.00
	Upon completion	1	40,000.00	40,000.00	-	-	0%	40,000.00		-	-	-
2-993	**Off Site Drive Way Approach**			3,500.00						0.00	0.00	0.00
	Upon completion	1	3,500.00	3,500.00	-	-	0%	3,500.00		-	-	-
	Total Concrete			49,000.00		-		49,000.00		-	-	-

4

Billing Schedule of Values

Woodbury

A COST CODE	B DESCRIPTION OF WORK	C QTY. OF UNITS	D AMOUNT PER UNIT	E SCHEDULED VALUE (C x D)	F TOTAL UNITS COMPLETE	G TOTAL COMPLETED TO DATE (F x D)	% COMPLETE (G/C)	H BALANCE TO FINISH (C-G)	Previous Applications Gross	Current Bill Gross	Current Ret	Current Bill Net
Div. 03000	CONCRETE											
3-300	Concrete Foundations/Slabs			1,331,855.00						0.00	0.00	0.00
	Recreation Building	1	91,855.00	91,855.00		-	0%	91,855.00		-	-	-
	Layout and Trench	10	35,000.00	350,000.00	-	-	0%	350,000.00		-	-	-
	Form	10	25,000.00	250,000.00	-	-	0%	250,000.00		-	-	-
	Steel and Cables	10	34,000.00	340,000.00	-	-	0%	340,000.00		-	-	-
	Pour Slab	10	30,000.00	300,000.00	-	-	0%	300,000.00		-	-	-
3-500	Concrete Topping at Decks			62,000.00						0.00	0.00	0.00
	Per Building	10	6,200.00	62,000.00		-	0%	62,000.00		-	-	-
3-510	Gypsum Topping			58,750.00						0.00	0.00	0.00
	Per Building	10	5,875.00	58,750.00	-	-	0%	58,750.00		-	-	-
	Total Concrete			1,452,605.00		-		1,452,605.00		-	-	-
Div. 04000	MASONRY											
4-833	Trash/Recycle Enclosure			65,000.00						0.00	0.00	0.00
	Each Unit	10	6,500.00	65,000.00		-	0%	65,000.00		-	-	-
	Total Masonry			65,000.00		-		65,000.00		-	-	-
Div. 05000	METALS											
5-100	Structural Steel			25,000.00						0.00	0.00	0.00
	Per Building	10	2,500.00	25,000.00		-	0%	25,000.00		-	-	-
5-300	Metal Stairs and Rails			210,000.00						0.00	0.00	0.00
	Per Building	10	21,000.00	210,000.00		-	0%	210,000.00		-	-	-
5-400	Patio / Balcony Rails			115,000.00						0.00	0.00	0.00
	Per building	10	11,500.00	115,000.00		-	0%	115,000.00		-	-	-
	Total Metals			350,000.00		-		350,000.00		-	-	-
Div. 06000	WOODS & PLASTICS											
6-100	Rough Carpentry			3,198,000.00						0.00	0.00	0.00
	Lumber Drop 1	1	645,000.00	645,000.00		-	0%	645,000.00		-		-
	Lumber Drop 2	1	617,000.00	617,000.00		-	0%	617,000.00		-	-	-
	Recreation Building	1	88,000.00	88,000.00		-	0%	88,000.00		-	-	-
	Frame Per Building	10	180,000.00	1,800,000.00		-	0%	1,800,000.00		-	-	-
6-200	Finish Carpentry Doors, Trim, Shelving			450,000.00						0.00	0.00	0.00
	Recreation Building	1	42,000.00	42,000.00		-	0%	42,000.00		-	-	-
	Per Building	10	40,800.00	408,000.00	-	-	0%	408,000.00		-	-	-
6-400	Counter Tops			63,500.00						0.00	0.00	0.00
	Recreation Building	1	9,350.00	9,350.00	-	-	0%	9,350.00		-	-	-
	Per Building	10	5,415.00	54,150.00	-	-	0%	54,150.00		-	-	-
	Total Woods & Plastics			3,663,500.00		-		3,663,500.00		-	-	-
Div. 07000	THERMAL & MOISTURE											
7-100	Waterproofing			95,000.00						0.00	0.00	0.00
	Per Building	10	9,500.00	95,000.00		-	0%	95,000.00		-	-	-
7-200	Building Insulation			315,000.00						0.00	0.00	0.00
	Recreation Building	1	17,250.00	17,250.00		-	0%	17,250.00		-	-	-
	Per Building	10	9,775.00	97,750.00		-	0%	97,750.00		-	-	-
7-300	Concrete Roof Tiles			298,650.00						0.00	0.00	0.00
	Recreation Building	1	55,622.00	55,622.00		-	0%	55,622.00		-	-	-
	Per Building	10	14,302.80	143,028.00		-	0%	143,028.00		-	-	-
7-620	Sheetmetal Flashing and Trim			185,000.00						0.00	0.00	0.00
	Recreation Building	1	29,400.00	29,400.00		-	0%	29,400.00		-	-	-
	Per Building	10	7,560.00	75,600.00		-	0%	75,600.00		-	-	-
7-770	Gutters and Downspouts			48,000.00						0.00	0.00	0.00
	Recreation Building	1	5,250.00	5,250.00		-	0%	5,250.00		-	-	-
	Per Building	10	3,475.00	34,750.00		-	0%	34,750.00		-	-	-
7-775	Expansion Joints			15,000.00						0.00	0.00	0.00
	Recreation Building	1	1,500.00	1,500.00		-	0%	1,500.00		-	-	-
	Per Building	10	1,350.00	13,500.00		-	0%	13,500.00		-	-	-
7-780	Sealants and Caulking			15,000.00						0.00	0.00	0.00
	Recreation Building	1	1,200.00	1,200.00		-	0%	1,200.00		-	-	-
	Per Building	10	1,380.00	13,800.00		-	0%	13,800.00		-	-	-
	Total Thermal & Moisture			583,650.00		-		583,650.00		-	-	-
Div. 08000	DOORS & WINDOWS											
8-200	Access Doors			10,000.00						0.00	0.00	0.00
	Recreation Building	1	1,280.00	1,280.00		-	0%	1,280.00		-	-	-
	Per Building	10	872.00	8,720.00		-	0%	8,720.00		-	-	-
8-300	Sectional Overhead Doors			51,999.00						0.00	0.00	0.00
	Recreation Building	1	2,999.00	2,999.00		-	0%	2,999.00		-	-	-
	Per Building	10	4,880.00	48,800.00		-	0%	48,800.00		-	-	-

9

Billing Schedule of Values

Woodbury

A COST CODE	B DESCRIPTION OF WORK	C QTY. OF UNITS	D AMOUNT PER UNIT	E SCHEDULED VALUE (C x D)	F TOTAL UNITS COMPLETE	G TOTAL COMPLETED TO DATE (F x D)	% COMPLETE (G/C)	K BALANCE TO FINISH (C-G)	Previous Applications Gross	Current Bill Gross	Current Ret	Current Bill Net
	9-520 Vinyl windows			228,976.00								
	Recreation Building	1	10,000.00	10,000.00		-	0%	10,000.00		0.00	0.00	0.00
	Per Building	10	21,000.00	210,000.00		-	0%	210,000.00		-	-	-
	Total Doors & Windows			281,976.00		-		281,976.00		-	-	-
Div. 09000	FINISHES											
	9-200 Stucco			1,299,568.00								
	Recreation Building	1	133,055.00	133,055.00		-	0%	133,055.00		0.00	0.00	0.00
	Scaffold per Building	10	45,000.00	450,000.00		-	0%	450,000.00		-	-	-
	Lath Per Building	10	39,500.00	395,000.00		-	0%	395,000.00		-	-	-
	Scratch and Brown Per Building	10	12,469.15	124,691.50		-	0%	124,691.50		-	-	-
	Color Per Building	10	10,875.15	108,752.50		-	0%	108,752.50		-	-	-
	9-210 Drywall and Finishes			1,275,000.00								
	Recreation Building	1	102,000.00	102,000.00		-	0%	102,000.00		0.00	0.00	0.00
	Stock Drywall Per Building	10	32,875.00	328,750.00		-	0%	328,750.00		-	-	-
	Hand per Building	10	42,325.00	423,250.00		-	0%	423,250.00		-	-	-
	Tape	10	30,100.00	301,000.00		-	0%	301,000.00		-	-	-
	Texture and Clean	10	12,000.00	120,000.00		-	0%	120,000.00		-	-	-
	9-310 Ceramic Tile			10,000.00								
	Recreation Building	1	10,000.00	10,000.00		-	0%	10,000.00		0.00	0.00	0.00
	9-650 Resilient Flooring			43,000.00								
	Per Building	10	4,300.00	43,000.00		-	0%	43,000.00		0.00	0.00	0.00
	9-680 Carpet / Pad			160,000.00								
	Per Building	10	16,000.00	160,000.00		-	0%	160,000.00		0.00	0.00	0.00
	9-900 Painting			210,000.00								
	Recreation Building	1	21,000.00	21,000.00		-	0%	21,000.00		0.00	0.00	0.00
	Per Building	10	18,850.00	189,000.00		-	0%	189,000.00		-	-	-
	Total Finishes			2,918,568.00		-		2,918,568.00		-	-	-
Div. 10000	SPECIALTIES											
	10-600 Fire extinguishers and cabinets			15,000.00								
	Per Building	10	1,500.00	15,000.00		-	0%	15,000.00		0.00	0.00	0.00
	10-620 Postal Specialties			9,000.00								
	Upon Delivery	1	9,000.00	9,000.00		-	0%	9,000.00		0.00	0.00	0.00
	10-630 Postal Specialties			503.00								
	Upon Delivery	1	503.00	503.00		-	0%	503.00		0.00	0.00	0.00
	10-690 Mirrors			20,000.00								
	Per Building	10	2,000.00	20,000.00		-	0%	20,000.00		0.00	0.00	0.00
	10-700 Key Boxes			2,500.00								
	Upon Delivery	1	2,500.00	2,500.00		-	0%	2,500.00		0.00	0.00	0.00
	Total Specialties			47,003.00		-		47,003.00		-	-	-
Div. 11000	EQUIPMENT											
	11-500 Appliances			210,000.00								
	Per unit	150	1,400.00	210,000.00		-	0%	210,000.00		0.00	0.00	0.00
	Total Equipment			210,000.00		-		210,000.00		-	-	-
Div. 12000	FURNISHINGS											
	12-225 Cabinets			302,800.00								
	Recreation Building	1	17,600.00	17,600.00		-	0%	17,600.00		0.00	0.00	0.00
	Per Building	10	28,520.00	285,200.00		-	0%	285,200.00		-	-	-
	12-500 Window Treatments			28,000.00								
	Per Building	10	2,800.00	28,000.00		-	0%	28,000.00		0.00	0.00	0.00
	Total Furnishings			330,800.00		-		330,800.00		-	-	-
Div. 13000	SPECIALTIES CONSTRUCTION											
	13-100 Clubhouse Upgrades			20,000.00								
	Upon completion	1	20,000.00	20,000.00		-	0%	20,000.00		0.00	0.00	0.00
	13-500 Final Clean			32,000.00								
	Per Building	10	3,200.00	32,000.00		-	0%	32,000.00		0.00	0.00	0.00
	13-600 Fire Alarm System			120,000.00								
	Plans	1	10,000.00	10,000.00		-	0%	10,000.00		0.00	0.00	0.00
	Per Building	10	11,000.00	110,000.00		-	0%	110,000.00		-	-	-
	13-650 Fire Sprinkler System			240,000.00								
	Plans and contractor	1	20,000.00	20,000.00		-	0%	20,000.00		0.00	0.00	0.00
	Sprinklers per building	10	22,000.00	220,000.00		-	0%	220,000.00		-	-	-
	Total Specialties			412,000.00		-		412,000.00		-	-	-
Div. 15000	MECHANICAL											
	15-400 Plumbing			1,448,925.00								
	Recreation Building	1	105,675.00	105,675.00		-	0%	105,675.00		0.00	0.00	0.00
	Underground Rough Per Building	10	61,000.00	610,000.00		-	0%	610,000.00		-	-	-
	Waste Vent and Water Per Building	10	58,900.00	589,000.00		-	0%	589,000.00		-	-	-
	Finish Per Building	10	15,425.00	154,250.00		-	0%	154,250.00		-	-	-

4

Billing Schedule of Values

Woodbury

A COST CODE	B DESCRIPTION OF WORK	C QTY. OF UNITS	D AMOUNT PER UNIT	E SCHEDULED VALUE (C x D)	F TOTAL UNITS COMPLETE	G TOTAL COMPLETED TO DATE (F x D)	% COMPLETE (G/C)	H BALANCE TO FINISH (C-G)	Previous Applications Gross	Current Bill Gross	Current Ret	Current Bill Net
15-500	HVAC Systems			440,000.00						0.00	0.00	0.00
	Recreation Building	1	66,000.00	66,000.00		-	0%	66,000.00		-	-	-
	Rough Ducts and Line Sets	10	24,425.00	244,250.00		-	0%	244,250.00		-	-	-
	Finish, Condensers, Thermostats, and Registers	10	12,975.00	129,750.00		-	0%	129,750.00		-	-	-
	Total Mechanical			1,900,925.00		-		1,900,925.00		-	-	-
Div. 16000	ELECTRICAL											
16-100	Electrical - Labor & Materials			465,000.00						0.00	0.00	0.00
	Recreation Building	1	55,800.00	55,800.00		-	0%	55,800.00		-	-	-
	Rough per Building	10	21,855.00	218,550.00		-	0%	218,550.00		-	-	-
	Finish Per Building	10	19,065.00	190,650.00		-	0%	190,650.00		-	-	-
16-150	Electrical Fixtures			150,000.00						0.00	0.00	0.00
	Recreation Building	1	16,500.00	16,500.00		-	0%	16,500.00		-	-	-
	Rough per Building	10	8,250.00	82,500.00		-	0%	82,500.00		-	-	-
	Finish Per Building	10	5,100.00	51,000.00		-	0%	51,000.00		-	-	-
16-160	Electrical Bases			54,250.00						0.00	0.00	0.00
	Each	10	5,425.00	54,250.00		-	0%	54,250.00		-	-	-
	Total Electrical			669,250.00		-		669,250.00		-	-	-
17-100	Project Continuency	1	158,842.00	158,842.00	0%	-	0%	158,842.00		-	-	-
1-090	Mobilization	1	100,000.00	100,000.00	0%	-	0%	100,000.00		-	-	-
1-100	Monthly Lump Sum General Conditions	1	723,333.00	723,333.00	0%	-	0%	723,333.00		-	-	-
1-045	General Liability Insurance	1	296,076.00	296,076.00	0%	-	0%	296,076.00		-	-	-
1-046	Bond	1	262,334.00	262,334.00	0%	-	0%	262,334.00		-	-	-
1-990	Fee	1	765,183.00	765,183.00	0%	-	0%	765,183.00		-	-	-
				2,305,668.00		-		2,305,668.00		-	-	-
	Grand Total			18,200,000.00		0.00	0%	18,200,000.00		0.00	0.00	0.00

4

ATTACHMENT NO. 8

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

FINANCE BUDGET

[Attached]

Finance Budget

Total Uses:		
Acquisition & Related		0
Holding Costs		0
	subtotal	**0**
Construction		18,250,000
Furnishings and Equipment		105,000
Hard Cost Contingency		1,365,000
	subtotal	**19,720,000**
Architecture/Engineering		1,211,320
Permits and Fees		5,679,847
Construction Loan Interest/Fees		500,227
Permanent Loan Fees/Costs		133,323
Legal		50,000
Appraisal/Market Study		40,200
Marketing/Lease-up		368,698
Title/Audit/Cost Certification		70,000
Insurance		271,001
Property Taxes		146,250
Soft Cost Contingency and Reserves		1,626,023
	subtotal	**10,096,888**
Syndication Costs and Developer Fee		1,608,484
	subtotal	**1,608,484**
	TOTAL	**31,314,065**

Total Permanent Sources:	
Permanent Mortgage	6,190,000
City of Irvine	2,850,000
Orange County	2,318,070
Limited Partner Equity	19,954,000
GP Equity (0.1% of LP pay-in)	1,995
TOTAL	**31,314,065**

ATTACHMENT NO. 9

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

APPROVED PRELIMINARY PLANS

[Attached]

Master Plan 00367275-PMP:

Sheet	Date	Sheet Title
T-1.0	3/16/05	Title Sheet
E-1	4/7/05	Site Details and Tabulations
E-2	4/7/05	Site Plan
E-3	4/7/05	Turning Radius for Emergency Vehicles
A-1	3/16/05	Typical Unit Plans
AA-1	3/16/05	Building A Composite Floor Plans*
AA-2	3/16/05	Building A Exterior Elevations & Roof Plan*
AB-1	3/16/05	Building B Composite Floor Plans
AB-2	3/16/05	Building B Exterior Elevations & Roof Plan
AC-1	3/16/05	Building C Composite Floor Plans
AC-2	3/16/05	Building C Exterior Elevations & Roof Plan
RL-1	3/16/05	Rec/Lease Building Floor Plan & Roof Plan*
RL-2	3/16/05	Rec/Lease Building Exterior Elevations*
TE-1	3/16/05	Typical Trash Enclosure Plans & Elevations
L-1	3/15/05	Preliminary Landscape Plan
L-2	3/15/05	Project Analysis Landscape Concept Plan
L-3	3/15/05	Pedestrian Circulation Plan
L-4	3/15/05	Preliminary Landscape Plan Tot-Lot/Leasing Office Courtyard
L-5	3/15/05	Pedestrian Circulation Plan/Tot-Lot/Leasing Office Courtyard
L-6	3/15/05	Preliminary Landscape Plan Typical Building Courtyards
L-7	3/15/05	Preliminary Landscape Plan Site Sections
L-8	3/15/05	Preliminary Landscape Plan & Site Sections

* As amended by Minor Modification Permit 00411868-PMP

ATTACHMENT NO. 10

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

DEVELOPMENT PLANS

[Attached]

Master Plan 00367275-PMP:

Sheet	Date	Sheet Title
T-1.0	3/16/05	Title Sheet
E-1	4/7/05	Site Details and Tabulations
E-2	4/7/05	Site Plan
E-3	4/7/05	Turning Radius for Emergency Vehicles
A-1	3/16/05	Typical Unit Plans
AA-1	3/16/05	Building A Composite Floor Plans*
AA-2	3/16/05	Building A Exterior Elevations & Roof Plan*
AB-1	3/16/05	Building B Composite Floor Plans
AB-2	3/16/05	Building B Exterior Elevations & Roof Plan
AC-1	3/16/05	Building C Composite Floor Plans
AC-2	3/16/05	Building C Exterior Elevations & Roof Plan
RL-1	3/16/05	Rec/Lease Building Floor Plan & Roof Plan*
RL-2	3/16/05	Rec/Lease Building Exterior Elevations*
TE-1	3/16/05	Typical Trash Enclosure Plans & Elevations
L-1	3/15/05	Preliminary Landscape Plan
L-2	3/15/05	Project Analysis Landscape Concept Plan
L-3	3/15/05	Pedestrian Circulation Plan
L-4	3/15/05	Preliminary Landscape Plan Tot-Lot/Leasing Office Courtyard
L-5	3/15/05	Pedestrian Circulation Plan/Tot-Lot/Leasing Office Courtyard
L-6	3/15/05	Preliminary Landscape Plan Typical Building Courtyards
L-7	3/15/05	Preliminary Landscape Plan Site Sections
L-8	3/15/05	Preliminary Landscape Plan & Site Sections

* As amended by Minor Modification Permit 00411868-PMP

ATTACHMENT NO. 11

TO AFFORDABLE HOUSING AND LOAN AGREEMENT

GROUND LEASE

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

WELLS FARGO BANK, NATIONAL ASSOCIATION
Real Estate Group
Community Lending Division
MAC # A0101-067
420 Montgomery Street, 6th Floor
San Francisco, CA 94104

Attn: Marlene J. Lawton
Loan Administrator

THIS SPACE ABOVE FOR RECORDER'S USE

SUBORDINATION AGREEMENT

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

This Subordination Agreement (the "**Subordination Agreement**") is dated for reference purposes as of April 21, 2006, among **WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP**, a California limited partnership ("**Borrower**"), **CITY OF IRVINE**, a California municipal corporation ("**City**") and **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("**Bank**"), and any successors or assigns. Bank and City are collectively referred to in this Subordination Agreement as "**Lenders**," and each is referred to individually as a "**Lender**."

Factual Background

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

B. Borrower is obtaining loans from the Lenders and will apply proceeds of those loans to payment of costs of development of the Property. The instruments and documents that relate to each such loan are referred to in this Subordination Agreement as "**Loan Documents**."

C. Pursuant to that certain Building Loan Agreement dated as of even date herewith (the "**Bank Loan Agreement**") and executed by and among Borrower and Bank, Bank has agreed to lend to Borrower funds in the amount of up to Eleven Million Nine Hundred Ninety-One Thousand Seven Hundred Eighty-Six and No/100ths Dollars ($11,991,786.00) (the "**Bank Loan**") to enable Borrower to finance the construction of residential apartments. The obligations of the Borrower in connection with the Bank Loan Agreement are evidenced by that certain Promissory Note (the "**Bank Note**") dated as of even date herewith made by Borrower to the order of Bank, and are secured by, among other things, that certain Construction and Permanent Leasehold Deed of Trust, with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing executed as of even date herewith (the "**Bank Deed of Trust**") by Borrower as trustor, naming American Securities Company as trustee and Bank as beneficiary, encumbering the Property. The Bank Deed of Trust is to be recorded concurrently herewith in the official records of Orange County, California (the "**Official Records**"). The Bank Loan Agreement, the Bank Note, the Bank Deed of Trust and all other instruments and documents that now or hereafter relate to the Bank Loan are collectively referred to as the "**Bank Loan Documents**."

D. Pursuant to that certain Affordable Housing and Loan Agreement between the City and Borrower dated as of April 21, 2006, (the "City Loan Agreement"), the City is making a loan (the "City Loan") to Borrower in the original principal amount of up to Two Million Eight Hundred Fifty Thousand and No/100ths Dollars ($2,850,000.00). The repayment obligations in connection with the City Loan are evidenced by that certain Promissory Note Secured by Leasehold Deed of Trust made by Borrower to the order of the City and dated as of April 21, 2006 (the "City Note") and secured by that certain Deed of Trust with Assignment of Rents executed as of April 21, 2006 by Borrower as trustor, naming First American Title Insurance Company as trustee and the City as beneficiary (the "City Deed of Trust"), encumbering the Property. In connection with the City Loan, Borrower and the City have executed that certain Regulatory Agreement and Declaration of Covenants and Restrictions (the "City Covenants") dated April 21, 2006, encumbering the Property. The City Loan Agreement, the City Note, the City Deed of Trust, the City Covenants and all other instruments and documents that now or hereafter relate to the City Loan are collectively referred to as the "City Loan Documents."

E. Pursuant to that certain Tri Party Agreement dated as of April 21, 2006 (the "Tri Party Agreement") by and among Borrower, Bank and California Community Reinvestment Corporation, a California non-profit public benefit corporation ("CCRC"), CCRC has agreed, subject to satisfaction of the terms and conditions set forth therein, to purchase the Bank Loan from Bank and thereupon become the Bank. In connection therewith, Borrower and CCRC have executed that certain Loan Agreement of even date herewith (the "CCRC Loan Agreement") which, effective as of the date of purchase of such Bank Loan by CCRC, will replace the Bank Loan Agreement on the terms set forth in the CCRC Loan Agreement.

F. It is a material condition to each Lender's agreement to provide its respective loans to Borrower that the priorities of the Bank Loan Documents and the City Loan Documents be established as provided in this Subordination Agreement.

G. It is to the mutual benefit of the parties that the Lenders make their respective loans to Borrower. Lenders are willing to agree to the establishment of the priorities of their respective loans upon the terms set forth below.

H. As used in this Agreement, the term "Loan Documents" refers to the Bank Loan Documents or the City Loan Documents, as applicable.

Agreement

1. **Subordination.**

1.1 The Borrower and the Lenders hereby agree that the order of priority (the "Order of Lien Priority") of their respective Loan Documents shall be as follows:

(1) The Bank Loan Documents; and

(2) The City Loan Documents.

1.2 Each of the Lenders agrees that the instruments that appear prior to its interests in the Order of Lien Priority are unconditionally, and will at all times remain, liens, charges and claims on the Property prior and superior to the Loan Documents held by such Lender, and that the interest of such Lender in and to its Loan Documents and in and to the Property shall, at all times and in all respects, be wholly subordinate and inferior in claim and right to the claims, rights and remedies arising out of, or in connection with the instruments that appear prior to the Loan Documents held by such Lender in the Order of Lien Priority. The Parties acknowledge that this Agreement is not intended to affect the rights of the City with respect to the Master Affordable Housing Program with The Irvine Company dated February 2003, as approved March 11, 2003, the Irvine Planning Commission Resolution No. 05-2572 approving Master Plan 00367275-PMP, or any City resolutions, ordinances or regulations in connection therewith.

2. **Acknowledgements and Agreements of Lenders**. Each Lender (for purposes of this Section 2, the "**Representing Lender**") declares, acknowledges, and agrees that:

2.1 The other Lender would not make its loan without this Subordination Agreement;

2.2 Subject to Section 9 of this Agreement, the Representing Lender consents to all provisions of the Loan Documents of the other Lenders;

2.3 In making disbursements, no other Lender shall have any obligation or duty to see, nor has any other Lender represented that it will see, to the application of the proceeds of its Loan for the benefit or protection of the Representing Lender; and

2.4 The Representing Lender intentionally and unconditionally subjects, and subordinates the liens, claims, and charges of its Loan Documents, and any renewals or extensions thereof and all amendments and modifications together with Lender's right to repayment, and all present and future indebtedness and obligations secured thereby, in favor of the Loan Documents and the lien, claim, and charge upon the Property of the Loan Documents that appear before that Representing Lender's Loan Documents in the Order of Lien Priority, and understands that in reliance upon, and in consideration of, this subjection and subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into, that would not be made or entered into but for Bank's reliance upon this subordination.

3. **Notice and Cure Rights.**

3.1 Notice and Cure.

(a) Each Lender (for the purposes of this Section 3, the "**Defaulted Lender**") agrees to provide a copy of all default notices that the Defaulted Lender provides to Borrower under its Loan Documents to each other Lender concurrently with provision of the same to Borrower, at the address set for below or such other address as the other Lenders may instruct the Defaulted Lender in writing from time to time

(b) Subject to **Section 3.1(c)** below, each Lender agrees that it shall not complete a foreclosure sale of the Property or record a deed-in-lieu of foreclosure with respect to the Property (each, a "**Foreclosure Remedy**") unless and until the other Lenders have first been given thirty (30) days written notice of the default(s) or Event(s) of Default giving rise to such Lender's right to complete such Foreclosure Remedy, and the other Lenders have failed, within such thirty (30) day period to cure such default(s) or Event(s) of Default; provided, however, that the Defaulted Lender shall be entitled during such thirty (30) day period to continue to pursue all of its rights and remedies under its Loan Documents, including but not limited to acceleration of its note (subject to the de-acceleration provisions set forth in **Section 3.2**, below), commencement and pursuit of foreclosure (but not completion of the foreclosure sale) and implementation of remedies under any guaranty (subject to any notice and cure provisions contained therein). All such notices to be provided under this **Section 3.1(b)** shall be at the address set forth below or such other address as each Lender may instruct the other Lenders in writing from time to time.

(c) Unless expressly prohibited by law, each Lender other than Bank agrees to record a "Request for Notice", or similar appropriate document requesting notice of any foreclosure sale, in the Official Records, and in the event a Defaulted Lender has failed to sooner provide notice to any Lender entitled to notice hereunder (each, a "**Notice Party**"), the receipt of such notice of foreclosure sale by such Notice Party shall be deemed to be notice to the Notice Party as contemplated hereunder. Except as specifically provided herein, or otherwise agreed in writing, Defaulted Lender's failure to give any such notice for any reason

shall not act to impair or waive any remedy or right of such Defaulted Lender under this Subordination Agreement or any of such Defaulted Lender's loan documents.

3.2 **Exercise of Cure Rights**. With respect to the exercise of the cure rights provided in **Section 3.1** above, the following shall apply:

(a) Each Lender shall have the right, but not the obligation, to elect to cure the noticed default(s) or Event(s) of Default (the "**Noticed Defaults**") by giving the Defaulted Lender written notice of its intention to cure the Noticed Defaults within the thirty (30) day cure period described above (the "**Cure Period**") and thereafter curing all Noticed Defaults within the Cure Period.

(b) If a cure of all the Noticed Defaults is completed within the Cure Period, the Defaulted Lender will rescind any notice of default recorded and request dismissal of any receiver who has been appointed, after reimbursement of all of Defaulted Lender's costs, including, without limitation, reasonable attorneys' fees and costs.

(c) Following the timely cure of all Noticed Defaults by a Notice Party, the Defaulted Lender will not exercise its right to accelerate (or will de-accelerate) the amounts due under the Defaulted Lender's loan documents by reason of the Noticed Defaults cured by such Notice Party; provided, however, that nothing herein shall be construed to waive or limit any of Defaulted Lender's rights or remedies as to any uncured Noticed Default, or any subsequent default by Borrower.

(d) Nothing in this Section is intended to limit or modify any covenant, term, or condition contained in Loan Documents, including, without limitation, any "due-on-sale" or "due-on-transfer" covenant or any covenant against creating or recording any liens or encumbrances against the Property.

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

5. **Successors and Assigns**. This Subordination Agreement is binding on and inures to the benefit of the legal representatives, successors, and assigns of the parties. Each Lender's successors and assigns include any financial institution which may now, or hereafter, participate in such Lender's loan, as well as any party that acquires such Lender's loan. Notice of acceptance of this Subordination Agreement is hereby waived and this Subordination Agreement shall be binding upon each Lender and its respective legal representatives, successors, and assigns.

6. **Attorneys' Fees and Costs**. If any party to this Subordination Agreement brings an action to interpret or enforce its rights under this Subordination Agreement, the prevailing party will be entitled to recover its costs and reasonable attorneys' fees as awarded in the action. Whenever any party to this Subordination Agreement is obligated to pay or reimburse another party for attorneys' fees, those fees include the reasonable allocated costs for services of in-house counsel, to the extent not prohibited by applicable law.

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

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

9. **Termination of Loan Documents**. City hereby acknowledges the Loan and the execution and delivery by Borrower to Bank of the Bank Loan Documents. City specifically acknowledges that subject to completion of certain improvements on the Property by September 26, 2007, and satisfaction by Borrower of certain other conditions pursuant to the Tri Party Agreement, or such later date as mutually extended by the California Community Reinvestment Corporation ("CCRC"), Bank and Borrower, CCRC shall purchase the Loan from Bank. Upon such purchase, the Loan will become nonrecourse with certain exceptions and will automatically convert from an interest only construction loan into an amortizing term loan. City acknowledges that upon the purchase of Bank's Note by CCRC, the following Bank Loan Documents shall terminate:

(i) Loan Agreement;
(ii) Completion Guaranty;
(iii) Repayment Guaranty;
(iv) Security Agreement;
(v) Security Agreement (Rights to Pay);
(vi) UCC-1 Financing Statement (tax credits); and
(vii) Signature Authorization Form

City acknowledges that if CCRC should become the owner and holder of the Loan and Bank's Note, then this Agreement shall continue to inure to the benefit of CCRC and its successors and assigns.

Nothing in this Section 9 of the Subordination Agreement shall be deemed to be or interpreted as: (a) anything other than the City's acknowledgement of the Bank Loan Documents, the Tri Party Agreement, and other agreements by and between Borrower, Bank and CCRC (or any combination thereof), to which the City is not a party (the "Other Non-City Agreements"); or (b) consent or approval by the City to the Bank Loan Documents, the Tri Party Agreement and Other Non-City Agreements, provided that City is aware of the basic economic terms thereof.

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

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

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

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

"BORROWER"

WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP,
a California limited partnership

By: BRIDGE SC, LLC,
a California limited liability company
General Partner

By: BRIDGE Housing Corporation – Southern California,
a California nonprofit public benefit company
General Partner

By: _____
Lydia Tan
Vice President

Address for Notices:

Woodbury Partners, A California Limited Partnership
c/o BRIDGE Housing Corporation
345 Spear Street, Suite 700
San Francisco, CA 94105
Attention: President

with a copy to:

Woodbury Partners, A California Limited Partnership
c/o BRIDGE Housing Corporation – Southern California
9191 Towne Centre Drive, Suite 310
San Diego, CA 92122
Attention: Director

State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

"BANK"

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: _____
John S. Kauh
Vice President

Address for Notices:

Wells Fargo Bank, National Association
REG Community Lending Division
MAC #A0101-067
420 Montgomery Street, 6th Floor
San Francisco, CA 94104
Attention: Marlene J. Lawton

"CITY"

CITY OF IRVINE

By: _____
Name Sean Joyce
Title City Manager

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP

By: _____
Name

Address for Notices:

City of Irvine
Community Development Department
1 Civic Center Plaza
P.O. Box 19575
Irvine, CA 92623-9575
Attention: Grants Coordinator

STATE OF CALIFORNIA)
)
COUNTY OF Orange)

On April 26, 2006, before me, Teri L. Beach, a Notary Public, personally appeared Sean Joyce, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

WM02
TERI L. BEACH
COMM. # 1634143
NOTARY PUBLIC CALIFORNIA
ORANGE COUNTY
My comm. expires Jan. 10, 2010

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

WITNESS my hand and official seal.

Signature _____

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

WITNESS my hand and official seal.

Signature _____

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

WITNESS my hand and official seal.

Signature _____

Exhibit A to **SUBORDINATION AGREEMENT** is dated for reference purposes as of April 21, 2006, among **WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP**, a California limited partnership ("**Borrower**"), **WELLS FARGO BANK, NATIONAL ASSOCIATION** ("**Bank**") and the **CITY OF IRVINE**, a subdivision of the State of California ("**City**")

Description of Property

All that certain real property located in the County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS; ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

THE AMERICAN INSTITUTE OF ARCHITECTS

Bond No.: 104449856

AIA Document A312

Performance Bond

Any singular reference to Contractor, Surety, Owner or other party shall be considered plural where applicable.

CONTRACTOR (Name and Address):
WERMERS MULTI-FAMILY CORPORATION
5120 SHOREHAM PLACE, SUITE 150
SAN DIEGO, CALIFORNIA 92122

SURETY (Name and Principal Place of Business):
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
21688 GATEWAY CENTER DRIVE
DIAMOND BAR, CALIFORNIA 91765

OWNER (Name and Address):

WOODBURY PARTNERS, A California Limited Partnership
c/o BRIDGE HOUSING CORPORATION
345 SPEAR STREET, SUITE 700
SAN FRANCISCO, CALIFORNIA 94105

CONSTRUCTION CONTRACT
Date: **MARCH 31, 2006**
Amount: **$18,200,000.00**
Description (Name and Location): **WOODBURY WALK, LOT 37 OF TTM 15676**

BOND
Date (Not earlier than Construction Contract Date): **APRIL 10, 2006**
Amount: **$18,200,000.00**
Modifications to this Bond: ☒ None ☐ See Page 3

CONTRACTOR AS PRINCIPAL
Company: (Corporate Seal)
WERMERS MULTI-FAMILY CORPORATION

Signature: Richard L. Lemmel
Name and Title: Richard L. Lemmel, CFO

SURETY
Company: (Corporate Seal)
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

Signature: Valerie M. Pearce
Name and Title: Valerie M. Pearce, Attorney-in-fact

(Any additional signatures appear on page 3)

(FOR INFORMATION ONLY - Name, Address and Telephone)
AGENT or BROKER:

Driver Alliant Insurance Services, Inc.
1820 Fifth Avenue
San Diego, CA 92101
(619) 238-1828

OWNER'S REPRESENTATIVE (Architect, Engineer or other party):
KTGY GROUP, INC.
17992 MITCHELL SOUTH
IRVINE, CALIFORNIA 92614

1 The Contractor and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Owner for the performance of the Construction Contract, which is incorporated herein by reference.

2 If the Contractor performs the Construction Contract, the Surety and the Contractor shall have no obligation under this Bond, except to participate in conferences as provided in Subparagraph 3.1.

3 If there is no Owner Default, the Surety's obligation under this Bond shall arise after:

3.1 The Owner has notified the Contractor and the Surety at its address described in Paragraph 10 below that the Owner is considering declaring a Contractor Default and has requested and attempted to arrange a conference with the Contractor and the Surety to be held not later than fifteen days after receipt of such notice to discuss methods of performing the Construction Contract. If the Owner, the Contractor and the Surety agree, the Contractor shall be allowed a reasonable time to perform the Construction Contract, but such an agreement shall not waive the Owner's right, if any, subsequently to declare a Contractor Default; and

3.2 The Owner has declared a Contractor Default and formally terminated the Contractor's right to complete the contract. Such Contractor Default shall not be declared earlier than twenty days after the Contractor and the Surety have received notice as provided in Subparagraph 3.1; and

3.3 The Owner has agreed to pay the Balance of the Contract Price to the Surety in accordance with the terms of the Construction Contract or to a contractor selected to perform the Construction Contract in accordance with the terms of the contract with the Owner.

4 When the Owner has satisfied the conditions of Paragraph 3, the Surety shall promptly and at the Surety's expense take one of the following actions:

4.1 Arrange for the Contractor, with consent of the Owner, to perform and complete the Construction Contract; or

4.2 Undertake to perform and complete the Construction Contract itself, through its agents or through independent contractors; or

4.3 Obtain bids or negotiated proposals from qualified contractors acceptable to the Owner for a contract for performance and completion of the Construction Contract, arrange for a contract to be prepared for execution by the Owner and the contractor selected with the Owner's concurrence, to be secured with performance and payment bonds executed by a qualified surety equivalent to the bonds issued on the Construction Contract, and pay to the Owner the amount of damages as described in Paragraph 6 in excess of the Balance of the Contract Price incurred by the Owner resulting from the Contractor's default; or

4.4 Waive its right to perform and complete, arrange for completion, or obtain a new contractor and with reasonable promptness under the circumstances:

.1 After investigation, determine the amount for which it may be liable to the Owner and, as soon as practicable after the amount is determined, tender payment therefor to the Owner; or

.2 Deny liability in whole or in part and notify the Owner citing reasons therefor.

5 If the Surety does not proceed as provided in Paragraph 4 with reasonable promptness, the Surety shall be deemed to be in default on this Bond fifteen days after receipt of an additional written notice from the Owner to the Surety demanding that the Surety perform its obligations under this Bond, and the Owner shall be entitled to enforce any remedy available to the Owner. If the surety proceeds as provided in Subparagraph 4.4, and the Owner refuses the payment tendered or the Surety has denied liability, in whole or in part, without further notice the Owner shall be entitled to enforce any remedy available to the Owner.

6 After the Owner has terminated the Contractor's right to complete the Construction Contract, and if the Surety elects to act under Subparagraph 4.1, 4.2, or 4.3 above, then the responsibilities of the Surety to the Owner shall not be greater than those of the Contractor under the Construction Contract, and the responsibilities of the Owner to the Surety shall not be greater than those of the Owner under the Construction Contract. To the limit of the amount of this Bond, but subject to commitment by the Owner of the Balance of the Contract Price to mitigation of costs and damages on the Construction Contract, the Surety is obligated without duplication for:

6.1 The responsibilities of the Contractor for correction of defective work and completion of the Construction Contract;

6.2 Additional legal, design professional and delay costs resulting from the Contractor's Default, and resulting from the actions or failure to act of the Surety under Paragraph 4; and

6.3 Liquidated damages, or if not liquidated damages are specified in the Construction Contract, actual damages caused by delayed performance or non-performance of the Contractor.

7 The Surety shall not be liable to the Owner or others for obligations of the Contractor that are unrelated to the Construction Contract, and the Balance of the Contract Price shall not be reduced or set off on account of any such unrelated obligations. No right of action shall accrue on this Bond to any person or entity other than the Owner or its heirs, executors, administrators or successors.

8 The Surety hereby waives notice of any change, including changes of time, to the Construction Contract or to related subcontracts, purchase orders and other obligations.

9 Any proceeding, legal or equitable, under this Bond may be instituted in any court of competent jurisdiction in the location in which the work or part of the work is located and shall be instituted within two years after Contractor Default or within two years after the Contractor ceased working or within two years after the Surety refuses or fails to perform its obligations under this Bond, whichever occurs first. If the provisions of this Paragraph are void or prohibited by law, the minimum period of limitation available to sureties as a defense in the jurisdiction of the suit shall be applicable.

10 Notice to the Surety, the Owner or the Contractor shall be mailed or delivered to the address shown on the signature page.

11 When this Bond has been furnished to comply with a statutory or other legal requirement in the location where the construction was to be performed, any provision in this Bond conflicting with said statutory or legal requirement shall be deemed deleted herefrom and provisions conforming to such statutory or other legal requirement shall be deemed incorporated herein. The intent is that this Bond shall be construed as a statutory bond and not as a common law bond.

12 DEFINITIONS

12.1 Balance of the Contract Price: The total amount payable by the Owner to the Contractor under the Construction Contract after all proper adjustments have been made, including allowance to the Contractor of any amounts received or to be received by the Owner in settlement of insurance or other claims for damages to which the Contractor is entitled, reduced by all valid and proper payments made to or on behalf of the Contractor under the Construction Contract.

12.2 Construction Contract: The agreement betwen the Owner and the Contractor identified on the signature page, including all Contract Documents and changes thereto.

12.3 Contractor Default: Failure of the Contractor, which has neither been remedied nor waived, to perform or otherwise to comply with the terms of the Construction Contract.

12.4 Owner Default: Failure of the Owner, which has neither been remedied nor waived, to pay the Contractor as required by the Construction Contract or to perform and complete or comply with the other terms thereof.

MODIFICATIONS TO THIS BOND ARE AS FOLLOWS:

(Space is provided below for additional signatures of added parties, other than those appearing on the cover page.)

CONTRACTOR AS PRINCIPAL		SURETY	
Company:	(Corporate Seal)	Company:	(Corporate Seal)
Signature: _____		Signature: _____	
Name and Title:		Name and Title:	
Address:		Address:	

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 10, 2006 (Date) before me, AUDREY RODRIGUEZ, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared VALERIE M. PEARCE (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Audrey Rodriguez
Signature of Notary Public

AUDREY RODRIGUEZ
COMM. # 1501125
NOTARY PUBLIC-CALIFORNIA
SAN DIEGO COUNTY
My Comm. Expires JUL 25, 2008

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer is Representing: _____

Right Thumbprint of Signer
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
Hartford, Connecticut 06183-9062

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Jack T. Warnock, Bart B. Stewart, Valerie M. Pearce, Christine A. Paterson, Leticia San Martin, Lawrence F. McMahon, James Baldassare, Jr., Penny E. Kelley, of San Diego, California,** their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 20, 2006 (Date) before me, SHARYN TOSH, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared RICHARD L. LEMMEL (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Sharyn Tosh
Signature of Notary Public

SHARYN TOSH
Commission # 1395498
Notary Public - California
San Diego County
My Comm. Expires Feb 7, 2007

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: PERFORMANCE BOND

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

THE AMERICAN INSTITUTE OF ARCHITECTS

Bond No. 104449856

AIA Document A312

Payment Bond

Any singular reference to Contractor, Surety, Owner or other party shall be considered plural where applicable.

CONTRACTOR (Name and Address):
WERMERS MULTI-FAMILY CORPORATION
5120 SHOREHAM PLACE, SUITE 150
SAN DIEGO, CALIFORNIA 92122

SURETY (Name and Principal Place of Business):
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
21688 GATEWAY CENTER DRIVE
DIAMOND BAR, CALIFORNIA 91765

OWNER (Name and Address):
WOODBURY PARTNERS, A California Limited Partnership
c/o BRIDGE HOUSING CORPORATION
345 SPEAR STREET, SUITE 700
SAN FRANCISCO, CALIFORNIA 94105

CONSTRUCTION CONTRACT
Date: **MARCH 31, 2006**
Amount: **$18,200,000.00**
Description (Name and Location): **WOODBURY WALK, LOT 37 OF TTM 16676**

BOND
Date (Not earlier than Construction Contract Date): **APRIL 10, 2006**
Amount: **$18,200,000.00**
Modifications to this Bond: ☒ None ☐ See Page 3

CONTRACTOR AS PRINCIPAL
Company: (Corporate Seal)
WERMERS MULTI-FAMILY CORPORATION

Signature: Richard L. Lemmel
Name and Title: Richard L. Lemmel, CFO

SURETY
Company: (Corporate Seal)
TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA

Signature: Valerie M. Pearce
Name and Title: Valerie M. Pearce, Attorney-in-fact

(Any additional signatures appear on page 6)

(FOR INFORMATION ONLY - Name, Address and Telephone)

AGENT or BROKER:
Driver Alliant Insurance Services, Inc.
1620 Fifth Avenue
San Diego, CA 92101
(619) 238-1828

OWNER'S REPRESENTATIVE (Architect, Engineer or other party):
KTGY GROUP, INC.
17992 MITCHELL SOUTH
IRVINE, CALIFORNIA 92614

1 The Contractor and the Surety, jointly and severally, bind themselves, their heirs, executors, administrators, successors and assigns to the Owner to pay for labor, materials and equipment furnished for use in the performance of the

Construction Contract, which is incorporated herein by reference.

2 With respect to the Owner, this obligation shall be null and void if the Contractor:

2.1 Promptly makes payment, directly or indirectly, for all sums due Claimants, and

2.2 Defends, indemnifies and holds harmless the Owner from claims, demands, liens or suits by any person or entity whose claim, demand, lien or suit is for the payment for labor, materials or equipment furnished for use in the performance of the Construction Contract, provided the Owner has promptly notified the Contractor and the Surety (at the address described in Paragraph 12) of any claims, demands, liens or suits and tendered defense of such claims, demands, liens or suits to the Contractor and the Surety, and provided there is no Owner Default.

3 With respect to Claimants, this obligation shall be null and void if the Contractor promptly makes payment, directly or indirectly, for all sums due.

4. The Surety shall have no obligation to Claimants under this Bond until:

4.1 Claimants who are employed by or have a direct contract with the Contractor have given notice to the Surety (at the address described in Paragraph 12) and sent a copy, or notice thereof, to the Owner, stating that a claim is being made under this Bond and, with substantial accuracy, the amount of the claim.

4.2 Claimants who do not have a direct contract with the Contractor:

.1 Have furnished written notice to the Contractor and sent a copy, or notice thereof, to the Owner, within 90 days after having last performed labor or last furnished materials or equipment included in the claim stating, with substantial accuracy, the amount of the claim and the name of the party to whom the materials were furnished or supplied or for whom the labor was done or performed; and

.2 Have either received a rejection in whole or in part from the Contractor, or not received within 30 days of furnishing the above notice any communication from the Contractor by which the Contractor has indicated the claim will be paid directly or indirectly; and

.3 Not having been paid within the above 30 days, have sent a written notice to the Surety (at the address described in Paragraph 12) and sent a copy, or notice thereof, to the Owner, stating that a claim is being made under this Bond and enclosing a copy of the previous written notice furnished to the Contractor.

5 If a notice required by Paragraph 4 is given by the Owner to the Contractor or to the Surety, that is sufficient compliance.

6 When the Claimant has satisfied the conditions of Paragraph 4, the Surety shall promptly and at the Surety's expense take the following actions:

6.1 Send an answer to the Claimant, with a copy to the Owner, within 45 days after receipt of the claim, stating the amounts that are undisputed and the basis for challenging any amounts that are disputed.

6.2 Pay or arrange for payment of any undisputed amounts.

7 The Surety's total obligation shall not exceed the amount of this Bond, and the amount of this Bond shall be credited for any payments made in good faith by the Surety.

8 Amounts owed by the Owner to the Contractor under the Construction Contract shall be used for the performance of the Construction Contract and to satisfy claims, if any, under any Construction Performance Bond. By the Contractor furnishing and the Owner accepting this Bond, they agree that all funds earned by the Contractor in the performance of the Construction Contract are dedicated to satisfy obligations of the Contractor and the Surety under this Bond, subject to the Owner's priority to use the funds for the completion of the work.

9 The Surety shall not be liable to the Owner, Claimants or others for obligations of the Contractor that are unrelated to the Construction Contract. The Owner shall not be liable for payment of any costs or expenses of any Claimant under this Bond, and shall have under this Bond no obligations to make payments to, give notices on behalf of, or otherwise have obligations to Claimants under this Bond.

10 The Surety hereby waives notice of any change, including changes of time, to the Construction Contract or to related subcontracts, purchase orders and other obligations.

11 No suit or action shall be commenced by a Claimant under this Bond other than in a court of competent jurisdiction in the location in which the work or part of the work is located or after the expiration of one year from the date (1) on which the Claimant gave the notice required by Subparagraph 4.1 or Clause 4.2.3, or (2) on which the last labor or service was performed by anyone or the last materials or equipment were furnished by anyone under the Construction Contract, whichever of (1) or (2) first occurs. If the provisions of this Paragraph are void or prohibited by law, the minimum period of limitation available to sureties as a defense in the jurisdiction of the suit shall be applicable.

12 Notice to the Surety, the Owner or the Contractor shall be mailed or delivered to the address shown on the signature page. Actual receipt of notice by Surety, the Owner or the Contractor, however accomplished, shall be sufficient compliance as of the date received at the address shown on the signature page.

13 When this Bond has been furnished to comply with a statutory or other legal requirement in the location where the construction was to be performed, any provision in this Bond conflicting with said statutory or legal requirements shall be deemed deleted herefrom and provisions conforming to such statutory or other legal requirement shall be deemed incorporated herein. The intent is that this

.Bond shall be construed as a statutory bond and not as a common law bond.

14 Upon request by any person or entity appearing to be a potential beneficiary of this Bond, the Contractor shall promptly furnish a copy of this Bond or shall permit a copy to be made.

15 DEFINITIONS

15.1 Claimant: An individual or entity having a direct contract with the Contractor or with a subcontractor of the Contractor to furnish labor, materials or equipment for use in the performance of the Contract. The intent of this Bond shall be to include without limitation in the terms "labor, materials or equipment" that part of water, gas, power, light, heat, oil, gasoline, telephone service or rental equipment used in the Construction Contract, architectural and engineering services required for performance of the work of the Contractor and the Contractor's subcontractors, and all other items for which a mechanic's lien may be asserted in the jurisdiction where the labor, materials or equipment were furnished.

15.2 Construction Contract: The agreement between the Owner and the Contractor identified on the signature page, including all Contract Documents and changes thereto.

15.3 Owner Default: Failure of the Owner, which has neither been remedied nor waived, to pay the Contractor as required by the Construction Contract or to perform and complete or comply with the other terms thereof.

MODIFICATIONS TO THIS BOND ARE AS FOLLOWS:

(Space is provided below for additional signatures of added parties, other than those appearing on the cover page.)

CONTRACTOR AS PRINCIPAL		SURETY	
Company:	(Corporate Seal)	Company:	(Corporate Seal)
Signature: _____		Signature: _____	
Name and Title:		Name and Title:	
Address:		Address:	

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 10, 2006 (Date) before me, AUDREY RODRIGUEZ, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared VALERIE M. PEARCE (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
Hartford, Connecticut 06183-9062

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and **FARMINGTON CASUALTY COMPANY,** corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Jack T. Warnock, Bart B. Stewart, Valerie M. Pearce, Christine A. Paterson, Leticia San Martin, Lawrence F. McMahon, James Baldassare, Jr., Penny E. Kelley, of San Diego, California,** their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 20, 2006 (Date) before me, SHARYN TOSH, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared RICHARD L. LEMMEL (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

SHARYN TOSH
Commission # 1395498
Notary Public - California
San Diego County
My Comm. Expires Feb 7, 2007

WITNESS my hand and official seal.

Sharyn Tosh
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: PAYMENT BOND

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☒ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CO-OBLIGEE RIDER

To be attached to and form a part of Performance Bond No. 104449856, executed concurrently with this rider, it is agreed that:

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, Surety, and

WERMERS MULTI-FAMILY CORPORATION, Principal,

for valuable consideration, hereby agree that the Performance Bond executed in favor of

WOODBURY PARTNERS, A California Limited Partnership
c/o BRIDGE HOUSING CORPORATION, Obligee,

in connection with a contract for:

WOODBURY WALK; LOT 37 OF TTM 16676

which bond and contract are made a part of hereof by reference, shall now include as Co-Obligees:

WELLS FARGO BANK, N.A.
CITY OF IRVINE

respectively, for the aforementioned project.

The Surety shall not be liable under this bond to the Obligees, or any of them, unless the said Obligees, or any of them, shall make payments to the Principal or to the Surety, in case the Surety arranges for the completion of the contract upon default of the Principal, strictly in accordance with the terms of said contract as to payments, and shall perform all the other obligations to be performed under said contract at the time and in the manner therein set forth.

In no event shall the Surety be liable in the aggregate to all Obligees for more than the penal sum of its Performance Bond, nor shall it be liable except for a single payment for each single breach or default. At the Surety's election, any payment due to any Obligee may be made by its check issued jointly to all.

WITNESS the following signatures and seals this 10TH day of APRIL 2006.

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
By: Valerie M. Pearce
VALERIE M. PEARCE, Attorney-In-Fact

Attest: Richard L. Lemmel, CFO
WERMERS MULTI-FAMILY CORPORATION (Principal)
By:

Attest: Lydia Tan, VP
WOODBURY PARTNERS, A California Limited Partnership c/o BRIDGE HOUSING CORPORATION (Obligee)
By:

Attest:
WELLS FARGO BANK, N.A. (Co-Obligee)
By:

Attest:
CITY OF IRVINE (Co-Obligee)
By: Sean Joyce
SEAN JOYCE, CITY MANAGER

Attest:
(Co-Obligee)

S-3543 (12-99)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 10, 2006 (Date) before me, AUDREY RODRIGUEZ, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared VALERIE M. PEARCE (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(ies), and that by ~~his~~/her/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Audrey Rodriguez
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Francisco } ss.

On April 21st 2006 (Date), before me, Phyllis S. Wong, Notary Public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),
personally appeared John S. Kauth (Name(s) of Signer(s)),

☑ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

PHYLLIS S. WONG
Commission # 1511316
Notary Public - California
San Francisco County
My Comm. Expires Sep 3, 2008

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document
Title or Type of Document: Co Obligee Rider To Performance Bond
10444985G
Document Date: 4/10/2006 Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer
Signer's Name: John S. Kauth

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

☐ Individual
☑ Corporate Officer — Title(s): Vice President
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: Wells Fargo Bank, N.A.

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
TRAVELERS CASUALTY AND SURETY COMPANY
FARMINGTON CASUALTY COMPANY
Hartford, Connecticut 06183-9062

POWER OF ATTORNEY AND CERTIFICATE OF AUTHORITY OF ATTORNEY(S)-IN-FACT

KNOW ALL PERSONS BY THESE PRESENTS, THAT TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, corporations duly organized under the laws of the State of Connecticut, and having their principal offices in the City of Hartford, County of Hartford, State of Connecticut, (hereinafter the "Companies") hath made, constituted and appointed, and do by these presents make, constitute and appoint: **Jack T. Warnock, Bart B. Stewart, Valerie M. Pearce, Christine A. Paterson, Leticia San Martin, Lawrence F. McMahon, James Baldassare, Jr., Penny E. Kelley, of San Diego, California,** their true and lawful Attorney(s)-in-Fact, with full power and authority hereby conferred to sign, execute and acknowledge, at any place within the United States, the following instrument(s): by his/her sole signature and act, any and all bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking and any and all consents incident thereto and to bind the Companies, thereby as fully and to the same extent as if the same were signed by the duly authorized officers of the Companies, and all the acts of said Attorney(s)-in-Fact, pursuant to the authority herein given, are hereby ratified and confirmed.

This appointment is made under and by authority of the following Standing Resolutions of said Companies, which Resolutions are now in full force and effect:

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President, any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary may appoint Attorneys-in-Fact and Agents to act for and on behalf of the company and may give such appointee such authority as his or her certificate of authority may prescribe to sign with the Company's name and seal with the Company's seal bonds, recognizances, contracts of indemnity, and other writings obligatory in the nature of a bond, recognizance, or conditional undertaking, and any of said officers or the Board of Directors at any time may remove any such appointee and revoke the power given him or her.

VOTED: That the Chairman, the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President may delegate all or any part of the foregoing authority to one or more officers or employees of this Company, provided that each such delegation is in writing and a copy thereof is filed in the office of the Secretary.

VOTED: That any bond, recognizance, contract of indemnity, or writing obligatory in the nature of a bond, recognizance, or conditional undertaking shall be valid and binding upon the Company when (a) signed by the President, any Vice Chairman, any Executive Vice President, any Senior Vice President or any Vice President, any Second Vice President, the Treasurer, any Assistant Treasurer, the Corporate Secretary or any Assistant Secretary and duly attested and sealed with the Company's seal by a Secretary or Assistant Secretary, or (b) duly executed (under seal, if required) by one or more Attorneys-in-Fact and Agents pursuant to the power prescribed in his or her certificate or their certificates of authority or by one or more Company officers pursuant to a written delegation of authority.

This Power of Attorney and Certificate of Authority is signed and sealed by facsimile (mechanical or printed) under and by authority of the following Standing Resolution voted by the Boards of Directors of TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, TRAVELERS CASUALTY AND SURETY COMPANY and FARMINGTON CASUALTY COMPANY, which Resolution is now in full force and effect:

VOTED: That the signature of each of the following officers: President, any Executive Vice President, any Senior Vice President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Secretary, and the seal of the Company may be affixed by facsimile to any power of attorney or to any certificate relating thereto appointing Resident Vice Presidents, Resident Assistant Secretaries or Attorneys-in-Fact for purposes only of executing and attesting bonds and undertakings and other writings obligatory in the nature thereof, and any such power of attorney or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Company and any such power so executed and certified by such facsimile signature and facsimile seal shall be valid and binding upon the Company in the future with respect to any bond or undertaking to which it is attached.

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of SAN DIEGO } ss.

On APRIL 20, 2006 (Date) before me, SHARYN TOSH, NOTARY PUBLIC (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared RICHARD L. LEMMEL (Name(s) of Signer(s))

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Sharyn Tosh
Signature of Notary Public

SHARYN TOSH
Commission # 1395498
Notary Public - California
San Diego County
My Comm. Expires Feb 7, 2007

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: CO-OBLIGEE RIDER

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me (or ~~proved to me on the basis of satisfactory evidence~~) to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Orange } ss.

On April 26, 2006 (Date) before me, Teri L. Beach (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Sean Joyce (Name(s) of Signer(s)),

☑ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

TERI L. BEACH
COMM. # 1634143
NOTARY PUBLIC CALIFORNIA
ORANGE COUNTY
My comm. expires Jan. 10, 2010

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 1999 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 • www.nationalnotary.org Prod. No. 5907 Reorder: Call Toll-Free 1-800-876-6827

4 RECORDING REQUESTED BY
FIRST AMERICAN TITLE COMPANY
SUBDIVISION DEPARTMENT

This Document was electronically recorded by First American Title_B

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE
2006000287354 01:00pm 04/28/06
119 30 A12 23
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator
1940914.EL

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this 21st day of April, 2006, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Declarant"). City and Declarant may sometimes hereinafter be referred to collectively as the "Parties" and individually as a "Party."

RECITALS

A. Declarant is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" ("Real Property"). All buildings and other improvements and structures now or hereafter located on the Real Property are collectively known as "Improvements." The Real Property and Improvements thereon are collectively referred to as the "Site." Only Declarant's leasehold interest in the Site shall be subject to this Agreement.

B. On or about April 21, 2006, City and Declarant entered into that certain Affordable Housing and Loan Agreement ("Affordable Housing Agreement") concerning the construction and operation of a one hundred fifty (150) unit affordable housing rental housing project on the Site (the "Project"). The Affordable Housing Agreement is incorporated herein by reference and is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623. All of the terms, conditions, provisions and covenants set forth in the Affordable Housing Agreement are incorporated in this Agreement by reference as though written out at length herein and the Affordable Housing Agreement and this Agreement shall be deemed to constitute a single instrument or document. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Affordable Housing Agreement.

C. Pursuant to the Affordable Housing Agreement, the source of the City Loan includes funds available from City in-lieu housing funds and other local funds (which shall not include any federal funds or tax-exempt bond proceeds), subject to approval in accordance with City Council Resolution No. 05-82 by the City Council on April 25, 2006.

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the affordability covenants to run with the land for a period set forth in this Agreement on no less than one hundred forty-eight (148) units, as more fully provided herein.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. **Definitions.** In addition to the terms defined elsewhere in this Agreement or incorporated by reference from the Affordable Housing Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordability Term" shall mean the term the affordability covenants shall be binding upon the Site as provided in Section 3 of this Agreement.

"Affordable Housing Agreement" shall mean the Affordable Housing and Loan Agreement between City and Declarant as shown in Recital B of this Agreement, including all attachments, exhibits, and other documents attached thereto, as may be amended from time to time.

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent under Health and Safety Code Section 50053 or successor statute according to the following:

(a) For the Low Income Restricted Units, the Affordable Rent shall be the amount equal to annual rent that does not exceed the maximum percentage of income that can be devoted to rent for "lower income households" (which at the date of this Agreement is thirty percent (30%) times sixty percent (60%) of the Median Income adjusted for family size appropriate to the Restricted Unit), less a utility allowance for tenant paid utilities based on the schedule published from time to time by the Orange County Housing Authority or successor entity; and

(b) For the Moderate Income Restricted Units, the Affordable Rent shall be the amount equal to annual rent that does not exceed the maximum percentage of income that can be devoted to rent for "moderate income households" (which at the date of this Agreement is thirty percent (30%) times one hundred ten percent (110%) of the Median Income adjusted for family size appropriate to the Restricted Unit), less a utility allowance for tenant paid utilities based on the schedule published from time to time by the Orange County Housing Authority or successor entity.

For purposes of calculating the Affordable Rent, as used in clauses (a) and (b) above, "adjusted for family size appropriate to the Restricted Unit" shall mean a household of 1.5 persons in the case of a one-bedroom Restricted Unit, a household of 3 persons in the case of a two-bedroom Restricted Unit, and a household of 4.5 persons in the case of a three-bedroom Restricted Unit. In the event that "adjusted family size appropriate to the Restricted Unit" conflicts with the tax credit requirements, the tax credit requirements shall prevail.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City Loan" shall have the meaning ascribed in Recital C of this Agreement.

"City Note" shall mean that certain Promissory Note Secured by Leasehold Deed of Trust, executed by Declarant for the benefit of City on or about the same date of execution of this Regulatory Agreement and attached and incorporated into the Affordable Housing Agreement.

"Declarant" shall mean WOODBURY PARTNERS, A California Limited Partnership, and its permitted successors and assigns in and to its leasehold interest in the Site.

"Eligible Tenant" shall mean persons and families who, as of the commencement date of occupancy, are "persons or families of low or moderate income" whose income does not exceed the income limits as defined in Health and Safety Code Section 50093 or successor statute. At the time of this Agreement, "persons or families of low or moderate income" are defined by an income that does not exceed one hundred twenty percent (120%) of Median Income adjusted for family size.

"Low Income Restricted Units" shall mean those Restricted Units designated to be occupied at Affordable Rent by Eligible Tenants whose income does not exceed the income limit for "lower income households" as defined in Health and Safety Code Section 50079.5 or successor statute. At the time of this Agreement, a "lower income household" is defined as a household that earns no more than eighty percent (80%) of Median Income.

"Median Income" shall mean the Orange County area median income, adjusted for family size, as established by the United States Department of Housing and Urban Development, and as published periodically by the State of California Department of Housing and Community Development. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Moderate Income Restricted Units" shall mean those Restricted Units, other than Low Income Restricted Units, designated to be occupied at Affordable Rent by Eligible Tenants.

"Project" shall mean the development on the Site referred to in Recital B of this Agreement and more particularly described in the Affordable Housing Agreement.

"Release of Construction Covenants" shall mean the Release of Construction Covenants in the form attached to the Affordable Housing Agreement to be recorded against Declarant's leasehold interest in the Site upon the completion of the Project.

"Rental Agreement" shall mean the agreement between Declarant and each Eligible Tenant for rental of a Restricted Unit as provided in Section 4.7 of this Agreement.

"Residential Units" shall mean all of the one hundred fifty (150) residential units on the Site. The Residential Units are comprised of the following use matrix:

Unit Type	Number of Units	Square Footage (Appx.)	Beds/Bathrooms
1	30	689	1 bedroom/1 bath
2	60	854	2 bedrooms/1 bath
3	14	868	2 bedrooms/1 bath
4	6	1,062	3 bedrooms/2 bath
5	40	1,070	3 bedrooms/2 bath
TOTAL:	150		

"Restricted Units" shall mean the one hundred forty-eight (148) Residential Units on the Site that shall be rented to Eligible Tenants at Affordable Rent.

"Site" shall mean the real property described in Exhibit "A" and all improvements and structures now or hereafter constructed thereon.

"Site Manager" shall mean the property manager as provided in Section 7.1 of this Agreement.

"Site Manager Units" shall mean the Residential Units dedicated for use by Site Managers as authorized pursuant to Section 4.1 of this Agreement.

2. Development of the Project. Declarant shall commence and complete construction of the Project on the Site within the times and subject to the terms and conditions set forth in the Affordable Housing Agreement.

3. Affordability Term. This Agreement shall be recorded concurrently with the Leasehold Deed of Trust and on even date with the date of execution of the City Note. The covenants set forth in this Agreement, including the obligation to rent the Restricted Units to Eligible Tenants at Affordable Rent, shall remain in effect for a term (the "Affordability Term") of the longer of (a) fifty-eight (58) years from the Note Date (as that term is defined in the City Note) or (b) the length of the term of Borrower's leasehold interest as provided the Ground Lease (including any extension thereof as provided therein).

4. Use. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as a residential rental complex. Declarant shall not permit any of the Residential Units or the Site in general to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facility, or other non-residential use.

Declarant shall designate no less than one hundred forty-eight (148) of the total one hundred fifty (150) Residential Units as Restricted Units. Forty-nine percent (49%) of the Restricted Units shall be Low Income Restricted Units, and the remaining Restricted Units shall be Moderate Income Restricted Units. Declarant shall have the authority in its sole discretion to dedicate no more than two (2) Residential Units for use by Site Managers ("Site Manager Units"); provided, however, that at no time while this Agreement is in force shall Declarant designate a Residential Unit as a Site Manager Unit if said designation would require or result in an Eligible Tenant being relocated to another Residential Unit or otherwise moved away from that Eligible Tenant's Restricted Unit. The Site Manager Units may, but need not be restricted to either Eligible Tenants or Affordable Rent. Declarant shall at all times use its best efforts to keep each and every Residential Unit occupied in accordance with the provisions of this Agreement.

4.2. Principal Residence. Each Restricted Unit shall be used as the principal residence of the Restricted Unit's Eligible Tenant and for no other purpose. An Eligible Tenant shall not lease or sublease its Restricted Unit or its right of occupancy. Declarant shall institute a program to ensure that the Restricted Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Restricted Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Restricted Unit shall include a provision limiting the number of persons permitted to occupy each Restricted Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a Restricted Unit, Declarant shall obtain an Income Computation and Certification Form in the form attached to this Agreement as Exhibit "B" from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Restricted Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said

agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City. Declarant shall maintain each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Restricted Unit by an Eligible Tenant, and on each anniversary date thereafter, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Restricted Unit. If, upon recertification, the occupant of a Low Income Restricted Unit has a household income that exceeds one hundred forty percent (140%) of the maximum eligible income for a "lower income household" as defined in Health and Safety Code Section 50079.5 or successor statute, or the occupant of a Moderate Income Restricted Unit has a household income that exceeds the income limits defined in Health and Safety Code Section 50093 or successor statute, Declarant shall terminate the Rental Agreement of the former Eligible Tenant in accordance with Section 5 of this Agreement.

4.6 Leasing Restricted Units. The Restricted Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Restricted Units, except for the following:

(a) To the extent that the Restricted Units are required to be rented to Eligible Tenants; and

(b) Pursuant to Section 7.13 of the Affordable Housing Agreement, which provides that, no later than thirty (30) days prior to the date Declarant anticipates the commencement of the marketing of the Project, Declarant shall prepare and submit to the City Manager or designee for approval, which shall not be unreasonably withheld or delayed, a marketing plan (the "Marketing Plan") for the leasing of the Restricted Units; and

(c) Declarant shall give priority in renting Restricted Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a Restricted Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Restricted Unit, Declarant shall rent available Restricted Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Restricted Units that become available in accordance with the Marketing Plan prepared by Declarant and approved by the City pursuant to Section 7.13 of the Affordable Housing Agreement.

4.7 Rental Agreement. The form of the rental agreement between Declarant and each of the Eligible Tenants ("Rental Agreement") shall be approved by City prior to the rental or leasing of any of the Restricted Units. Once approved, no changes shall be made to the

form of the Rental Agreement without City's prior written approval. The Rental Agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Not by way of the foregoing, each Rental Agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Restricted Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such Rental Agreement. In addition, each rental agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such Rental Agreement.

5. **Termination of Rental Agreement.** In addition to the provisions in Section 4.7 above, the Rental Agreement shall provide the terms, including notice and appeal rights, for the termination of a tenancy in the event the recertification process reveals the occupant's household income exceeds the maximum eligible income allowable as set forth in Section 4.5 of this Agreement. The notice shall provide that the occupant's assistance will be withdrawn six (6) months from the date of delivery of said notice, and shall provide the date of termination of the tenancy upon which the occupant must vacate the Restricted Unit.

6. **Maintenance of Site**. Declarant shall maintain or cause to be maintained the Site and all improvements on the Site, including the Restricted Units, in first class condition and repair consistent with similar projects (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of five (5) days after written notice from a City (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but is not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to attach a lien on the Site, or to assess the Site, 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 fifteen percent (15%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. **Management.**

7.1 Site Manager. Declarant shall manage or shall cause the rental project on the Site to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Site in accordance with the terms of this Agreement ("Site Manager"); provided, however, that the selection and hiring of such a Site Manager company shall be subject to approval by City, which shall not be unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Site Manager, whether that Site Manager is Declarant or a third party. The replacement Site Manager shall be required to operate and maintain the Site in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Site Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have five (5) days after receipt of such notice to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate the Restricted Units as an affordable housing project of the highest standard, and shall include, but is not limited to, the following:

i. Knowingly allowing a Restricted Unit to be occupied by a person who does not qualify as an Eligible Tenant;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Site in the manner prescribed in Section 6;

iv. Repeated failure to collect and review the Income Computation and Certification Form and supporting documents required pursuant to Sections 4.4 and 4.5 of this Agreement for the initial certification of applicants and annual recertification of Eligible Tenants;

v. Fraud or embezzlement of Project monies; and

vi. Failure to fully cooperate with the Irvine Police Department or other City agency or department in maintaining a crime free environment on the Site.

8. **Records.** Declarant shall maintain complete and accurate records pertaining to the Restricted Units, and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Restricted Units.

9. **Right to Inspect**. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement.

10. **Relocation**. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocations benefits or assistance that may be asserted by any tenants or occupants of the Site.

11. **Ground Lease**. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its sole and absolute discretion

12. **Indemnification**. Declarant shall defend, indemnify and hold harmless City and its respective officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

13. **Insurance**. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 13.

13.1. **Types of Insurance Policies**. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are a follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and

after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in the Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

13.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 13.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled or limited in scope by the insurer or Declarant unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

14. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, and subject to the rights of senior lenders and the Landlord of the Site under the Ground Lease, Declarant 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement and the Affordable Housing Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed 18 months from the date of the destruction unless City, in its sole and absolute discretion, approves a longer period of time.

15. Defaults and Remedies.

15.1 Defaults. Failure or delay by any party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other party specifying the default (or five (5) days with respect to certain defaults described in Sections 6 and 7.2) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within sixty (60) days of the expiration of the initial thirty (30) day period (for a total of ninety (90) days). 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. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. City will provide written notice to Landlord of any default of Declarant under this Agreement and will recognize any cure of any default of Declarant tendered by Landlord with the same effect as if the same were tendered by Declarant.

15.2 Institution of Legal Actions. In addition to any other rights or remedies, any party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

15.3 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

16. Miscellaneous.

16.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof, with the exception of the Affordable Housing Agreement and the agreements attached to the Affordable Housing Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

16.2 Attorneys' Fees and Costs. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

16.3 Prohibition Against Assignment and Transfer. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects. No assignment or transfer of Declarant's interest in this Agreement or the Site, including a transfer pursuant to clauses (i)-(vi)

of the following sentence, shall be effective unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form satisfactory to the Contract Officer and City Attorney. City hereby approves the following transfers: (i) transfer of a general partnership interest in Declarant to a nonprofit or limited liability company affiliate of BRIDGE SC, LLC, a California limited liability company ("BSC LLC") or BRIDGE Housing Corporation – Southern California, a California nonprofit public benefit corporation ("BSC"); (ii) removal of BSC LLC by the limited partner pursuant to the Declarant's partnership agreement, provided a new nonprofit or limited liability company general partner approved by City (such approval not to be unreasonably withheld) is designated by the limited partner within ninety (90) days; (iii) transfer of limited partnership interests in Declarant; (iv) execution of an option agreement between Declarant and BSC LLC; (v) exercise of the option and purchase of Declarant's leasehold interest in the Site and the Project by BSC or BSC LLC, or a nonprofit or limited liability company affiliate of BSC or BSC LLC; and (vi) exercise by Landlord of its option to purchase Declarant's leasehold interest as set forth and in accordance with the terms of the Ground Lease. As used in the preceding sentence, the term "affiliate" shall mean an entity who directly or indirectly controls BSC or BSC LLC, or is controlled by BSC or BSC LLC, such as, but not limited to, BRIDGE Housing Corporation, a California nonprofit public benefit corporation.

16.4 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California without regard to conflict of law principles.

16.5 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

16.6 Notices. Whenever in this Agreement one party to the Agreement is required or permitted to give or serve a notice, request or demand to or on the other, such notice, request or demand shall be given or served upon the party to whom it is directed in writing and shall be delivered personally with a delivery receipt, or forwarded by certified mail, postage prepaid, return receipt requested or by commercial delivery service with a delivery receipt, addressed as follows:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.

To Declarant:	Woodbury Partners c/o BRIDGE Housing Corporation 345 Spear Street, Suite 700 San Francisco, CA 94105 Attn: President
With copies to:	BRIDGE Housing Corporation – Southern California 9191 Towne Centre Drive, Suite 310 San Diego, CA 92122 Attn: Director
and	The Irvine Company 550 Newport Center Drive Newport Beach, CA 92660 Attn: General Counsel
and	MMA Woodbury I, LLC c/o MMA Financial, Inc. 101 Arch Street Boston, MA 02110 Attention: Asset Management
and	Holland & Knight, LLP 10 St. James Avenue Boston, MA 02116 Attn: James E. McDermott, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

16.7 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with Declarant's leasehold interest in the Site, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Site and shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns; shall be binding upon Declarant and its successors and assigns; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's interest in the Site is rendered less valuable thereby. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site by Eligible Tenants, and by furthering the public purposes for City.

In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

Furthermore, upon termination of Declarant's leasehold interest in the Site, except for a termination pursuant to Article 8 (concerning Alteration, Damage or Destruction) or Artice 11 (concerning Eminent Domain) of the Ground Lease, the covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall not terminate, shall continue to run with the land, shall be binding upon the Site for the remainder of the Affordability Term as defined in Section 3 of this Agreement, and shall inure to the benefit of and be enforceable by the City and its successor and assigns. As evidenced by Landlord's signature below, Landlord hereby acknowledges, agrees and consents to the terms in this Section 16.7.

16.8 RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST. THIS SITE IS SUBJECT TO A RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST FOR THE DURATION OF THIS REGULATORY AGREEMENT. As set forth in the Affordable Housing Agreement, in the event that: (i) Declarant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than BRIDGE Housing Corporation – Southern California, a California nonprofit public benefit corporation ("BSC"), BRIDGE SC, LLC ("BSC LLC"), or any affiliate of BSC or BSC LLC (as defined in Section 16.3 of this Agreement), and (ii) Declarant has complied with any and all approvals as required by Landlord pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Declarant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Declarant shall give written notice to City of Declarant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted assignee or successor) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Declarant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Declarant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer.

If City elects to exercise its option, City shall deliver to Declarant its written "Notice of Exercise of Option" of such election within sixty (60) days after receipt of the Notice of Intent to Sell, where the option set forth in this Section 16.8 shall remain open and available to City for the sixty (60) day period. In the event City fails to exercise its option within the sixty (60) day period, then: (i) Declarant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of such sixty (60) day period; and (ii) City shall, upon request, deliver to Declarant an acknowledgement of City's failure or decision not to exercise the option and Declarant's right to sell the Interest pursuant to this Section 16.8.

16.9 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[Signature page to follow]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: City Manager

ATTEST:

_____
City Clerk

"DECLARANT"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

The IRVINE COMPANY, LLC, a Delaware limited liability company, "Landlord" herein, hereby acknowledges, agrees and consents to the terms of Section 16.7 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By the IRVINE COMPANY, LLC, a Delaware limited liability company:

By:_____

COUNTERPART

Its:_____

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: COUNTERPART

ATTEST:

_____
City Clerk

"DECLARANT"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: COUNTERPART
Lydia Tan, Vice President

The IRVINE COMPANY LLC, a Delaware limited liability company, "Landlord" herein, hereby acknowledges, agrees and consents to the terms of Section 16.7 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By the IRVINE COMPANY LLC, a Delaware limited liability company:

By: SEE ATTACHED SIGNATURE BLOCK

Its: _____

LEGAL REVIEW

SIGNATURE BLOCK
FOR
Acknowledgement of
City Regulatory Agreement

PRINCIPAL

THE IRVINE COMPANY LLC, a Delaware limited liability company

By: _____
Clarence Barker
President, Investment Properties Group

By: _____
Richard E. Lamprecht
Senior Vice President, Development
Irvine Apartment Communities LLC,
authorized signatory

LEGAL REVIEW

State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in his/her/their authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Angela Tsang (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On April 26, 2006, before me, Teri L. Beach, Notary Public
personally appeared Sean Joyce

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

Witness my hand and official seal.

TERI L. BEACH
COMM. # 1634143
NOTARY PUBLIC CALIFORNIA
ORANGE COUNTY
My comm. expires Jan. 10, 2010

[SEAL]

Notary Public

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____,
personally appeared _____

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

Witness my hand and official seal.

Notary Public

[SEAL]

Government Code 27361.7

I certify under the penalty of perjury that the notary seal on this document read as follows:

Name of Notary:	**Angela Tsang**
Commission No.:	**1472133**
County where Bond is Filed:	**San Francisco**
Date Commission Expires:	**Feb 24, 2008**
Manufacturer/Vendor No.:	**NNA1**
Place of execution – Santa Ana	**Date – April 27, 2006**

Christina Moreno
First American Title Company

Government Code 27361.7

I certify under the penalty of perjury that the notary seal on this document reads as follows:

Name of Notary:	**Teri L. Beach**
Commission No.:	**1634143**
County where Bond is Filed:	**ORANGE**
Date Commission Expires:	**Jan. 10, 2010**
Manufacturer/Vendor No.:	**WMD2**
Place of execution – Santa Ana	**Date – April 27, 2006**

Christina Moreno
First American Title Company

EXHIBIT "A"

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

5

RECORDING REQUESTED BY
FIRST AMERICAN TITLE COMPANY
SUBDIVISION DEPARTMENT

This Document was electronically recorded by First American Title_B

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE
2006000287355 01:00pm 04/28/06
119 30 D11 A36 7
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Grants Coordinator
1949914.EL

(Space Above For Recorder's Use)

This Leasehold Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS is made this 21st day of April, 2006, among WOODBURY PARTNERS, A CALIFORNIA LIMITED PARTNERSHIP ("Trustor"), whose address is c/o BRIDGE Housing Corporation, 345 Spear Street, Suite 700, San Francisco, California 94105, and FIRST AMERICAN TITLE COMPANY ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. **Grant In Trust.** For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest the real property located in the City of Irvine, County of Orange, State of California described in Exhibit "A" attached hereto and incorporated herein by this reference ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured.** Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Two Million Eight Hundred Fifty Dollars ($2,850,000.00) and interest accrued thereon, according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) performance of Trustor under the City Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated April 21,

2006 ("Affordable Housing Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Borrower's leasehold interest in the Site on or about the date hereof ("Regulatory Agreement"), as such agreements may be amended from time to time, and each agreement of Trustor incorporated by reference or contained herein; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing Agreement, and the Regulatory Agreement are collectively referred to herein as the "Loan Documents."

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default.** To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Affordable Housing Agreement and Regulatory Agreement or other transfers approved by City or pre-approved by City pursuant to the Affordable Housing Agreement); (b) refinance any lien or encumbrance which has priority over this Leasehold Deed of Trust for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance; or (c) default on any of its obligations set forth in the Loan Documents following expiration of the applicable cure period or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. **Assignment of Rents and Performance of Leases.**

4.1 **Assignment of Rents and Leases.** Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents (including, but not limited to, all costs and expenses that must be paid from Project Cash Flow as set forth in the City Note), before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term,

condition, covenant, agreement or obligation contained in any Loan Document or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation, or if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to a cure within sixty (60) additional days thereafter (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a Lease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said Site is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"BORROWER"

WOODBURY PARTNERS,
A CALIFORNIA LIMITED PARTNERSHIP

By: BRIDGE SC, LLC
a California limited liability company,
its general partner

By: BRIDGE Housing Corporation-Southern California, a California nonprofit public benefit corporation (its sole member)

Name: _____
Lydia Tan, Vice President

State of California
County of San Francisco

On April 21, 2006 before me, Angela Tsang, Notary Public, personally appeared Lydia Tan personally known to me ~~(or proved to me on the basis of satisfactory evidence)~~ to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

ANGELA TSANG
Commission # 1472133
Notary Public - California
San Francisco County
My Comm. Expires Feb 24, 2008

GOVERNMENT CODE 27361.7

I CERTIFY UNDER PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

NAME OF NOTARY: Angela Tsang
DATE COMMISSION EXPIRES: Feb 24, 2008
COUNTY WHERE BOND IS FILED: San Francisco
COMMISSION NUMBER: 1472133
MANUFACTURER/VENDOR NUMBER: NNA1

PLACE OF EXECUTION: Santa Ana, CA
DATED: April 27, 2006

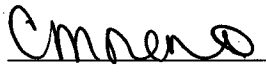
SIGNATURE: 

EXHIBIT "A"

LEGAL DESCRIPTION

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 37 OF TRACT NO. 16676 AS SHOWN ON A MAP FILED IN BOOK 866, PAGES 22 TO 33, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. CC 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

ALSO EXCEPTING FROM THAT PORTION THEREOF LYING WITHIN PARCEL 1 OF CERTIFICATE OF COMPLIANCE NO. 2003-02 RECORDED APRIL 15, 2003 AS INSTRUMENT NO. 2003000416459 OF OFFICIAL RECORDS, ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY IN THE DEED RECORDED APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 OF OFFICIAL RECORDS.

APN: 104-420-44 Code Area: 26-229

Supporting Documents from Table 1

Documents 11–13

Project Name: Families Forward

Year: 1996

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5127A**
AMENDMENT:	
CONTRACT TYPE:	**LOAN**
CONTRACT NAME:	**JAMBOREE HOUSING CORPORATION**
CONTRACT DATE:	**08/18/05**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**AMENDED AND RESTATED AFFORDABLE HOUSING AND LOAN AGREEMENT**
ITEM NUMBER:	
CONTRACT AMOUNT:	
MEETING DATE:	
COUNCIL ACTION:	

AMENDED AND RESTATED
AFFORDABLE HOUSING AND LOAN AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation,

and

JAMBOREE HOUSING CORPORATION,
a California nonprofit public benefit corporation

5127A

TABLE OF CONTENTS

Page

1. DEFINITIONS 1

2. CITY FINANCIAL ASSISTANCE. 4
   - 2.1 Amount of City Loan 4
   - 2.2 Use of City Loan Proceeds; Eligible Loan Expenses 4
   - 2.3 Disbursement of City Loan 5
     - 2.3.1 Disbursement 5
     - 2.3.2 Source of City Loan; Availability of Funds 5
     - 2.3.3 Metropolitan Sale Proceeds 6
   - 2.4 Repayment of City Loan 7
     - 2.4.1 Terms; City Note 7
     - 2.4.2 Acceleration 7
     - 2.4.3 Repayment Terms if Site Not Acquired 7
   - 2.5 City Deed of Trust 9
   - 2.6 Plans, Drawings and Documents Assigned to City 9
   - 2.7 Execution and Delivery of Documents 9
   - 2.8 Title Insurance Policy 9

3. ACQUISITION OF SITE AND DEVELOPMENT OF THE PROJECT. 10
   - 3.1 Acquisition of Site 10
   - 3.2 Scope of Development 10
   - 3.3 Entitlements 11
   - 3.4 Development Approvals and Permits 11
     - 3.4.1 Final Plans 11
     - 3.4.2 Other Governmental Permits 11
   - 3.5 Schedule of Performance; Progress Reports 11
   - 3.6 Compliance with Permits and Laws 12
   - 3.7 Commercial General Liability, Workers' Compensation, and Builders Risk Insurance 12
   - 3.8 Rights of Access 12
   - 3.9 Financing the Project. 13
     - 3.9.1 Permitted Encumbrances 13
     - 3.9.2 Funding Sources 13
     - 3.9.3 Approval of Evidence of Financial Capability 14
     - 3.9.4 Subordination 14
   - 3.10 Relocation 14

4. USE OF THE SITE 15

5. DEFAULTS, REMEDIES, AND TERMINATION 15
   - 5.1 Defaults—General 15
   - 5.2 Institution of Legal Actions 16
   - 5.3 Applicable Law 16
   - 5.4 Rights and Remedies are Cumulative 16

Page

5.5 Attorney's Fees 16
5.6 Indemnification 16

6. GENERAL PROVISIONS. 16
6.1 Notices, Demands, and Communications Between the Parties 16
6.2 Nonliability of City Officials and Employees 17
6.3 Enforced Delay; Extension of Times of Performance 17
6.4 Inspection of Books and Records 18
6.5 Interpretation 18
6.6 Entire Agreement, Waivers and Amendments 18
6.7 Severability 18
6.8 Prohibition Against Assignment and Transfer 18
6.9 Third Party Beneficiaries 19
6.10 No Partnership or Joint Venture 19
6.11 Representations and Warranties 20
6.12 Original Agreement Superseded 20
6.13 Execution in Counterparts 20
6.14 Attachments 20

ATTACHMENTS

1 LEGAL DESCRIPTION OF SITE
2 SCHEDULE OF PERFORMANCE
3 PROJECT BUDGET
4 ELIGIBLE CITY LOAN EXPENSES
5 PROMISSORY NOTE SECURED BY DEED OF TRUST
6 DEED OF TRUST WITH ASSIGNMENT OF RENTS
7 REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS
8 ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS

AMENDED AND RESTATED
AFFORDABLE HOUSING AND LOAN AGREEMENT

This AMENDED AND RESTATED AFFORDABLE HOUSING AND LOAN AGREEMENT ("Agreement") is dated to be effective as of August 18, 2005, and entered into by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation ("Borrower").

RECITALS

A. Borrower is a California nonprofit public benefit corporation and its primary purpose is to develop, operate and manage affordable housing for poor and distressed persons.

B. Borrower has entered into a purchase and sale agreement with the owner of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("Site"). Borrower desires to acquire the Site and develop thereon a 71-unit residential rental project, landscaping, driveways, and related improvements ("Project").

C. City desires to assist in the development of the Project by providing financial assistance to Borrower in the form of a loan in the amount of Seven Million Seven Hundred Thousand Dollars ($7,700,000) for certain acquisition and development expenses associated with the Project.

D. The acquisition of the Site and development and operation of the Project thereon pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

E. On or about August 18, 2005, City and Developer entered into that certain Affordable Housing and Loan Agreement relating to Borrower's acquisition and development of an affordable housing project on the Property and City's provision of a loan to Borrower ("Original Agreement"). The parties desire to enter into this Agreement to supersede and replace the Original Agreement.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Borrower hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Agreement" shall mean this Amended and Restated Affordable Housing and Loan Agreement between City and Borrower, including all exhibits and other documents attached hereto.

"Assignment of Plans" shall mean the Assignment of Architectural Agreements and Plans and Specifications and attached Consent in the form attached hereto as Attachment No. 8.

"Borrower" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation, having its offices at 17701 Cowan Avenue, Suite 200, Irvine, CA 92614. The term "Borrower" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Borrower hereunder, in accordance with Section 6.8 of this Agreement.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Acquisition Loan" shall mean the portion of the City Loan in the amount of Three Million Six Hundred Fifty Thousand Dollars ($3,650,000) to be used for the Eligible Purchase Expenses.

"City Deed of Trust" shall mean the Deed of Trust With Assignment of Rents in the form attached hereto as Attachment No. 6 which secures, among other things, Borrower's payment obligations under the City Note.

"City Loan" shall mean the loan to be provided by City to Borrower in the amount not to exceed Seven Million Seven Hundred Thousand Dollars ($7,700,000). The City Loan is comprised of the $3,650,000 City Acquisition Loan, the $1,960,000 City Predevelopment Loan, and the $2,090,000 City Construction Loan.

"City Note" shall mean the Promissory Note Secured by Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Borrower's repayment of the City Loan to City.

"City Predevelopment Loan" shall mean the portion of the City Loan in the amount not to exceed One Million Nine Hundred Sixty Thousand Dollars ($1,960,000) to be used for the Eligible Predevelopment Expenses.

"Close of Escrow" shall mean the consummation of the transactions contemplated by the Purchase Agreement and this Agreement to occur through the Escrow, including the conveyance of fee title to the Site to Borrower.

"Closing Date" shall mean the date the deed conveying fee title to the Site to Borrower is recorded in the Official Records of Orange County, California, which shall be on or before the Outside Closing Date.

"Contract Officer" shall mean City's Housing Manager or its designee.

"Deposit" shall have the meaning given in the Purchase Agreement. As more fully explained in Section 3.2(a) of the Purchase Agreement, the Deposit is a portion of the purchase price payable by Borrower to the owner of the Site in the amount of One Million Dollars ($1,000,000).

"Deposit Portion of City Acquisition Loan" shall mean the portion of the City Acquisition Loan in the amount of One Million Dollars ($1,000,000) to be used for the Deposit.

"Effective Date" shall mean the date set forth in the preamble to this Agreement.

"Eligible Construction Expenses" shall mean the expenses set forth in Attachment No. 4 to this Agreement for which the City Construction Loan may be used.

"Eligible Predevelopment Expenses". shall mean the expenses set forth in Attachment No. 4 to this Agreement for which the City Predevelopment Loan may be used

"Eligible Purchase Expenses" shall mean the purchase price for the Site, the escrow and closing costs Borrower is responsible to pay under the Purchase Agreement, the "Reimbursable Costs" referred to in Section 4.3 of the Purchase Agreement, and the purchase price payable to the owner of the Site for the transferred development rights pursuant to the Entitlement Transfer Agreement between Borrower and the owner of the Site dated June 14, 2006.

"Escrow" shall mean the escrow that has been opened with the Escrow Agent for Borrower's acquisition of the Site under Escrow No. 884583-VV.

"Escrow Agent" shall mean Fidelity National Title Company whose offices are located at 4041 MacArthur Blvd., Newport Beach, CA 92660.

"Loan Documents" shall collectively refer to this Agreement, the Assignment of Plans, the City Deed of Trust, the City Note, and the Regulatory Agreement.

"Original Agreement" shall have the meaning ascribed in Recital E of this Agreement.

"Outside Closing Date" shall mean July 19, 2007, or such later date as may be approved in writing by City and Borrower. City acknowledges that pursuant to Section 2.3 of the Purchase Agreement, Borrower intends to exercise its right to extend the March 19 Closing Date provided for in the Purchase Agreement by a period of 90 days.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.9.1 of this Agreement.

"Project" shall mean the mean the demolition of the existing improvements on the Site, the grading of the Site, and the development on the Site of a 71-unit apartment project, landscaping, driveways, community room, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits to be approved by City. The 71 units shall be comprised of 20 one-bedroom units, 21 two-bedroom units, and 30 three-bedroom units. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for Borrower's acquisition of the Site and development of the Project set forth in Attachment No. 3 to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs to increase or decrease by more than 10% from what is shown in the Project Budget or that causes any of the twelve subtotal line item categories in the Project Budget to increase or decrease by more than 10%).

"Purchase Agreement" shall mean the Purchase Agreement and Escrow Instructions dated March, 2005, between Borrower, as buyer, and Granite Murphy, LLC, as seller, for Borrower's purchase of the Site, as amended by that certain First Amendment to Purchase Agreement and Escrow Instructions, dated August, 2005, and that certain Second Amendment to Purchase Agreement and Escrow Instructions, dated June 14, 2006.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions to be entered into between City and Borrower upon Borrower's acquisition of the Site regulating the operation and maintenance of the Site, in the form attached hereto as Attachment No. 7.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1.

2. CITY FINANCIAL ASSISTANCE.

2.1 Amount of City Loan. Subject to the terms and conditions set forth herein, City shall provide Borrower financial assistance in the form of a loan in the amount not to exceed the sum of Seven Million Seven Hundred Thousand Dollars ($7,700,000) ("City Loan"). The City Loan is comprised of the City Acquisition Loan in the amount of Three Million Six Hundred Fifty Thousand Dollars ($3,650,000), the City Predevelopment Loan in the amount not to exceed One Million Nine Hundred Sixty Thousand Dollars ($1,960,000), and the City Construction Loan in the amount of Two Million Ninety Thousand Dollars ($2,090,000). Simple interest at the rate of three percent (3%) per annum shall accrue on the City Loan commencing from the date the Deposit Portion of City Acquisition Loan is disbursed hereunder. Borrower acknowledges and agrees that Borrower's use of the Site shall be subject to all of the affordability restrictions set forth in this Agreement and the Regulatory Agreement.

2.2 Use of City Loan Proceeds; Eligible Loan Expenses. Borrower shall use the City Loan proceeds for the purposes set forth in this Section 2.2 and no other purpose. The Deposit Portion of City Acquisition Loan in the amount of $1,000,000 shall be used for the Deposit and shall be deposited into Escrow in accordance with Section 2.3. The balance of the City Acquisition Loan shall be deposited into Escrow on the Closing Date and shall be used for the Eligible Purchase Expenses. The City Predevelopment Loan and the City Construction Loan may be used for the Eligible Predevelopment Expenses and the Eligible Construction Expenses, respectively, incurred by Borrower, not to exceed the amounts set forth in Attachment No. 4. Notwithstanding the foregoing, if the actual Eligible Purchase Expenses are less than the City Acquisition Loan, the portion of the City Acquisition Loan not utilized for Eligible Purchase Expenses may be used for Eligible Predevelopment Expenses and/or Eligible Construction Expenses or other Project costs approved by City. If the actual Eligible Predevelopment Expenses incurred by Borrower are less than the City Predevelopment Loan, the portion of the City Predevelopment Loan not utilized for Eligible Predevelopment Expenses may be used for Eligible Construction Expenses or other Project costs approved by City. The Contract Officer shall have the authority in its sole and absolute discretion to reallocate the amount of the City

Loan proceeds that may be used for each category of eligible expenses if the actual amounts incurred by Borrower are different than the cost estimates set forth in Attachment No. 4.

2.3 Disbursement of City Loan

2.3.1 Disbursement. Within five (5) business days following the Effective Date, provided Borrower has delivered to City the executed City Promissory Note and Assignment of Plans, City shall, on behalf of Borrower, deposit into Escrow the $1,000,000 Deposit Portion of City Acquisition Loan to be utilized for the Deposit. Borrower shall notify City of the Closing Date at least two weeks in advance and City shall, on the Closing Date, deposit into Escrow the balance of the City Acquisition Loan as needed for the Eligible Purchase Expenses.

Subject to Section 2.3.2, the City Predevelopment Loan shall be disbursed to Borrower from time to time, no more frequently than once every thirty (30) days, to reimburse Borrower for the Eligible Predevelopment Expenses as such expenses are incurred by Borrower and approved by City. Borrower shall submit to City itemized statements, with such supporting information as City may reasonably require, documenting all of Borrower's costs eligible to be considered in calculating the Eligible Predevelopment Expenses, including invoices, contracts, or similar documentation. In the event Borrower desires to obtain an advance disbursement for predevelopment activities scheduled to be undertaken or predevelopment activities not yet completed (e.g., as a down payment, advance payment, or progress payment), Borrower shall present to City's Contract Officer or designee a contract or other evidence that the consultant or other party performing the work is entitled to an advance payment and Borrower has incurred the obligation to make such payment. The Contract Officer shall have the authority on behalf of City to calculate and approve the amount of Borrower's Eligible Predevelopment Expenses. Payment of the amount determined by City to be owing to Borrower shall be made by City within twenty (20) days after Borrower's submission of its completed payment request. Any disapproval of a payment request shall be provided to Borrower within twenty (20) days after City has received information necessary to make the determination that the payment request cannot be approved.

Subject to Section 2.3.2, City's disbursement of the City Construction Loan shall be disbursed to Borrower from time to time after the Close of Escrow, no more frequently than once every thirty (30) days, to reimburse Borrower for the Eligible Construction Expenses as such expenses are incurred by Borrower and approved by City. The procedures for Borrower's submittal of payment requests and City's disbursement of the City Construction Loan shall be the same as the procedures for the City Predevelopment Loan.

City's obligation to make disbursements of the City Loan proceeds to Borrower shall be contingent and conditional upon Borrower's continuing satisfaction and performance of all of its obligations under this Agreement and the Purchase Agreement at the time due. Upon the occurrence of any event which, with the lapse of time or the giving of notice or both, would constitute a default under this Agreement or the Purchase Agreement, City may at any time thereafter and while such event remains uncured, refuse to issue further disbursements of City Loan proceeds under this Agreement until all such defaults are cured to the satisfaction of City.

2.3.2 Source of City Loan; Availability of Funds. A portion of the City Loan in the amount of $4,660,000 has been or will be funded by in-lieu fees City received from

residential developers pursuant to City's inclusionary housing program. Borrower acknowledges that prior to the execution of this Agreement, City disbursed a portion of said funds to Borrower in the amount of $1,660,000. The balance of said funds in the amount of $3,000,000 is available for disbursement. Although City is committed to providing the entire City Loan to Borrower, City cannot guarantee that the balance of the City Loan proceeds in the amount of $3,040,000 ("Remainder Proceeds") will be available to Borrower at the time Borrower incurs the reimbursable expenses, it being understood that City is in the process of securing the funds for the Remainder Proceeds from a variety of sources. Notwithstanding the foregoing, City does guarantee that the Remainder Proceeds will be available for disbursement no later than the completion of the Project. It is contemplated that a portion of the Remainder Proceeds will be comprised of funds the Irvine Redevelopment Agency anticipates receiving from the California Housing Finance Agency under the Housing Enabled by Local Partnerships (HELP) Program in the amount of $1,350,000. Provided Agency receives the HELP funds for the Project, City shall request that Agency enter into a Cooperative Agreement with City that will enable City to provide the HELP funds directly to Borrower as part of the City Loan under this Agreement. If such a Cooperative Agreement is not approved or the California Housing Finance Agency does not allow City to disburse and administer the HELP funds, it is contemplated that Borrower would enter into a separate agreement with Agency that will provide for Agency to loan the HELP funds to Borrower and the City Loan thereby would be reduced by the amount of the HELP funds. City shall request that Agency fund the balance of the Remainder Proceeds in the amount of $1,690,000 from Agency's Low and Moderate Income Housing Fund (Heath and Safety Code §§ 33334.2 *et seq.*) ("Set Aside Funds"). Borrower acknowledges that nothing herein is intended as a commitment or guarantee that the Agency will provide the Set Aside Funds or as a limitation on the Agency's exercise of its legislative discretion with respect thereto. If Agency does approve the loan of Set Aside Funds for the Project, City shall request that Agency enter into a Cooperative Agreement with City that will enable City to provide the Set Aside Funds to Borrower under this Agreement as part of the City Loan. If the Set Aside Funds are approved but a Cooperative Agreement is not approved, it is contemplated that Borrower would enter into a separate agreement with Agency that would provide for Agency to loan the Set Aside Funds to Borrower and the City Loan would be reduced by the amount of Set Aside Funds provided by Agency. If the HELP funds or Set Aside Funds are not available as sources of funds for the Project, City and Borrower shall cooperate in an effort to identify and secure other sources of City housing funds that may be utilized for the Remainder Proceeds, such as in-lieu housing fees, CDBG funds, and HOME funds.

2.3.3 Metropolitan Sale Proceeds. If, prior to completion of the Project, Borrower sells the Metropolitan condominium units located on Martin Street, Borrower shall use or cause to be used the proceeds from the sale ("Metropolitan Proceeds") for the Project, and the Metropolitan Proceeds shall be utilized prior to any further disbursements of the City Loan. If the Project is transferred pursuant to Section 6.8 of this Agreement and this Section is applicable, it is understood that Jamboree Housing Corporation will provide the Metropolitan Proceeds to the new Borrow in the form of a loan ("Metropolitan Loan"). City agrees to subordinate the City Deed of Trust to the deed of trust securing said loan provided the parties enter into a subordination agreement in a form reasonably approved by City's Contract Officer and the City Attorney. In addition, City agrees that the Metropolitan Loan may be repaid out of the proceeds of the permanent financing for the Project.

2.4 Repayment of City Loan.

2.4.1 Terms; City Note. The terms for Borrower's repayment of the City Loan are set forth in the City Note. The City Note generally provides for Borrower, upon the completion of the Project, to make an annual payment of a percentage of the cash flow generated from the Site. Subject to an event triggering acceleration under Sections 2.4.2 and 2.4.3 of this Agreement, Borrower shall not be required to make any payments on the City Loan prior to the completion of the Project. The terms and provisions of the City Note, including without limitation the nonrecourse provision set forth in Section 15 of the City Note, are incorporated herein by reference as if set forth in full.

2.4.2 Acceleration. Notwithstanding any other provision set forth in this Agreement to the contrary, City shall have the right to accelerate the obligation to repay the City Loan and declare the entire City Loan together with all interest and other sums owed by Borrower to City immediately due and payable (a) upon the occurrence of a default by Borrower of this Agreement as set forth in Section 5.1 and the expiration of any applicable notice and cure period, whether such default occurs prior to or after the Closing Date, or (b) if Borrower shall directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, excluding the lease of the units on the Site in accordance with the Regulatory Agreement, any assignment, transfer, or encumbrance expressly permitted by and made in accordance with Section 6.8 of this Agreement, and any other assignment, transfer, or encumbrance approved by the Contract Officer in writing.

2.4.3 Repayment Terms if Site Not Acquired. In addition to City's right to accelerate the City Loan in accordance with Section 2.4.2, City shall have the right, in accordance with the following terms, to accelerate payment of the City Loan, or portions thereof, in the event the Purchase Agreement is terminated or Borrower otherwise fails to acquire the Site by the Outside Closing Date:

(a) If the Close of Escrow does not occur as a result of the termination of the Purchase Agreement by Borrower pursuant to Section 11.2 of the Purchase Agreement, or as a result of the failure of a condition in the Purchase Agreement for the benefit of Borrower to be satisfied (other than a default of the owner of the Site which event is covered by subparagraph (b) hereinbelow): (i) Borrower shall repay to City the Deposit Portion of City Acquisition Loan; and (ii) provided all Assignment of Plans and attached Architect Consents have been executed and delivered to City and Borrower is not otherwise in default of this Agreement, the City Predevelopment Loan shall be forgiven.

(b) If the Close of Escrow does not occur as a result of a default of the Purchase Agreement by the owner of the Site, (i) Borrower shall repay to City the Deposit Portion of City Acquisition Loan; (ii) Borrower shall repay to City a portion of the City Predevelopment Loan in the amount of $500,000 or such lesser amount as may have been advanced by City; and (iii) provided all Assignment of Plans and attached Architect Consents have been executed and delivered to City and Borrower is not otherwise in default of this Agreement, the balance of the City Predevelopment Loan shall be forgiven.

(c) If the Close of Escrow does not occur as a result of a default of the Purchase Agreement by Borrower, Borrower shall repay the City Loan to City plus accrued interest.

(d) If the Close of Escrow does not occur as a result of an event other than as set forth in subparagraphs (a)-(c) above and Borrower is not in default of this Agreement, the provisions of this subparagraph (d) shall apply. To the extent Borrower is entitled to a return of the Deposit under the Purchase Agreement, Borrower shall repay to City the Deposit Portion of City Acquisition Loan. To the extent Borrower is entitled to reimbursement from the owner of the Site of costs incurred by Borrower, Borrower shall pay to City an amount equal to the amount the owner is obligated to reimburse Borrower not to exceed the amount of the City Predevelopment Loan proceeds City disbursed to Borrower.

Notwithstanding the provisions set forth in the preceding paragraph, if Borrower is entitled to a return of its Deposit under the Purchase Agreement and the owner of the Site fails to return the Deposit or portion thereof to Borrower, Borrower's obligation to repay the City Acquisition Loan under subsections (a), (b) and (d) of this Section 2.4 shall be limited to the amount of the Deposit returned by the owner of the Site and the proceeds of the letter of credit that Borrower is permitted to draw upon under the Purchase Agreement, *provided* all of the following conditions are satisfied: (i) Borrower assigns to City Borrower's rights to the Deposit and the right to bring an action against the owner of the Site with respect to the return of the Deposit, or permits City to bring an action in the name of Borrower if such right is not assignable, and Borrower reasonably cooperates with City in such action; (ii) Borrower draws upon the letter of credit and replenishes the Deposit as permitted in the Purchase Agreement in the event the owner fails to timely replace or renew the letter of credit prior to its expiration; and (iii) Borrower is not in default of this Agreement.

Notwithstanding the provisions set forth in the first paragraph of this Section 2.4.2, including subsection (a) through (d), if Borrower is entitled under the Purchase Agreement to receive from the owner of the Site the Buyer Reimbursables (as defined in Section 4.2 of the Purchase Agreement) and the owner of the Site fails to deliver the Buyer Reimbursables or portion thereof to Borrower, Borrower's obligation under subsections (b) and (d) of this Section 2.4 to repay to City the portion of the City Predevelopment Loan advanced to Borrower shall be limited to the amount of the Buyer Reimbursables Borrower receives from the owner of the Site, *provided* all of the following conditions are satisfied: (i) Borrower assigns to City Borrower's rights to the Buyer Reimbursables and the right to bring an action against the owner of the Site with respect to the return of the Buyer Reimbursables, or permits City to bring an action in the name of Borrower if such right is not assignable, and Borrower reasonably cooperates with City in such action; and (ii) Borrower is not in default of this Agreement.

Borrower's payment obligations under subparagraphs (a), (b) and (d) of this Section 2.4 shall not include accrued interest. City shall, however, be entitled to the interest that accrued on the Deposit for the benefit of Borrower under the Purchase Agreement. Any payments of the City Acquisition Loan and the City Predevelopment Loan to be made by Borrower under this Section 2.4.2 shall be made by Borrower to City within thirty (30) days after the earlier of (a) the Outside Closing Date or (b) the termination of the Purchase Agreement if the Purchase Agreement is terminated prior to the Outside Closing Date.

The provisions of this Section 2.4.3 shall not be construed as a limitation on City's rights under Section 2.4.2 to declare the entire City Loan payable upon the occurrence of a default or other event triggering acceleration described in Section 2.4.2, notwithstanding that an event described in this Section 2.4.3 may also have occurred.

Borrower acknowledges that it is City's intent that the Site be developed with an affordable housing project, whether Borrower or another party is the developer of the project. In connection therewith, if a condition in the Purchase Agreement in favor of Borrower is not satisfied and Borrower does not desire to acquire the Site or Borrower otherwise is permitted to terminate the Purchase Agreement, Borrower shall at the request of City close escrow and acquire the Site and immediately convey the Site to City.

2.5 City Deed of Trust. Upon Borrower's acquisition of the Site, Borrower's obligation to repay the City Loan shall be secured by the City Deed of Trust.

2.6 Plans, Drawings and Documents Assigned to City. Pursuant to the Assignment of Plans, Borrower shall assign and release to City any ownership rights and interest that Borrower may have in any and all of the plans, drawings, and permits as have been and will be prepared for the development of the Project. As more fully explained in the Assignment of Plans, City is permitted to exercise its rights under the Assignment of Plans upon the occurrence of certain events, including Borrower's failure to acquire the Site. City would not have agreed to the provisions in subparagraphs (a) and (b) of Section 2.4.3 on forgiving the City Predevelopment Loan, or portion thereof, if the plans and related agreements referred to in the Assignment of Plans were not assigned to City.

2.7 Execution and Delivery of Documents. Within five (5) days after the execution of this Agreement, Borrower shall execute and deliver to City the City Note and the Assignment of Plans with the attached Consent executed by Borrower's architect(s) if Borrower has entered into any Architectural Agreement (as that term is defined in the Assignment of Plans). Upon entering into any Architectural Agreement in the future, Borrower shall deliver to City an Assignment of Plans executed by Borrower with the attached Consent executed by Borrower's architect(s). Within thirty (30) days prior to the scheduled Closing Date, Borrower shall deliver to City the City Deed of Trust and the Regulatory Agreement, each executed and acknowledged by Borrower. Prior to the Close of Escrow, City shall execute the Regulatory Agreement and deliver the executed Regulatory Agreement and Deed of Trust into Escrow. Borrower shall cause the Deed of Trust and Regulatory Agreement to be recorded in the Official Records of Orange County, California, on the Closing Date immediately after the recordation of the deed conveying title to the Site to Borrower is recorded. Upon Borrower's delivery of the City Note to City, City shall deliver to Borrower the original Promissory Note Secured by Deed of Trust, marked as "Cancelled," that was executed by Borrower pursuant to the Original Agreement.

2.8 Title Insurance Policy. Upon the Close of Escrow, Borrower shall cause Fidelity National Company or such other title company approved by City ("Title Company") to issue to City an ALTA lender's policy of title insurance with such endorsements as City may reasonably require with liability in the amount of the City Loan showing fee title to the Site vested in Borrower, insuring in favor of City the priority of the City Deed of Trust and Regulatory Agreement subject only to (a) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by the Title Company; (b) non-delinquent property taxes and assessments; and (c) Exception Nos. 5, 6, 7, 8, and 9 disclosed in the preliminary title report

issued by Title Company for the Site under Order No. 9840990 dated June 14, 2005; and (d) such other matters as may be approved by City in its reasonable discretion. Borrower shall pay the costs for the premium for said title insurance policy.

3. ACQUISITION OF SITE AND DEVELOPMENT OF THE PROJECT.

3.1 Acquisition of Site. The Site is currently owned by a third party who is not a party to this Agreement. Borrower represents to City that Borrower has entered into the Purchase Agreement to acquire the Site and the improvements thereon for the sum of Three Million Five Hundred Thousand Dollars ($3,500,000) (which includes the purchase price and certain reimbursements payments to be made to the seller). Borrower agrees to use its best efforts to comply with each and every condition, responsibility, and obligation it may have pursuant to the Purchase Agreement in order to accomplish the close of Escrow on or prior to the Outside Closing Date. Borrower shall not amend or modify the Purchase Agreement in any respect inconsistent with this Agreement or City's rights hereunder without the prior written consent of City, which consent City may withhold in its sole and absolute discretion. City's approval shall not be required for amendments to the Purchase Agreement that are not inconsistent with this Agreement or City's rights hereunder, but Borrower shall notify City of any such amendments. Borrower shall keep City informed of the progress of the performance under the Purchase Agreement and shall notify City of any defaults of Borrower or the owner of the Site thereunder or any default notices issued by either party. Borrower shall not waive the conditions in Section 7.l(d) or (e) of the Purchase Agreement without City's prior written consent which City may grant or withhold in City's sole and absolute discretion. Borrower agrees that the condition in Section 7.1(e) on the buyer financing shall be deemed not satisfied if Borrower fails to provide to City the evidence of financial capability required under Section 3.9.3 of this Agreement. Borrower shall not terminate the Purchase Agreement pursuant to Section 11.2 of the Purchase Agreement if the condemnation does not render the development of the Project on the Site impractical as reasonably determined by City and Borrower. In the event Borrower does not close Escrow and acquire the Site on or before the Outside Acquisition Date or the Purchase Agreement is otherwise terminated, City, in addition to any other right and remedy available to City, shall have the right to terminate this Agreement by delivery of written notice to Borrower. Borrower hereby represents and warrants to City that: (a) to the best of Borrower's knowledge, the Purchase Agreement is in full force and effect; (b) the Purchase Agreement represents the entire agreement between Borrower and the fee owner of the Site with respect to the purchase and sale of the Site; (c) to the best of Borrower's knowledge, neither Borrower nor the fee owner of the Site is in default under the Purchase Agreement; (d) Borrower has not assigned to any other party any of its rights or obligations under the Purchase Agreement; (e) Sections 7.1(a) and (c) of the Purchase Agreement have been satisfied; (f) to the best of Borrower's knowledge, all representations and warranties of Borrower contained in the Purchase Agreement are true and correct in all material respects; and (g) Borrower and the owner of the Site are required to close Escrow for the conveyance of the Site no later than July 19, 2007.

3.2 Scope of Development. Borrower shall develop the Project on the Site in substantial compliance with the plans and drawings approved by City. If Borrower desires to make any change in any approved development or building plans that constitutes a material change in material or equipment specifications, architectural or structural design or the value of or quality of the improvements, the proposed change shall be submitted to City for approval. The foregoing is not intended as a limitation on City's authority to review plan changes in City's

capacity as a regulatory agency. Borrower shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Entitlements. Within the times set forth in the Schedule of Performance, Borrower shall submit to City all applications, plans, drawings, materials, and fees required to obtain a zone change, General Plan amendment, conditional use permit, and Park Plan approval. Borrower shall submit to City or any other governmental agency with jurisdiction all applications, plans, drawings, materials, and fees required to obtain any other discretionary permits and approvals that may be required for the Project. Borrower shall exercise reasonable diligence to obtain such approvals within ninety (90) days after submittal. Borrower shall not close Escrow and acquire the Site until such time that all such permits and approvals have been issued or, with respect to building permits, until such time that all conditions precedent to the issuance of said permits other than the payment of fees have been satisfied. If the permits and approvals required for the development of the Project are denied or City and Borrower reasonably determine that such approvals will not be granted, City shall not have any obligation to make any further disbursements of City Loan proceeds to Borrower.

3.4 Development Approvals and Permits.

3.4.1 Final Plans. Within the time set forth in the Schedule of Performance, Borrower shall submit to City for review and approval a complete set of final plans and specifications for the Project ("final plans"). The final plans and drawings shall contain all information required to obtain all necessary grading and building permits required for the Project. City shall exercise reasonable diligence to complete its review of the final plans within ninety (90) days after a complete submittal. Any disapproval shall be in writing and shall state the reasons therefor. Upon receipt of a disapproval, Borrower shall act promptly to revise or correct the final plans as necessary to conform to City requirements. The same procedures and requirements shall apply to subsequent submittals and reviews until the final plans are finally approved by City.

3.4.2 Other Governmental Permits. Prior to the Close of Escrow or such earlier period of time as provided for herein, Borrower shall secure or cause to be secured any and all permits and approvals for the Project which may be required by City or any other governmental agency having jurisdiction over the Site and the Project. With respect to building permits for the Project, Borrower shall cause all conditions precedent to the issuance of said permits other than the payment of fees to be satisfied prior to the Close of Escrow, but Borrower shall not be required to secure said permits until after the Close of Escrow.

3.5 Schedule of Performance; Progress Reports. Borrower shall obtain building permits and commence construction of the Project within ninety (90) days after the Closing Date. Once construction is commenced, it shall be continuously and diligently pursued to completion and shall be completed no later than the date that is 18 months after the Closing Date subject to delays described in Section 6.3. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than twenty (20) consecutive days, except when due to causes beyond the control and without the fault of Borrower, as set forth in Section 6.3 of this Agreement. During the course of construction, Borrower shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.6 Compliance with Permits and Laws. Borrower shall carry out the construction of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation all applicable federal and state fair labor standards, including the payment of prevailing wages, if required by applicable law, and the final plans approved by City.

3.7 Commercial General Liability, Workers' Compensation, and Builders Risk Insurance. Borrower shall procure and maintain, at its sole cost and expense, in a form and content reasonably satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000 or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* During the period of construction of the Project, Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be reasonably approved by City. City agrees to accept a builder's risk insurance policy from Borrower's general contractor in conformance with the requirements set forth in this Section 3.4, including without limitation the requirement that City be named as a loss payee.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be canceled without providing thirty (30) days (10 days for nonpayment of premium) prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Borrower shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.7 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Borrower shall maintain the insurance set forth in the Regulatory Agreement.

Borrower agrees that the provisions of this Section 3.7 shall not be construed as limiting in any way the extent to which Borrower may be held responsible for the payment of damages to any persons or property resulting from Borrower's activities or the activities of any person or persons for which Borrower is otherwise responsible.

3.8 Rights of Access. For the purpose of assuring compliance with this Agreement, representatives of City shall have the reasonable right, upon reasonable prior written notice, of access to the Site, without charges or fees, at normal construction hours during the period of

construction for the purposes of this Agreement, including but not limited to the inspection of the work being performed by Borrower in constructing the Project.

3.9 Financing the Project.

3.9.1 Permitted Encumbrances. Mortgages, deeds of trust, conveyances, and leases-back or any other form of conveyance required for any reasonable method of financing shall be permitted on the terms set forth herein, but only for the purpose of securing loans of funds to be used for the acquisition of the Site and construction of the Project ("Permitted Encumbrances"). Borrower shall not enter into any such conveyance for financing purposes without the prior written consent of City, which consent shall be given if such conveyance is for the purposes permitted herein and is made by a financial or lending institution, governmental agency or other acceptable person or entity capable of performing or causing to be performed Borrower's obligations under this Agreement.

3.9.2 Funding Sources. From and after the date of this Agreement, Borrower shall exercise commercially reasonable efforts to obtain financing prior to the Outside Closing Date for the acquisition of the Site and the development of the Project. Borrower intends to utilize financing from a variety of sources for the Project. The anticipated sources for construction and permanent financing are described below:

(a) Multifamily Housing Revenue Bonds. No later than the date set forth in the Schedule of Performance, Borrower shall submit a complete application for Multifamily Housing Revenue Bonds in the approximate principal amount of $19,000,000 as the major source for financing the acquisition of the Site and the construction of the Project, and Borrower shall take all other steps required to properly and timely process the application.

(b) Tax Credits. No later than the date set forth in the Schedule of Performance, Borrower shall submit a complete application to the California Tax Credit Allocation Committee ("TCAC") for low income housing tax credits ("Tax Credits") as a source of financing the acquisition of the Site and the development of the Project, and shall take all other steps required by TCAC to properly and timely process the application. Borrower shall seek four percent (4%) Tax Credits, yielding Tax Credit equity in an amount not less than $11,116,578.

(c) MHP Loan. Within the time set forth in the Schedule of Performance, Borrower shall submit a complete application to the State of California Department of Housing and Community Development for a Multifamily Housing Program loan for permanent financing in an amount not less than $6,308,877, and shall take all steps required by the State of California Department of Housing and Community Development to properly and timely process the application.

(d) OCHCS. Prior to the Effective Date, Borrower submitted an application to the Orange County Housing and Community Development Department for a loan for permanent financing in the amount of $2,515,200. Borrower shall take all steps required by the Orange County Housing and Community Development to properly and timely process the application.

City acknowledges that the sources of funding set forth in this Section 3.9.2 are anticipated sources and that the actual sources may change due to circumstances outside the control of Borrower. City further acknowledge that Borrower may not meet the eligibility requirements for some of the foregoing loans if Borrower has not obtained the entitlements, or secured the commitments for the financing, required for the Project at the time the applications for such loans are due and, in such event, the dates set forth in this Agreement to submit the applications for the financing for which Borrower is not eligible shall be extended as reasonably agreed upon by City and Borrower with the understanding that any such extensions shall not result in an extension of the Outside Closing Date. Borrower shall coordinate with City any changes to the proposed sources of funding for the Project and shall otherwise keep City informed of Borrower's efforts to obtain financing and its progress with respect thereto.

3.9.3 Approval of Evidence of Financial Capability. Prior to the Close of Escrow, Borrower shall submit to City evidence reasonably satisfactory to City that Borrower has the financial capability necessary to acquire the Site and develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Borrower for each source of funds to assist in acquiring the Site and financing the construction of the Project. All copies of commitments submitted by Borrower to City shall be certified by Borrower to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Borrower has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price construction contract between Borrower and its general contractor for all of the improvements required to be constructed by Borrower hereunder, certified by Borrower to be a true and correct copy thereof.

3.9.4 Subordination. If Borrower obtains a loan for the Project from the proceeds of multifamily housing revenue bonds as currently contemplated, City agrees it will subordinate the City Deed of Trust to the deed of trust securing said loan, pursuant to a subordination agreement in a form reasonably approved by City's Contract Officer and the City Attorney.

3.10 Relocation. If relocation benefits and assistance are required to be provided to any tenants or occupants residing on the Site under any applicable federal, state, or local laws, rules, and regulations, Borrower shall have the sole and exclusive responsibility for paying all such relocation benefits and assistance and for causing the tenants and/or occupants to be relocated, to the extent required by any applicable federal, state, and local laws, rules, and

regulations. In connection therewith, Borrower shall retain a relocation consultant to provide the required notices, prepare a Relocation Plan, and otherwise effectuate the relocation. Borrower shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Borrower pursuant to this Section 3.10.

4. USE OF THE SITE.

Borrower and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement.

5. DEFAULTS, REMEDIES, AND TERMINATION.

5.1. Defaults—General. The occurrence of any of the following events shall constitute a default under this Agreement: (a) the failure or delay by either party to perform any term or provision of this Agreement, if such failure is not cured within thirty (30) days (unless a different time period is expressly provided for herein) after the nonperforming party's receipt of written notice from the other party specifying the nature of the default, or for defaults that cannot reasonably be cured, corrected, or remedied within such time period, the failure of such party to commence to cure such failure or delay within such time period and diligently prosecute such cure, correction or remedy to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days); (b) the breach of any representation or warranty of Borrower set forth in this Agreement or the other Loan Documents in any material respect, if the facts giving rise to such breach are not remedied such that the representation and warranty is no longer in breach within thirty (30) days following written notice thereof to Borrower, or for breaches that cannot reasonably be cured, corrected, or remedied within such time period, the failure of Borrower to commence to cure such failure or delay within such time period and diligently prosecute such cure, correction or remedy to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days); (c) the filing by or against Borrower of a petition under the Bankruptcy Reform Act, as amended or recodified from time to time, or any other federal or state law relating to bankruptcy, insolvency or relief for debtors from their obligations, provided, however, that any filing against Borrower shall not be a default unless such action or proceeding is not dismissed within ninety (90) days from the date of such filing; (d) the filing by or against Borrower of a petition seeking the liquidation or dissolution of Borrower or the commencement of any other procedure to liquidate or dissolve Borrower, or the occurrence of any event, condition or circumstance which causes the liquidation or dissolution of Borrower; provided, however, that any filing against Borrower shall not be a default unless such action or proceeding is not dismissed within ninety (90) days from the date of such filing; (e) a general assignment by Borrower of the assets of Borrower for the benefit of Borrower's creditors; (f) any direct or indirect, voluntarily, or involuntarily, sale, assignment, transfer, disposition, alienation, encumbrance, lease, or agreement to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, except as permitted by the Loan Documents; and (g) a default by Borrower of any of its obligations set forth in any of the other Loan Documents and the failure to cure the default within any applicable cure period.

Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until the time for cure, correction, or remedy of a default has expired, if applicable. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

5.2 Institution of Legal Actions. In addition to any other rights or remedies, including the right of City to accelerate the City Loan upon a default of Borrower, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

5.3 Applicable Law. The internal laws of the State of California shall govern the interpretation

5.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

5.5 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorneys' fees from the other party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

5.6 Indemnification. Borrower agrees to indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Borrower or Borrower's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Borrower of the filing of any such action and cooperate with Borrower in the defense thereof (at no cost to Indemnitee).

6. GENERAL PROVISIONS.

6.1 Notices, Demands, and Communications Between the Parties. All notices, requests, demands, and other communications required or permitted under this Agreement shall

be in writing and shall be hand delivered by messenger or sent by overnight courier service, or sent by facsimile transmission, addressed as follows:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Amy L. Urcis Facsimile: (949) 724-6440
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 9575 Attn: Philip D. Kohn, City Attorney Facsimile: (714) 546-9035
To Borrower:	Jamboree Housing Corporation 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Facsimile: (949) 263-0647
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Facsimile: (949) 546-9035

Notices shall be deemed delivered (a) on the date delivered if by personal delivery or by overnight courier service, and (b) on the date of transmission with confirmed successful transmission and receipt if by facsimile. By giving to the other parties written notice as provided above, the parties to this Agreement shall have the right from time to time to change their respective addresses.

6.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Borrower in the event of any default or breach by City or for any amount which may become due to Borrower or on any obligations under the terms of this Agreement.

6.3 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 6.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; supernatural causes; 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; delays of any contractor, subcontractor or supplies; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse

performance by City). Notwithstanding the foregoing, Borrower's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Borrower to an extension of time to perform. An extension of time for any cause permitted under this Section 6.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Borrower.

6.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Borrower pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

6.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

6.6 Entire Agreement, Waivers and Amendments. This Agreement and the documents attached hereto integrate all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Borrower.

6.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

6.8 Prohibition Against Assignment and Transfer. The qualifications and identity of Borrower are of particular concern to City. It is because of those qualifications and identity that City has and entered into this Agreement with Borrower. Accordingly, except as expressly set forth herein, Borrower shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without Contract Officer's prior written approval.

Notwithstanding the foregoing, the following shall not require separate City approval for purposes of this Section 6.8:

(a) a transfer to a nonprofit corporation, the majority of the Board of Directors of which are also members of the Board of Directors of Borrower;

(b) a transfer to an entity in which Borrower or an entity described in Subsection (a) retains a minimum of fifty-one percent (51%) of the ownership or beneficial interest and retains management and control of the transferee entity; and

(c) a transfer to a limited partnership in which Borrower or an entity described in Subsection (a) or (b) is the general partner and Borrower will manage and operate the Project.

Borrower shall deliver written notice to the Contract Officer requesting approval of any assignment or transfer requiring the Contract Officer's approval hereunder. Such notice shall be accompanied by sufficient evidence regarding the proposed assignee's development qualifications, experience, financial commitments and resources to enable the Contract Officer to evaluate the proposed assignee's ability to develop and operate the Project. In considering whether it will grant approval to any assignment by Borrower of its interest in the Site, the Contract Officer shall consider factors such as the financial strength and capability of the proposed assignee to perform Borrower's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects. The Contract Officer's approval of an assignment shall not be unreasonably withheld provided that the assignment is for all of Borrower's rights and obligations in this Agreement and the other Loan Documents and the Site and not a partial assignment, the proposed assignee is a responsible third party who will undertake Borrower's responsibilities under this Agreement to develop and operate the Project, and the proposed assignee demonstrates sufficient development qualifications, experience, and financial commitments to ensure development and proper management of the Project. No assignment, including assignments which do not require the Contract Officer's approval hereunder, shall be effective unless and until the proposed assignee executes and delivers to City an agreement in form satisfactory to the City Attorney assuming the obligations of the assignor which have been assigned. Thereafter, the assignor shall be relieved of all responsibility to City for performance of the executory obligations assumed by the assignee. Borrower shall compensate City for its expenses incurred in investigating a proposed assignee's qualifications as a permitted assignee hereunder and any legal fees incurred with respect to an assignment.

6.9 Third Party Beneficiaries. Notwithstanding any other provision of this Agreement to the contrary nothing herein is intended to create any third party beneficiaries to this Agreement, and no person or entity other than City and Borrower, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

6.10 No Partnership or Joint Venture. Notwithstanding anything to the contrary contained in this Agreement or any of the agreements attached hereto, the parties do not intend to enter into or create any partnership, joint venture or agency relationship between themselves and City does not intend to assume the liabilities or obligations of Borrower arising from or in connection with the Site, nor shall this Agreement be construed as creating any such partnership,

joint venture or agency relationship between the parties, or as rendering City liable for the debts or obligations of Borrower arising from or in connection with the Site.

6.11 Representations and Warranties. Borrower and each person executing this Agreement on behalf of Borrower represents and warrants that: (a) Borrower is a duly organized California nonprofit public benefit corporation in good standing under the laws of the State of California; (b) Borrower has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Borrower, Borrower's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Borrower does not violate any provision of any other material agreement to which Borrower is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Borrower are necessary in connection with the execution of this Agreement by Borrower or with the performance by Borrower of its obligations hereunder which have not been obtained.

6.12 Original Agreement Superseded. This Agreement shall supersede the Original Agreement referred to in Recital E and the Original Agreement shall have no further force or effect.

6.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

6.14 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Project Budget
4	Eligible City Loan Expenses
5	Promissory Note Secured by Deed of Trust
6	Deed of Trust with Assignment of Rents
7	Regulatory Agreement and Declaration of Covenants and Restrictions
8	Assignment of Architectural Agreements and Plans and Specifications

[signatures on next page]

IN WITNESS WHEREOF, City and Borrower have entered into this Agreement to be effective as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Tina Christiansen, Redevelopment Director

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"BORROWER"

JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation

By: _____
Laura Archuleta, President

538/048170-0698
779178 01 a01/16/07

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 17 OF TRACT NO. 8018, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 313, PAGE(S) 20 TO 22 INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT TO DRILL, IMINESTORE, EXPLORE OR OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEEDS RECORDED IN BOOK 9277 PAGE 256 IN BOOK 11444 PAGE 1511, BOTH OF OFFICIAL RECORDS.

Assessor's Parcel No: 435-072-02

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Borrower submits to City evidence of general liability insurance and obtains City approval (§ 3.7).	Prior to the Effective Date.
2.	Borrower executes and delivers to City the City Note and Assignment of Plans (§ 2.7).	Within 5 days after the execution of this Agreement and prior to any further disbursements of City Loan proceeds.
3.	City deposits the $1,000,000 Deposit Portion of City Acquisition Loan into Escrow (§ 2.3.1).	Within 5 business days after the Effective Date.
4.	City disburses City Predevelopment Loan to Borrower (§ 2.3.1).	From time to time as Predevelopment Expenses are incurred.
5.	Borrower submits to City application for General Plan Amendment and Zone Change (§ 3.3).	Completed.
6.	Borrower submits application for MHP loan (§ 3.9.2).	October 2005
7.	Developer submits to City applications and materials required to obtain conditional use permit for the Project (§ 3.3).	December 1, 2005
8.	Borrower submits to City applications and materials required for the Park Plan (§ 3.3).	January 5, 2006
9.	Borrower submits all required final plans and drawings and permit applications for the Project, including construction plans and plans for off-site improvements (§ 3.4.1).	March 1, 2006
10.	Borrower submits application for tax exempt bonds (§ 3.9.2).	January 2007
11.	Borrower submits application for low income tax credits (§ 3.9.2).	March 2007

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
12.	Borrower submits evidence of financing to City (§ 3.9.3).	No later than 30 days prior to the scheduled Closing Date.
13.	Borrower executes and delivers to City the City Deed of Trust and Regulatory Agreement (§ 2.7).	No later than 30 days prior to the scheduled Closing Date.
14.	City executes Regulatory Agreement and deposits Regulatory Agreement and City Deed of Trust into Escrow (§ 2.7).	Prior to the Closing Date.
15.	City deposits balance of City Acquisition Loan into Escrow as needed for Eligible Purchase Expenses (§ 2.3.1).	On the Closing Date.
16.	Escrow closes and Borrower acquires the Site (§ 3.1).	No later than the Outside Closing Date.
17.	The City Deed of Trust and Regulatory Agreement are recorded and City's title insurance policy is issued (§§ 2.7, 2.8).	On the Closing Date.
18.	Borrower commences construction of the Project (§ 3.2).	No later than 90 days after the Closing Date.
19.	City disburses City Construction Loan to Borrower (§ 2.3.1).	After the Closing Date and from time to time as Eligible Construction Expenses are incurred.
20.	Borrower completes construction of the Project and obtains City approval of final inspection (§ 3.2).	No later than 24 months after the Closing Date.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Borrower.

ATTACHMENT NO. 3

PROJECT BUDGET

Acquisition Costs	
Land Acquisition	$3,500,000
Closing Costs/Prorations	$15,000
Transfer Development Rights	$135,000
Developer Fees	$1,200,000
Development Costs	
Demolition & Abatement	$82,500
Exterior Common Area	$609,758
Sitework (incl. Shared Drive)	$1,301,201
Structures	$12,343,754
General Requirements	$760,148
Contractor Profit	$528,407
Contractor Overhead	$264,204
Contractor Insurance	$190,680
P&P Bond Premium	$241,210
Construction Contingency	$1,632,186
Construction Cost Escalator	$326,437
FF&E (Fitness Ctr., Comm. Space, etc.)	$140,000
Construction Management	$181,300
Pre-Construction Services (Benchmark)	$10,000
Testing & Inspections	$110,000
City Fees-Planning Dept.	$69,581
City Fees-Plan Check, Bldg. Permits & Inspections	$242,800
OCFA Fees	$6,938
Development Impact Fees	$1,183,231
Architect & MEPS Engineers	$976,935
Landscape Architect	$84,124
Civil Engineer (incl. As-Built)	$70,218
Fire Safety Planning Consultant	$10,000
Waterproofing Consultant	$64,125
Dry Utilities Consultant	$11,070
Noise & Air Quality Impact Study	$11,150
Sensitive Receptor Study	$2,500
Access / Traffic Study	$16,891
Geotech Consultant (Soils Reports)	$16,863
Environmental Phase 1 and 2	$14,535
Title 24/Sustainable Bldg. Consultant	$10,000
Entitlement Consultant	$36,000
Pre-Development Feasibility	$14,700
Relocation Consultant	$8,000
Cost Estimator	$3,123
Design Guidelines	$1,403

Graphics & Digital Presentation	$2,114
Real Estate Legal Fees	$75,000
Title & Recording	$20,000
Accounting & Audit	$15,000
Appraisals & Market Studies	$22,382
RE Taxes During Construction	$10,500
Insurance During Construction	$248,500
Soft Cost Contingency	$184,200
Relocation Costs (incl. FF&E appraisal)	$396,000
Construction Loan Fee	$95,000
Construction Loan Closing Costs	$20,000
Construction Loan Legal Costs	$40,000
Construction Loan Inspection Fees	$11,550
Construction Loan Interest (Capitalized)	$1,217,861
Deferred Loan Interest (Capitalized)	$99,969
Construction Period Trustee Fees	$41,562
Permanent Loan Costs	
Perm Loan Fee	$0
Closing Costs	$12,500
Legal Costs	$12,500
Legal Costs	$17,500
Title & Recording	$15,000
Bond COI	$380,000
Other (OCHCS Setup Fee)	$500
Amortizable Costs	
Marketing & Lease-Up	$71,000
Organization & Startup	$20,000
Tax Credit Fees	$41,904
CDLAC Fees	$7,850
Expensed Costs (Pre-Conversion)	
Construction Loan Interest (Expensed)	$318,724
Deferred Loan Interest (OID, Expensed)	$20,827
RE Taxes	$2,188
Insurance	$41,417
Accounting & Audit	$30,000
Non-Deductible Costs	
Syndication Costs (LP & LLC Formation)	$5,000
Syndication Costs (Legal)	$12,500
Refundable Real Estate Taxes	$61,250
JHC Overhead & Organization Costs	$12,500
Operating Reserve (OCHCS & MHP)	$256,523
Other Costs	$3,492
Operating Reserve (TCAC)	$0
Operating Reserve (Other-Debt Service)	$0
Replacement Reserve	$0
TOTALS	**$30,268,782**

ATTACHMENT NO. 4

ELIGIBLE CITY LOAN EXPENSES

(Expenses for Which City Loan May be Used)

Acquisition Portion of City Loan:	
Purchase Price Escrow Deposit	$1,000,000
Balance of Acquisiton Purchase Price	$2,000,000
Reimbursable Costs	$500,000
Acquisiton Closing Costs	$15,000
Transfer Development Rights	$135,000
Subtotal	**$3,650,000**
Predevelopment Portion of City Loan:	
Relocation	$400,000
City Permits & Fees	$151,519
Architecture & Engineering	$825,567
Landscape Architecture	$75,745
Civil Engineering	$48,218
Construction Manager	$52,979
Pre-Construction Services	$10,542
Legal Fees	$45,000
Cost Estimator Consultant	$3,123
Design Guidelines Consultant	$1,403
Dry Utility Consultant	$11,070
EIR Consultant (Access/Traffic Study)	$16,891
EIR Consultant (Noise & Air Quality Impact Study)	$11,150
ER Consultant (Sensitive Receptor Study)	$2,500
Entitlement Consultant	$36,000
Environmental Consultant (Phase 1 & 2)	$14,535
Financial Consultant	$14,700
Fire Safety Planning Consultant	$10,000
Geotechnical Consultant	$16,863
Graphics & Digital Presentation Consultant	$2,114
Relocation Consultant	$8,000
Title 24 Consultant	$7,500
Waterproofing Consultant	$31,500
Appraisals	$4,750
Market Studies	$17,632
CDLAC Performance Deposit	$100,000
CDLAC Filing Fee	$1,200
TCAC Application Fee	$2,000
Organizational Costs	$12,500
Contingency	$25,000
Subtotal	**$1,960,000**

Construction Portion of City Loan:	
Developer Fee Payable @ Close	$180,000
Developer Fee Payable @ 50% Complete	$180,000
Developer Fee Payable @ Completion	$180,000
Developer Fee Payable @ Conversion	$180,000
Hard Construction Costs and related Projects costs	$1,370,000
Subtotal	**$2,090,000**
Total Estimated City Loan Expenses:	**$7,700,000**

ATTACHMENT NO. 5

PROMISSORY NOTE SECURED BY DEED OF TRUST

. [Attached]

PROMISSORY NOTE SECURED BY DEED OF TRUST

$7,700,000 August 19, 2005

FOR VALUE RECEIVED, the undersigned, JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Seven Million Seven Hundred Thousand Dollars ($7,700,000), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Amended and Restated Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, dated August 18, 2005, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of a residential rental project ("Facility") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description set forth in Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Assignment of Architectural Agreements and Plans and Specifications of even date herewith ("Assignment") by and between City and Borrower.

(iii) The Regulatory Agreement and Declaration of Covenants and Restrictions in the form attached as an exhibit to the Loan Agreement, to be executed by Borrower and City and recorded against the Site upon Borrower's acquisition of the Site, as may be amended from time to time ("Regulatory Agreement").

(iv) The Deed of Trust With Assignment of Rents in the form attached as an exhibit to the Loan Agreement, to be executed by Borrower for the benefit of City and recorded against the Site upon Borrower's acquisition of the Site, as may be amended from time to time ("Deed of Trust").

1. **Principal Amount; Interest.** The principal amount of the City's loan to Borrower up to Seven Million Seven Hundred Thousand Dollars ($7,700,000) ("City Loan"). Simple interest shall accrue on the City Loan at the rate of three percent (3%) per annum from the date first written above until accrued interest and unpaid principal are paid in full. The City Loan shall be disbursed to Borrower as set forth in the Loan Agreement.

2. **Term of Note; Repayment of Loan Amount.**

(i) If not sooner paid, Borrower shall pay all remaining accrued interest and unpaid principal of the City Loan and any other sums owing, on the date that is fifty-five (55) years after the date the Regulatory Agreement is recorded ("Maturity Date").

(ii) Commencing on the first April 1 that occurs after the date the Project (as that term is defined in the Loan Agreement) is completed and continuing on each April 1 thereafter until the Maturity Date (each April 1 a "Payment Date"), Borrower shall make annual payments to City in an amount equal to a percentage of the Net Project Cash Flow (as hereinafter defined) for the preceding calendar year, which percentage shall be based upon the ratio that the original principal amount of the City Loan bears to the Total Principal Loan Amount or such other ratio as approved by City. If a different percentage is approved by City, an addendum to this Note setting forth the new percentage shall be executed by City and Borrower and affixed to this Note. The "Total Principal Loan Amount" shall mean the total original principal amount of all permanent Permitted Encumbrances encumbering the Property including the City Loan. Borrower's obligation to make annual payments under this subparagraph (ii) shall be applicable only to the extent there is sufficient Net Project Cash Flow available from the Facility from the preceding calendar year. For purposes of this Section 2, the following definitions shall apply:

"***Gross Income***" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Facility or any portion thereof, and for services provided thereon.

"***Operating Expenses***" shall mean all expenses paid by Borrower in connection with the Facility, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any lender or any limited partner of Borrower; (II) all taxes and assessments (other than taxes based upon Borrower's income); (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Facility (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration): (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Facility; (iii) maintenance, repair and capital improvements to the Facility, including component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees in connection with its rental of units at the Facility for the applicable calendar year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on indebtedness (other than any indebtedness payable solely from available Project Cash Flow); provided that if any loan from any mortgage is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any

like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses; (V) payments into operating and replacement reserves required by a mortgagee or a limited partner of Borrower; (VI) repayment of any operating deficit loans made to Borrower; and (VII) any developer fee not paid from capital contributions or loan proceeds, social service fees, and cumulative priority distributions to any investor limited partner and partnership management fees, in such amounts as reasonably approved by City. Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Facility, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like.

"***Project Cash Flow***" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the accrual method of accounting, and otherwise in accordance with generally accepted business and accounting principles.

"**Net *Project Cash Flow***" shall mean, with respect to any calendar year, an amount equal to sixty-five percent (65%) of the Project Cash Flow.

3. Administration Fee. On each Payment Date, Borrower shall pay or cause to be paid to City an annual fee for City's administration of the City Loan, the Project, and the affordability covenants set forth in the Regulatory Agreement ("Administration Fee"). The Administration Fee payable on the first Payment Date shall be the sum of Two Thousand Five Hundred Dollars ($2,500). Commencing on the second Payment Date and on each one year anniversary thereafter, the Administration Fee shall be increased by the percentage increase, if any, in the CPI for the twelve (12) month period preceding the current Payment Date, not to exceed two percent (2%) per year. As used herein, the term "CPI" shall mean the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for the Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) or, if such index is not published or available, such official index as may then be in existence and which is most nearly equivalent to said index.

4. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Facility (or at, such other location in Orange County, California, approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

5. **Reports**. Borrower shall submit to City on or before each Payment Date, together with the remittance of the payment due, if any, a written statement signed by Borrower, and certified by it (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The statements and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required statement, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the statement or statements which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such statement.

6. **Audit**. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 4 during regular business hours upon not less than 72 hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, there shall be an adjustment and one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy in favor of Borrower which resulted in an underpayment greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

7. **Default**. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of 90 days); or (iii) Borrower is in default of the Loan Agreement, the Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), the City Loan shall become immediately due and payable.

8. **Additional Terms.**

(i) Payment of the City Loan shall be made in lawful money of the United States. Payments shall be made to City at One Civic Center Plaza, Irvine, CA 92623-9575, Attn:

Cashier, or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

(iv) All payments shall be first credited to accrued interest, next to costs, charges, and fees which may be owing from time to time, and then to reduction of the outstanding principal balance.

9. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's reasonable discretion.

10. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

11. Acceleration Upon Sale, Lease, or Encumbrance. To the extent permitted by applicable law, if Borrower shall: (i) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Property, excluding the lease of the units on the Property in accordance with the Regulatory Agreement and any other assignment, transfer, or encumbrance expressly permitted in the Loan Agreement or otherwise approved by City in writing; or (ii) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, then City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable.

12. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee,

incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Municipal and Superior Courts of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

13. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

14. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

15. Nonrecourse Obligation. Effective from and after the date Borrower acquires fee title to the Property, provided Borrower is not in default of the Loan Documents, the obligation of Borrower to pay the City Loan shall automatically be converted to a nonrecourse obligation and Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Property.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation

By: _____
Laura Archuleta, President

ATTACHMENT NO. 6

DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Rutan & Tucker, LLP
611 Anton Blvd., Ste. 1400
Costa Mesa, CA 92626
Attn: Kerra Carlson

(Space Above For Recorder's Use)

This Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DEED OF TRUST WITH ASSIGNMENT OF RENTS

This DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Deed of Trust") is made this _____ day of _____, 200__, among _____ _____ ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. **Grant In Trust**. For the purposes and upon the terms and conditions in this Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's fee interest in the real property located in the City of Irvine, County of Orange, State of California described in Exhibit "A" attached hereto and incorporated herein by this reference ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Property"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured**. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Seven Million Seven Hundred Thousand Dollars ($7,700,000), according to the terms of a promissory note dated August 19, 2005, made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) performance of Trustor under the City Note, the Amended and Restated Affordable Housing and Loan Agreement between Trustor and Beneficiary dated August 18,

2005 ("Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against the Property on or about the date hereof, ("Regulatory Agreement"), as such agreements may be amended from time to time, and each agreement of Trustor incorporated by reference or contained herein; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust. This Deed of Trust, the City Note, the Loan Agreement, and the Regulatory Agreement are collectively referred to herein as the "Loan Documents." The terms and provisions of the Loan Documents, including without limitation the nonrecourse provision set forth in Section 15 of the City Note, are incorporated herein by reference as if set forth in full. Any capitalized terms contained in this Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate, excluding the lease of the units on the Property in accordance with the Regulatory Agreement and any other assignment, transfer, or encumbrance expressly permitted by the Loan Agreement or otherwise approved by City in writing; or (b) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of holders of senior Permitted Encumbrances, Trustor hereby irrevocably absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Property, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any Loan Document or any other instrument or agreement

secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation (or if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to a cure.

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except with respect to any loans as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the rental units in the Property leased, and (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above.

5. Default. Trustor shall be deemed in default of this Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days).

6. Incorporation of Fictitious Deed of Trust. To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Property.

Trustor has caused this Deed of Trust to be executed as of the date set forth above.

_____

_____

By:_____
Laura Archuleta, President

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 17 OF TRACT NO. 8018, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 313, PAGE(S) 20 TO 22 INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT TO DRILL, IMINESTORE, EXPLORE OR OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEEDS RECORDED IN BOOK 9277 PAGE 256 IN BOOK 11444 PAGE 1511, BOTH OF OFFICIAL RECORDS.

ATTACHMENT NO. 7

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

Rutan & Tucker, LLP
611 Anton Blvd., Ste. 1400
Costa Mesa, CA 92626
Attn: Kerra Carlson

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this _____ day of _____, 200___, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and _____ ("Declarant").

RECITALS

A. Declarant is the owner in fee of that certain real property located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" ("Property").

B. City and Declarant entered into that certain Amended and Restated Affordable Housing and Loan Agreement dated August 18, 2005 ("Loan Agreement"), concerning the construction and operation of a 71-unit rental housing project on the Property, with related driveway, parking, landscaping, and other incidental improvements ("Project"). The Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623. All of the terms, conditions, provisions and covenants set forth in the Loan Agreement are incorporated in this Agreement by reference as though written out at length herein and the Loan Agreement and this Agreement shall be deemed to constitute a single instrument or document. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

C. Pursuant to the Loan Agreement, City loaned funds ("City Loan") to Declarant for the acquisition of the Property and the development of the Project.

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Property, including the

imposition of affordability covenants requiring that the units be rented to households of certain income levels at affordable rent.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Definitions. In addition to the terms defined elsewhere in this Agreement or incorporated by reference from the Loan Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance) by Eligible Tenants, as follows:

- The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 30% or less of the Median Income is 30% times 30% of the Median Income adjusted for family size appropriate to the Residential Unit.

- The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 50% or less of the Median Income is 30% times 50% of the Median Income adjusted for family size appropriate to the Residential Unit.

- The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 120% or less of the Median Income is 30% times 110% of the Median Income adjusted for family size appropriate for the Residential Unit for Eligible Tenants earning not more than one hundred ten percent (110%) of the Median Income, or the product of 30% times the actual gross income of the household for Eligible Tenants earning more than 110% and not more than 120% of the Median Income adjusted for family size appropriate to the Residential Unit.

As used herein, "adjusted for family size appropriate to the Residential Unit" shall mean a household of 2 persons in the case of a one-bedroom unit, a household of 3 persons in the case of a two-bedroom unit, and a household of 4.5 persons in the case of a three-bedroom unit.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City Loan" shall have the meaning ascribed in Recital C of this Agreement.

"Declarant" shall mean _____, and its successors and assigns in and to the Property.

"Eligible Tenant" shall mean a tenant of one of the Residential Units within the Project whose household income, as of the commencement date of his or her occupancy, does not

exceed the limit permitted for the particular Residential Unit as set forth in the Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Loan Agreement" shall mean the Amended and Restated Affordable Housing and Loan Agreement between City and Declarant dated August 18, 2005, including all exhibits and other documents attached thereto, referred to in Recital B of this Agreement, as may be amended from time to time.

"Median Income" shall mean the Orange County area median income, adjusted for family size, as established by the United States Department of Housing and Urban Development, and as published periodically by the State of California Department of Housing and Community Development. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Project" shall mean the development on the Property referred to in Recital B of this Agreement and more particularly described in the Loan Agreement.

"Property" shall mean the real property described in Exhibit "A" and all improvements and structures now or hereafter constructed thereon.

"Residential Units" shall mean the seventy-one (71) residential units on the Property. The Residential Units are comprised of 20 one-bedroom units, 21 two-bedroom units, and 30 three-bedroom units.

"Unit Mix" shall mean the household income levels permitted for each Residential Unit other than the on-site manager's unit, as follows:

- 7 one-bedroom units, 7 two-bedroom units, and 11 three-bedroom units shall be extremely low income units and shall be occupied by households earning 30% or less of the Median Income, adjusted for family size.

- 3 one-bedroom units, 3 two-bedroom units, and 3 three-bedroom units shall be very low income units and shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

- 10 one-bedroom units, 9 two-bedroom units, and 17 three-bedroom units shall be moderate income units and shall be occupied by households earning 120% or less of the Median Income, adjusted for family size.

[NOTE: IF THE NUMBER OF UNITS APPROVED FOR DEVELOPMENT IS LESS THAN 71, THE PARTIES SHALL MODIFY THE UNIT MIX PRIOR TO THE EXECUTION OF THIS AGREEMENT SUCH THAT THE COMBINED NUMBER OF UNITS IN THE 30% AND 50% INCOME CATEGORIES IS NOT MORE THAN 49% OF THE TOTAL NUMBER OF UNITS APPROVED FOR DEVELOPMENT. DELETE THIS PARENTHETICAL NOTE PRIOR TO EXECUTION.]

2. Development of the Project. Declarant shall commence and complete construction of the Project on the Property within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. **Term.** The covenants set forth in this Agreement shall remain in effect in perpetuity.

4. **Use; Affordability Covenants.** Declarant hereby covenants and agrees that the Property shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Owner shall devote the Property for use as a residential rental complex, with the Residential Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent such that the Unit Mix is maintained. Not by way of limitation of the foregoing, Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses. Notwithstanding any other provision set forth in this Agreement to the contrary, the one on-site manager's Residential Unit is not subject to the affordability covenants set forth in this Agreement, including without limitation the requirement that the unit be occupied by an Eligible Tenant at Affordable Rent.

4.2. Occupancy by Eligible Tenants. Each Residential Unit shall be used as the principal residence of the Residential Unit's Eligible Tenant and for no other purpose. An Eligible Tenant shall not lease or sublease its Residential Unit or its right of occupancy. Declarant shall institute a program to ensure that the Residential Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Residential Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Residential Unit shall include a provision limiting the number of persons permitted to occupy each Residential Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a Residential Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which form may be the form utilized in connection with the regulatory agreement for multifamily housing revenue bonds or low income housing tax credits) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Residential Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a

tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City. Declarant shall maintain each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Residential Unit by an Eligible Tenant, and on each anniversary date thereafter, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Residential Unit. In the event the recertification demonstrates that such household's income exceeds the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category. To the extent permitted by applicable law, the provisions of any tax credit regulatory agreement encumbering the Project and the requirements of Section 42 of the Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within 180 days after the recertification. Otherwise, the next available unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the Unit Mix as quickly as possible.

4.6 Leasing Residential Units. The Residential Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Residential Units, except to the extent that the Residential Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall give priority in renting Residential Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a Residential Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Residential Unit, Declarant shall rent available Residential Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Residential Units that become available as quickly as possible. Declarant shall market the Residential Units to the citizens of the City of Irvine.

4.7 Rental Agreement. The form of the rental agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the Residential Units. Once approved, no material changes shall be made to the form of the rental agreement without City's prior written reasonable approval. The rental agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Not by way of the foregoing, each rental agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for

occupancy of the applicable Residential Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such rental agreement. In addition, each rental agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such rental agreement.

5. **No Discrimination**. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

6. **Maintenance of Property**. Declarant shall maintain or cause to be maintained the Property and all improvements on the Property in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Property free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of fifteen (15) days after written notice from a City (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but are not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to attach a lien on the Property, or to assess the Property, 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. **Management**.

7.1 **Property Manager**. Declarant shall manage or shall cause the rental project on the Property to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Property in accordance with the terms of this Agreement ("Property Manager"); provided, however, that the selection and hiring of such a Property Manager company shall be subject to approval by City,

which shall not be unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Property Manager, whether that Property Manager is Declarant or a third party. The replacement Property Manager shall be required to operate and maintain the Property in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Property Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have thirty (30) days after receipt of such notice (or such longer period as is reasonably necessary to correct the condition) to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms of this Agreement to operate the Residential Units as an affordable housing project and shall include, but is not limited to, the following:

i. Knowingly allowing a Residential Unit to be occupied by a person who does not qualify as an Eligible Tenant;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Property in the manner prescribed in Section 6;

iv. Fraud or embezzlement of Project monies; and

v. Failure to comply with reasonable recommendations of the Irvine Police Department in maintaining a crime free environment on the Property.

8. Records. Declarant shall maintain complete and accurate records pertaining to the Residential Units for a period of three (3) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Residential Units.

9. Right to Inspect. City shall have the right to inspect the Property and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on seventy-two (72) hours written notice.

10. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of

any claims for relocations benefits or assistance that may be asserted by any tenants or occupants of the Property.

11. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Property and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

12. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 12.

12.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are a follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be

included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in the Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

12.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 12.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

13. Repair of Damage. If any improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds and provided the insurance proceeds are sufficient to restore the Property and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

14. Defaults and Remedies.

14.1 Defaults. Failure or delay by any party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

14.2 Institution of Legal Actions. In addition to any other rights or remedies, any party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

15. Third Party Beneficiary; Agency Enforcement. The parties acknowledge that the Irvine Redevelopment Agency ("Agency") provided funding for the development of the

Project and that the Agency intends to count the Residential Units toward its affordable housing obligations. The Agency is an intended third party beneficiary of this Agreement and shall have the power to enforce its provisions.

16. Miscellaneous.

16.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

16.2 Attorneys' Fees and Costs. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

16.3 Prohibition Against Assignment and Transfer. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project except as permitted in the Loan Agreement or otherwise approved by the City. In considering whether it will grant approval to any assignment by Declarant of its interest in the Property and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, and operation of similar projects. No assignment or transfer of Declarant's interest in this Agreement or the Property, shall be effective unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form satisfactory to City and City's legal counsel.

16.4 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California

16.5 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

16.6 Notices. All notices required to be delivered under this Agreement to City or Declarant must be in writing and shall be addressed to the respective parties at such address set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

If to City:
City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attention: Director of Community Development

If to Declarant: _____
17701 Cowan Avenue, Suite 200
Irvine, CA 92614
Attn: President

16.7 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Property, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Property and shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns, shall be binding upon Declarant and its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's interest in the Property is rendered less valuable thereby. Declarant hereby furthers declare its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property by Eligible Tenants, and by furthering the public purposes for which City was formed.

In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

16.8 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

By: _____

Its: _____

ATTEST:

_____
City Clerk

"DECLARANT"

_____
_____

By:_____
Laura Archuleta, President

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF _____)

On _____, before me, _____,
personally appeared _____

_____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 17 OF TRACT NO. 8018, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 313, PAGE(S) 20 TO 22 INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT TO DRILL, IMINESTORE, EXPLORE OR OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEEDS RECORDED IN BOOK 9277 PAGE 256 IN BOOK 11444 PAGE 1511, BOTH OF OFFICIAL RECORDS.

ATTACHMENT NO. 8

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS

[Attached]

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS

FOR VALUE RECEIVED, JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation ("Borrower"), does hereby assign, pledge, transfer and set over to the CITY OF IRVINE, a municipal corporation ("City"), all of its right, title, and interest in, to, and under any and all existing and future architectural, design, and construction contracts or agreements including, without limitation the plans for the Project (as that term is defined in the Amended and Restated Affordable Housing and Loan Agreement between Borrower and City dated August 18, 2005 ("City Loan Agreement"), and any and all amendments, modifications, supplements, addenda and general conditions to such agreements (collectively "Architectural Agreements"), and any and all plans and specifications, together with all existing and/or future shop drawings, working drawings, amendments, modifications, changes, supplements, general conditions and addenda thereto (collectively "Plans"), heretofore or hereafter entered into or prepared by any architect, engineer, contractor, or other person or entity, for the account of Borrower in connection with the construction of the Project on that certain real property more particularly described in Exhibit "A" attached hereto ("Site"). Borrower shall cause the parties to all Architectural Agreements, whether the Architectural Agreements are executed prior or subsequent to the date of this Assignment, to execute a Consent in the form attached hereto.

Borrower hereby irrevocably appoints City, with power to act individually, as its attorney-in-fact (which agency is coupled with an interest) to demand, receive, and enforce any and all of Borrower's rights with respect to the Plans and Architectural Agreements and perform any and all acts in the name of Borrower or in the name of City with the same force and effect as if performed by Borrower in the absence of this Assignment. City shall exercise its rights in this paragraph only in the event of a default of Borrower of an obligation that is secured by this Assignment or in the event the City Loan Agreement or any other agreement secured by this Assignment is terminated (as may be permitted in accordance with the terms of the applicable agreement). City shall not incur any liability if any action taken by City or on its behalf in good faith, pursuant to this paragraph, shall prove to be, in whole or in part inadequate or invalid, and Borrower hereby indemnifies and agrees to hold City harmless from and against any and all loss, claim, demand, cost, liability, damage or expense, including, without limitation, attorneys' fees and expenses in connection with any such action or actions.

This Assignment is made to secure:

(a) Borrower's payment to City of the loan in the principal amount of $7,700,000.00 (the "Loan") evidenced by that certain Promissory Note Secured by Deed of Trust dated August 19, 2005 ("Note").

(b) Performance by Borrower of all of its obligations under the City Loan Agreement and all agreements attached to the City Loan Agreement, including without limitation the Regulatory Agreement and Declaration of Covenants and Restrictions to be entered into by Borrower and City upon Borrower's acquisition of the Site.

(c) Completion of the tasks set forth in the Schedule of Performance attached to the City Loan Agreement as Attachment No. 2 within the time periods set forth therein, including Borrower's acquisition of the Site.

(d) Performance of each obligation of Borrower set forth in this Assignment.

Borrower and the party(ies) executing the Consent to this Assignment, agree that City does not assume any of Borrower's obligations or duties concerning the Architectural Agreement and the Plans, including, but not limited to, the obligation to pay for the preparation of the Architectural Agreement and the Plans, until and unless City shall exercise its rights hereunder.

Borrower hereby represents and warrants to City that no previous assignment(s) of its interest in and to or rights under the Plans and/or Architectural Agreements has or have been made, and Borrower agrees not to assign, sell, pledge, transfer, mortgage, or hypothecate or otherwise encumber in any manner its interest in and to or rights under the Plans and/or Architectural Agreements so long as this Assignment remains in effect, except for an assignment in connection with a Permitted Encumbrance (as that term is defined in the City Loan Agreement).

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, or successors in interest of the Borrower and City.

IN WITNESS WHEREOF, Borrower has caused this Assignment of Architectural Agreements and Plans and Specifications to be executed on August 18, 2005.

BORROWER:

JAMBOREE HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: Laura Archuleta
Name: Laura Archuleta
Title: President

CONSENT

The undersigned has prepared the Plans, hereby consents to the above Assignment. The undersigned also agrees that in the event of a breach by Borrower of any of the terms and conditions of the Architectural Agreement or any other agreement entered into with the undersigned in connection with the Plans, that so long as Borrower's interest in the Plans is assigned to City it will give written notice to City of such breach. City shall have 60 days from the receipt of such notice of default to remedy or cure said default; however, nothing herein shall require City to cure said default, but only gives it the option to do so.

The undersigned hereby further agrees that if, at any time City undertakes to complete or cause the completion of the improvements described by the Plans and/or Architectural Agreement, or otherwise requires the use of the Plans or the performance of the obligations of the undersigned under the Architectural Agreement, then so long as the undersigned has received or continues to receive the compensation required under the Architectural Agreement with Borrower related to the Plans, City or its designee shall have the right to use the same, and the ideas, designs and concepts therein contained, in connection with the completion of the improvements without payment of any additional fees or charges to the undersigned.

The undersigned also agrees that in the event of default by Borrower under any of its obligations secured by the Assignment, the undersigned, at City's request, shall continue performance under the Architectural Agreement in accordance with the terms hereof, provided that the undersigned shall be reimbursed in accordance with the Architectural Agreement for all services rendered on City's behalf.

Dated: 1.19.07

ARCHITECT:

KTGY Group, Inc.

By: _____

Name: DAVID M. LOCEY

Title: ARCHITECT

EXHIBIT "A" TO ASSIGNMENT

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 17 OF TRACT NO. 8018, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP RECORDED IN BOOK 313, PAGE(S) 20 TO 22 INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, THAT MAY BE WITHIN OR UNDER THE PARCEL OF LAND HEREINABOVE DESCRIBED, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES WITHOUT, HOWEVER, THE RIGHT TO DRILL, IMINESTORE, EXPLORE OR OPERATE THROUGH THE SURFACE OF THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND HEREINABOVE DESCRIBED, AS RESERVED IN DEEDS RECORDED IN BOOK 9277 PAGE 256 IN BOOK 11444 PAGE 1511, BOTH OF OFFICIAL RECORDS.

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5524**
AMENDMENT:	
CONTRACT TYPE:	**FINANCING/COOPERATION**
CONTRACT NAME:	**REDEVELOPMENT AGENCY; RDA**
CONTRACT DATE:	**5/8/07**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**GRANITE COURT AFFORDABLE HOUSING PROJECT**
ITEM NUMBER:	**RDA 1.2 & CC 3.10**
CONTRACT AMOUNT:	**$7,700,000.00**
MEETING DATE:	**5/8/2007**
COUNCIL ACTION:	**APPROVED**

3.8 CITY OF IRVINE INVESTMENT POLICY FOR THE CALENDAR YEAR 2007

ACTION:

1) Received and filed the City of Irvine Investment Policy for the Calendar Year 2007.
2) Adopted RESOLUTION NO. 07-62 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE ADOPTING THE CITY'S ANNUAL INVESTMENT POLICY FOR CALENDAR YEAR 2007

3.9 UNIVERSITY DRIVE REHABILITATION FROM HARVARD AVENUE TO THE I-405 FREEWAY - CIP 317270

This item was removed from the Consent Calendar by Councilmember Choi who noted concern with timing of project and possible traffic impacts associated with overlap of projects in connection with Item No. 3.7, Culver Drive rehabilitation to which Manuel Gomez, Director of Public Works responded.

ACTION: Moved by Councilmember Choi, seconded by Councilmember Shea, and unanimously carried to:

Approve the plans, specifications, and contract documents for University Drive Rehabilitation from Harvard Avenue to the I-405 Freeway, CIP 317270.

3.10 FINANCING AND COOPERATION AGREEMENT FOR THE GRANITE COURT AFFORDABLE HOUSING PROJECT

ACTION:

1) Approved Financing and Cooperation Agreement for the Granite Court Affordable Housing Project. **(Contract No. 5524)**
2) Approved Budget Adjustment Request.

3.11 REDEVELOPMENT FUND BUDGET ADJUSTMENTS

ACTION: Approved the budget adjustments revising tax increment budgeted revenue estimates; appropriating pass-through payments and administrative expenditures; and creating a special fund for such transactions.

3.12 ORDINANCE NO. 07-12, AUTHORIZING CITY ENGINEER AUTHORITY TO REVIEW AND APPROVE OR DISAPPROVE FINAL TRACT MAPS AND ASSOCIATED BONDS AND AGREEMENTS, AND TO ACCEPT STREETS INTO THE CITY STREET SYSTEM

FINANCING AND COOPERATION AGREEMENT

This FINANCING AND COOPERATION AGREEMENT ("Agreement") is entered into this 8th day of ~~April~~ May, 2007, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and the IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic ("Agency").

RECITALS

A. City and Jamboree Housing Corporation, a California nonprofit public benefit corporation ("Developer"), are parties to that certain Amended and Restated Affordable Housing and Loan Agreement dated August 18, 2005 ("Loan Agreement"), which provides for Developer to develop an affordable housing rental project ("Project") on certain real property more particularly described therein as the "Site."

B. The Loan Agreement provides for City to provide financial assistance to Developer in the form of a loan in the amount of Seven Million Seven Hundred Thousand Dollars ($7,700,000) ("City Loan") for certain acquisition and development expenses associated with the Project. A portion of the City Loan in the amount of $4,660,000 has been or will be funded by in-lieu fees received from residential developers pursuant to City's inclusionary housing program. The $3,040,000 balance of the City Loan will be funded as set forth in this Agreement.

C. Prior to the date of this Agreement, Agency authorized the submission of an application for State of California Housing Enabled by Local Partnerships (HELP) Program funds for affordable housing development purposes. The State of Californian awarded Agency $1,350,000 in HELP funds for the Project ("HELP Funds"). The HELP Funds, when deposited into the Agency's Low and Moderate Income Housing Fund, are to be transferred to City for the Project, as set forth herein.

D. The parties desire to enter into this Agreement to provide for Agency to loan to City the $1,350,000 HELP Funds and $1,690,000 of Agency Low and Moderate Income Housing Funds for City to apply towards the remaining $3,040,000 City Loan, on the terms and conditions set forth herein.

E. City and Agency agree that it is in the interests of both parties to enter into this Agreement to facilitate the development of the Project and to provide housing credits to Agency to assist Agency in meeting its affordable housing production requirements.

F. The Project will provide permanent affordable housing in keeping with the City and Agency adopted Housing Strategy and Implementation Plan.

G. This Agreement is intended to implement the City and Agency prior approvals authorizing the application for funding and the transfer of funds from the Agency to the City for the Project.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, City and Agency hereby agree as follows:

1. Agency Loan.

1.1 Amount of Agency Loan. Subject to the terms and conditions set forth herein, Agency shall provide City a loan in the amount not to exceed the sum of Three Million Forty Thousand Dollars ($3,040,000) ("Agency Loan"). No interest shall accrue on the Agency Loan.

1.2 Disbursement of Agency Loan; Use of Agency Loan. The Agency Loan shall be disbursed to City at such time or times that City is required to provide the funds to Developer under the Loan Agreement. City shall use the Agency Loan proceeds to fund the City Loan and for no other purpose. City shall disburse and administer the Agency Loan funds in accordance with the terms set forth in the Loan Agreement. City agrees to enforce the covenants and restrictions set forth in the Loan Agreement. Any sums provided by Agency to City hereunder that are not needed for the City Loan shall be promptly refunded to Agency.

1.3 Source of Agency Loan. The source of the Agency Loan is (i) Housing Enabled by Local Partnerships (HELP) Program funds in the amount of One Million Three Hundred Fifty Thousand Dollars ($1,350,000) that Agency applied for and was awarded for the Project prior to the date of this Agreement; and (ii) funds in the amount of $1,690,000 from Agency's Low and Moderate Income Housing Fund (Heath and Safety Code §§ 33334.2 *et seq.*).

1.4 Repayment of Agency Loan. Subject to City's annual appropriations process, City shall repay the Agency Loan to Agency on the terms set forth in this Section 1.4. The Agency Loan shall be repaid by City out of in-lieu fees collected by City after the date of this Agreement to the extent said fees were not pledged or committed to other uses by City prior to the date of this Agreement. City's obligation to repay the Agency Loan to Agency shall be a special and limited obligation of City payable from the sole source of in-lieu fees. Agency shall deposit the loan repayment proceeds it receives from City into Agency's Low and Moderate Income Housing Fund.

2. Affordability Covenants. The parties acknowledge that pursuant to the Loan Agreement, upon Developer's acquisition of the Site, City and Developer will enter into that certain Regulatory Agreement and Declaration of Covenants and Restrictions in the form attached as an exhibit to the Loan Agreement, which will impose certain affordability covenants on the Site in perpetuity. The Agency is a third party beneficiary to the Regulatory Agreement with the power to enforce its provisions.

3. Miscellaneous.

3.1 Administration of Agreement. This Agreement shall be administered by the City Manager, Assistant City Manager, Executive Director, and Assistant Executive Director, or any of them, or their designees, following approval of this Agreement by Agency and City.

The City Manager and/or Assistant City Manager or their designees shall have the authority to issue interpretations, waive provisions and enter into non-material amendments of this Agreement on behalf of City. The Executive Director and/or Assistant Executive Director or their designees shall have the authority to issue interpretations, waive provisions and enter into non-material amendments of this Agreement on behalf of Agency.

3.2 Entire Agreement. This Agreement incorporates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the subject matter hereof, with the exception of the Loan Agreement and its exhibits.

3.3 Amendments. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Agency.

3.4 No Third Party Beneficiary. Nothing herein is intended to create any third party beneficiaries to this Agreement, and no person or entity other than Agency and City, and the permitted successors and assigns of either of them, shall be authorized to enforce the provisions of this Agreement.

3.5 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect, unless and to the extent the rights and obligations of one or both parties has been materially altered or abridged by such holding.

3.6 Applicable Law. This Agreement shall be construed and enforced in accordance with the internal laws of the State of California without regard to conflict of law principles.

3.7 Counterparts. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

IN WITNESS WHEREOF, City and Agency have entered into this Agreement as of the date first set forth above.

"CITY

CITY OF IRVINE, a California municipal corporation

By: _____

Its: Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:

_____
City Attorney

"AGENCY"

IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic

By: _____

Its: Chair

ATTEST:

_____
Secretary

APPROVED AS TO FORM:

_____
Agency Counsel

Asst.

Supporting Documents from Table 1

Document 14

Project Name: Families Forward

Year: 1996

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5210**
AMENDMENT:	**5210**
CONTRACT TYPE:	**CAPITAL EXPENDITURES**
CONTRACT NAME:	**FAMILIES FORWARD**
CONTRACT DATE:	**7/01/05**
EXPIRATION DATE:	**7/10/06**
ENTRY DATE:	
CONTRACT SUBJECT:	**COMMUNITY DEVELOPMENT BLOCK GRANT FOR CAPITAL EXPENDITURES**
ITEM NUMBER:	
CONTRACT AMOUNT:	**$155,624.00**
MEETING DATE:	**4/12/05**
COUNCIL ACTION:	**APPROVED**

ORIGINAL

COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT
FOR CAPITAL EXPENDITURES

THIS COMMUNITY DEVELOPMENT BLOCK GRANT CONTRACT ("Contract") is made and entered into this 1st day of July, 2005 by and between the CITY OF IRVINE, a municipal corporation, ("City") and **FAMILIES FORWARD** ("Subgrantee").

RECITALS

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide Community Development Block Grant (CDBG) funds to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 et. seq.), as amended from time to time, (the "Act") and the regulations promulgated thereunder (24 C.F.R. Sections 570 et. seq. ("Regulations").

B. The Act provides that the City may grant the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

C. Subgrantee is a nonprofit organization which **desires to pay down the debt on the mortgage loan and install/construct accessibility features to a transitional housing unit that serves homeless families and persons (the "Site") which is located on certain real property in the City of Irvine, County of Orange, State of California,** more particularly described in Exhibit "A" attached hereto and incorporated herein by reference ("Site").

D. The City desires to assist Subgrantee by granting CDBG Funds to pay for all or a portion of the costs to install/construct accessibility features and refinance the mortgage loan on a transitional housing unit used by low-income families with disabilities. Terms and conditions more particularly set forth herein (the "Project").

NOW, THEREFORE, the parties hereto agree as follows:

1.0 SUBGRANTEE OBLIGATIONS

Use of CDBG Funds. Subgrantee hereby agrees to use the CDBG Funds provided to Subgrantee solely for the Project pursuant to all of the terms and conditions of this Contract. The Project is more particularly set forth in Exhibit "B" attached hereto and incorporated herein by reference. The CDBG Funds shall be used solely to reimburse the actual expenses incurred by Subgrantee for the Project that is set forth in the "Budget" attached hereto as Exhibit "C" and incorporated herein by reference.

If the Project encompasses any construction upon the Site, the work shall be performed in accordance with construction drawings, working specifications and related documents approved by the City in advance and in writing. Subgrantee must adhere to all procurement procedures described in Federal Regulation 24 CFR 84 Procurement Standards (also called OMB Circular A-110). Before the commencement of any work of construction, Subgrantee shall obtain any and all permits or approvals required by any governmental agency with jurisdiction. Representatives of the City shall have a reasonable right of access to the Facilities during any period of construction to determine whether the work being performed is consistent with the terms of this Contract.

5210

1.2 Representations and Warranties. Subgrantee hereby represents and warrants to the City as follows:

a) Subgrantee has read and is familiar with all of the terms and provisions of the Act and the Regulations applicable to Subgrantee.

b) Subgrantee is a nonprofit organization permitted to receive CDBG Funds under the Act and the Regulations.

c) The use of the Facility, the Project and the expenses to be reimbursed by the CDBG Funds, as described in the Budget, are permitted uses of CDBG Funds under the Act and the Regulations.

d) The Project shall not require the City or the Subgrantee to comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. Sections 4601 et seq., as amended from time to time.

1.3 Compliance with Law. Subgrantee shall perform the Project and operate the Facility in accordance with all ordinances, resolutions, statutes, rules, and regulations of the City and Federal, State or local governmental agency having jurisdiction in effect at the time service is rendered, including, but not limited to, the Act and the Regulations. Particularly, Subgrantee shall comply with the requirements and standards of the following:

(a) OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable;

(b) Attachments A, B, C (except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual CDBG activities commences on the date of submission of the annual performance and evaluation report in which the activity is reported on for the final time), F, H, N (excluding paragraph 3 and except that paragraphs 6 and 7 are modified so that (i) when any personal property is sold, the proceeds are Project income and (ii) personal property not needed for CDBG activities must be transferred to the City or shall be retained after compensating the City) and O of OMB Circular A-110;

(c) All federal laws and regulations described in Subpart K of the Regulations, including all affirmative actions requirements set forth therein, but excluding the City's environmental responsibilities under 24 C.F.R. Section 570.604 and the City's responsibility for initiating the review process under 24 C.F.R. Part 52;

(d) If Subgrantee is a religious organization, as defined by the Regulations, all conditions prescribed by HUD for the use of CDBG Funds by religious organizations.

1.4 Licenses, Permits, Fees and Assessments. Subgrantee shall obtain, at its sole cost and expense, such licenses, permits and approvals as may be required by law for the operation of the Project.

1.5 Program Income. Any program income, as such term is defined in the Regulations, received by Subgrantee shall be retained by Subgrantee. The program income received by Subgrantee shall solely be used for the program. All provisions of this Contract shall apply to such activities funded by program income. All program income shall be expended by Subgrantee before the City is obligated to advance any other CDBG Funds to Subgrantee under this Contract.

1.6 Further Responsibilities of Parties. Both parties agree to use reasonable care and diligence to perform their respective obligations under this Contract. Both parties agree to act in good faith to execute all instruments, prepare all documents and take all actions as may be reasonably necessary to carry out the purposes of this Contract. Unless hereafter specified, neither party shall be responsible for the obligations of the other.

1.7 Special Requirements. Additional terms and conditions of this Contract, if any, which are made a part hereof are set forth in the "Special Requirements" attachment hereto as Exhibit "D" and incorporated herein by this reference. In the event of a conflict between the provisions of the Special Requirements and any other provisions of this Contract, the provisions of Special Requirements shall govern.

2.0 DISBURSEMENT OF CDBG FUNDS

2.1 Maximum Amount of CDBG Funds. The maximum amount of CDBG Funds to be provided to Subgrantee is **One Hundred Fifty-Five Thousand Six Hundred Twenty Four and no/100 Dollars ($155,624.00)**. Subgrantee hereby acknowledges that the City cannot guarantee that the CDBG Funds will be received from HUD. The City's obligation to fund the Project is limited to the availability of CDBG Funds from HUD. If the CDBG Funds are not forthcoming from HUD for any reason, the City shall not have any obligation to fund the Project through any other source of funds.

2.2 Method of Payment. Unless otherwise specified in the Special Requirements, Subgrantee may submit to the Contract Officer an invoice, in a form acceptable to the City during the term of this Contract setting forth the amounts actually expended by Subgrantee for the Project; provided that said expenses are included in the Budget. Said invoice shall, at a minimum, set forth each budget category for which reimbursement is sought, a description of the expense, the total budgeted amount for the category, the amount requested to be reimbursed for each budget category, and the total amount expended for each budget category to date. Said invoice shall be accompanied with such additional supporting information as may be requested by the City, including, but not limited to, paid receipts for each expense. To the extent the CDBG Funds actually have been received from HUD, the City shall pay Subgrantee for all expenses stated on the invoice which are approved by City pursuant to this Contract.

3.3 Maintenance of CDBG Funds. All CDBG Funds (including program income) received by Subgrantee shall be maintained in an account separate and apart from all other funds of Subgrantee with a bank or savings and loan association qualified to do business in the State of California and insured by the Federal Deposit Insurance Corporation.

3.0 PERFORMANCE SCHEDULE

3.1 Time of Essence. Time is of the essence in the performance of this Contract.

3.2 Schedule of Performance. Subgrantee shall commence, prosecute and complete the Project within the time periods established in the "Schedule of Performance" attached hereto as Exhibit "E" and incorporated herein by this reference.

3.3 Force Majeure. The time period(s) specified in the Schedule of Performance for performance of the work shall be extended because of any delays due to unforeseeable causes beyond the control and without the fault or negligence of the Subgrantee, including, but not restricted to, acts of God or of the public enemy, unusually severe weather, fires, earthquakes, floods, epidemics, quarantine restrictions, riots, strikes, freight embargoes, wars, litigation, and/or acts of any governmental agency, including the City, if the Subgrantee shall within ten (10) days of the commencement of such delay notify the contracting officer in writing of the causes of the delay. The Contract Officer shall ascertain the facts and the extent of delay, and extend the time for performing the services for the period of the enforced delay when and if in the judgment of the Contract Officer such delay is justified. The Contract Officer's determination shall be final and conclusive upon the parties to this Contract. In no event shall Subgrantee be entitled to recover damages against the City for any delay in the performance of this Contract, however caused, Subgrantee's sole remedy being extension of the Contract pursuant to this Section.

3.4 Term. Unless earlier terminated in accordance with Section 7.4 of this Contract, this Contract shall continue in full force and effect until **June 30, 2006.**

3.5 Reversion of Assets. Upon the expiration or sooner termination of this Contract, Subgrantee shall transfer to the City (i) any and all CDBG Funds and Project income on hand (ii) any accounts receivable attributable to the use of CDBG Funds or Project income; and (iii) if any CDBG Funds or Project income was used by Subgrantee to improve or acquire real property and said CDBG Funds or Project income was in excess of Twenty Five Thousand Dollars ($25,000), Subgrantee shall either (a) use said real property to meet one of the national objectives specified in 24 C.F.R. Section 570.208 for a period of five (5) years after the termination or sooner expiration of this Contract or (b) dispose of the real property and reimburse the City in an amount (together with any amounts previously repaid to the City) that is equal to the fair market value of the real property times a fraction, the numerator of which is equal to the amount of CDBG Funds and/or Project income used to acquire or improve the real property and the denominator of which is equal to the fair market value of the real property immediately after the real property was acquired or improved with said funds.

4.0 COORDINATION OF WORK

4.1 Representation of Subgrantee. The Executive Director of **FAMILIES FORWARD** is hereby designated as being the representative of Subgrantee authorized to act in its behalf with respect to this Contract and make all decisions in connection therewith.

4.2 Contract Officer. The Contract Officer shall be the City's CDBG Coordinator or such person as may be designated by the City Manager of the City. It shall be the Subgrantee's responsibility to assure that the Contract Officer is kept informed of the progress of the performance of the Project and the Subgrantee shall refer any decisions which

must be made by City to the Contract Officer. Unless otherwise specified herein, any approval of City required hereunder shall mean the approval of the Contract Officer. The Contract Officer shall have authority to sign all documents on behalf of the City required hereunder to carry out the terms of this Contract.

4.3 Prohibition Against Subcontracting or Assignment. Neither this Contract nor any interest herein may be transferred, assigned, conveyed, hypothecated or encumbered voluntarily or by operation of law, whether for the benefit of creditors or otherwise, without the prior written approval of City. Transfers restricted hereunder shall include the transfer to any person or group of persons acting in concert of more than twenty five percent (25%) of the present ownership and/or control of Subgrantee, taking all transfers into account on a cumulative basis. In the event of any such unapproved transfer, including any bankruptcy proceeding, this Contract shall be void. No approved transfer shall release the Subgrantee or any surety of Subgrantee of any liability hereunder without the express consent of City.

4.4 Independent Contractor. Neither the City nor any of its employees shall have any control over the manner, mode or means by which Subgrantee, its agents or employees, perform the services required herein, except as otherwise set forth herein. City shall have no voice in the selection, discharge, supervision or control of Subgrantee's employees, servants, representatives or agents, or in fixing their number, compensation or hours of service. Subgrantee shall perform all services required herein as an independent contractor of City and shall remain at all times as to City a wholly independent contractor with only such obligations as are consistent with the role. Subgrantee shall not at any time or in any manner represent that it or any of its agents or employees are agents or employees of City. City shall not in any way or for any purpose become or be deemed to be a partner of Subgrantee in its business or otherwise or a joint venture or a member of any joint enterprise with Subgrantee.

5.0 INSURANCE AND INDEMNIFICATION

5.1 Insurance. The Subgrantee shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Contract including any extension thereof, the following policies of insurance:

(a) Comprehensive General Liability Insurance. A policy of comprehensive general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of $1,000,000.00 or its equivalent.

(b) Worker's Compensation Insurance. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) Additional Insurance. Policies of such other insurance as may be required in the Special Requirements.

All of the above policies of insurance shall be primary insurance and shall name the City, its officers, employees and agents as additional insureds. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended

or canceled without providing thirty (30) days prior written notice by registered mail to the City. In the event any of said policies of insurance are canceled, the Subgrantee shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 5.1 to the Contract Officer. No work or services under this Contract shall commence until the Subgrantee has provided the City with Certificates of Insurance or appropriate insurance binders evidencing the above insurance coverages and said Certificates of Insurance or binders are approved by the City.

The Subgrantee agrees that the provisions of this Section 5.1 shall not be construed as limiting in any way the extent to which the Subgrantee may be held responsible for the payment of damages to any persons or property resulting from the Subgrantee's activities or the activities of any person or persons for which the Subgrantee is otherwise responsible.

5.2 Indemnification. Subgrantee agrees to indemnify the City, its officers, agents and employees against, and will hold and save them and each of them harmless from, any and all actions, suits, claims, damages to persons or property, losses, costs, penalties, obligations, errors, omissions or liabilities, (herein "claims or liabilities") that may be asserted or claimed by an person, firm or entity arising out of or in connection with the negligent performance of the work, operations or activities of Subgrantee, its agents, employees, subcontractors, or invitees, provided for herein, or arising from the negligent acts or omissions of Subgrantee hereunder, or arising from Subgrantee's negligent performance of or failure to perform any term, provision covenant or condition of this Contract, whether or not there is concurrent passive or active negligence on the part of the City, its officers, agents or employees but excluding such claims or liabilities arising from the sole negligence or willful misconduct of the City, its officers, agents or employees, who are directly responsible to the City, and in connection therewith:

(a) Subgrantee will defend any action or actions filed in connection with any of said claims or liabilities and will pay all costs and expenses, including legal costs and attorneys' fees incurred in connection therewith;

(b) Subgrantee will promptly pay any judgment rendered against the City, its officers, agents or employees for any such claims or liabilities arising out of or in connection with the negligent performance of or failure to perform such work, operations or activities of Subgrantee hereunder; and Subgrantee agrees to save and hold the City, its officers, agents, and employees harmless therefrom;

(c) In the event the City, its officers, agents or employees is made a party to any action or proceeding filed or prosecuted against Subgrantee for such damages or other claims arising out of or in connection with the negligent performance of or failure to perform the work, operation or activities of Subgrantee hereunder, Subgrantee agrees to pay to the City, its officers, agents or employees, any and all costs and expenses incurred by the City, its officers, agents or employees in such action or proceeding, including but not limited to, legal costs and attorneys' fees.

6.0 RECORDS AND REPORTS

6.1 Reports. Subgrantee shall prepare and submit to the Contract Officer on a quarterly basis such reports concerning the performance of the services required by this

Contract as the Contract Officer shall require. At a minimum said reports shall include the following:

(a) A Quarterly Subrecipient Report in the form prescribed by HUD shall be submitted on a quarterly basis with each application for payment. Slides or pictures shall be included with the report, if appropriate. Ethnic and Female Head of Household data, consistent with HUD's Grantee Performance Report requirements should also be provided in the summary.

(b) An Annual Single Audit Report or General Audit Report as required pursuant to OMB Circular A-133 or OMB Circular A-123, respectively, as required by HUD.

(c) Reference Schedule of Performance , Exhibit E.

6.2 Records. Subgrantee shall keep such books and records as shall be necessary to document the expenses incurred by Subgrantee for the Project and to enable the Contract Officer and HUD to evaluate the operation of the Project, as required by the Regulations. Said records shall include, but not be limited to, documentation of income levels of persons utilizing the Project, documentation of the number of persons utilizing the Project, documentation of costs reimbursed with CDBG Funds and such other records as may be reasonably requested by the City. Subgrantee shall perform all audits of its books and records required by the Regulations. A copy of such audits shall be forwarded to the City within thirty (30) days of the date of the audit. The City and HUD and/or their representatives shall have full and free access to such books and records at all times during normal business hours of and transcripts from such records. Such records shall be maintained for a period of **five (5) years** following the termination of this Contract, and the City shall have access to such records in the event any audit is required.

7.0 ENFORCEMENT OF CONTRACT

7.1 Applicable Law. This Contract shall be construed and interpreted both as to validity and to performance of the parties in accordance with the laws of the State of California and the United States, as applicable. Legal actions concerning any dispute, claim or matter arising out of or in relation to this Contract shall be instituted in the Superior Court of the County of Orange, State of California, the United States District Court for the Central District of California or any other appropriate court in Orange County, and Subgrantee covenants and agrees to submit to the personal jurisdiction of such court in the event of such action.

7.2 Disputes. In the event of any dispute arising under this Contract, the injured party shall notify the injuring party in writing of its contentions by submitting a claim therefor. The injured party shall continue performing its obligations hereunder so long as the injuring party commences to cure such default within ten (10) days of service of such notice and completes the cure of such default within thirty (30) days after service of the notice, or such longer period as may be permitted by the injured party; provided that if the default is an immediate danger to the health, safety and general welfare, such immediate action may be necessary. Notwithstanding the foregoing, the City may suspend any further payment of CDBG Funds until Subgrantee is in compliance with this Contract. Compliance with the provisions of this Section shall be a condition precedent to termination of this Contract for cause and to any legal action, and such compliance shall not be a waiver of any party's right to take legal action in the event that the dispute is not cured.

7.3 Remedies Upon Default by Subgrantee. In addition to any other rights or remedies available at law or in equity, if Subgrantee fails to fulfill its obligations under this Contract, City may, after compliance with the provisions of Section 7.2,:

(a) Temporarily withhold payment of CDBG Funds pending correction of the default by Subgrantee;

(b) Refuse to advance all or any part of the CDBG Funds for the Project and reallocate said funds to another activity;

(c) Wholly or partially suspend or terminate the award and this Contract;

(d) Withhold further awards for the Project; and

(e) Require Subgrantee to repay any CDBG Funds which the City determines were not expended in compliance with the requirements of this Contract, the Act or the Regulations.

7.4 Termination for Convenience. This Contract may be terminated for convenience as provided in 24 C.F.R. Section 85.44.

7.5 Waiver. No delay or omission in the exercise of any right or remedy by a nondefaulting party on any default shall impair such right or remedy or be construed as a waiver. A party's consent to or approval of any act by the other party requiring the party's consent or approval shall not be deemed to waive or render unnecessary the other party's consent to or approval of any subsequent act. Any waiver by either party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Contract.

7.6 Rights and Remedies are Cumulative. Except with respect to rights and remedies expressly declared to be exclusive in this Contract, the rights and remedies of the parties are cumulative and the exercise by either party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.7 Legal Action. In addition to any other rights or remedies, either party may take legal action, in low or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Contract, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Contract.

7.7 Attorneys Fees. If either party to this Contract is required to initiate or defend or made a party to any action or proceeding in any way connected with this Contract, the prevailing party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

8.0 CITY OFFICERS AND EMPLOYEES

8.1 Non-liability of City Officers and Employees. No officer or employee of the City shall be personally liable to the Subgrantee, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Subgrantee or to its successor, or for breach of any obligation of the terms of this Contract.

8.2 Conflict of Interest. No officer or employee of the City shall have any financial interest, direct or indirect, in this Contract nor shall any such officer or employee participate in any decision relating to the Contract which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. The Subgrantee warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Contract.

9.0 MISCELLANEOUS

9.1 Notice. Any notice, demand, request, document, consent, approval, or communication either party desires or is required to give to the other party or any other person shall be in writing and either served personally or sent by prepaid, first-class mail, in the case of the City, to the City Manager and to the attention of the Contract Officer, CITY OF IRVINE, 1 Civic Center Plaza, Irvine, California 92623, and in the case of the Subgrantee, to the person at the address designated on the execution page of this Contract. Either party may change its address by notifying the other party of the change of address in writing. Notice shall be deemed communicated at the time personally delivered or in seventy-two (72) hours from the time of mailing if mailed as provided in this Section.

9.2 Interpretation. The terms of this Contract shall be construed in accordance with the meaning of the language used and shall not be construed for or against either party by reason of the authorship of this Contract or any other rule of construction which might otherwise apply.

9.3 Integration; Amendment. It is understood that there are no oral agreements between the parties hereto affecting this Contract and this Contract supersedes and cancels any and all previous negotiations, arrangements, agreements and understandings, if any, between the parties, and none shall be used to interpret this Contract. This Contract may be amended at any time by the mutual consent of the parties by an instrument in writing.

9.4 Severability. In the event that any one or more of the phrases, sentences, clauses, paragraphs, or sections contained in this Contract shall be declared invalid or unenforceable by a valid judgment or decree of a court of competent jurisdiction, such invalidity or unenforceability shall not effect any of the remaining phrases, sentences, clauses, paragraphs, or sections of this Contract which are hereby declared as securable and shall be interpreted to carry out the intent of the parties hereunder unless the invalid provision is so material that its invalidity deprives either party of the basic benefit of their bargain or renders this Contract meaningless.

9.5 Corporate Authority. The persons executing this Contract on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Contract on behalf of said party, (iii) by so executing this

Contract, such party is formally bound to the provisions of this Contract, and (iv) the entering into this Contract does not violate any provision of any other agreement to which said party is bound.

IN WITNESS WHEREOF, the parties have executed and entered into this Contract as of the date first written above.

ATTEST:

By: _____
City Clerk

CITY OF IRVINE, a municipal corporation

By: _____
Tina Christiansen
Director of Community Development

By: _____
Beth Krom
Mayor

APPROVED AS TO FORM:

_____
City Attorney

SUBGRANTEE:

By: _____
Name: Margie Wakeham
Title: Executive Director

By: _____
Name: Roger A. Grable
Title: President

Address: Families Forward
9221 Irvine Blvd.
Irvine, CA 92681

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 14, 2006 (Date), before me, Carl S. Petersen (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Margaret Hester Wakeham (Name(s) of Signer(s)),

☐ ~~personally known to me~~

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

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

Place Notary Seal Above

WITNESS my hand and official seal.

Carl S Peterson
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 23, 2006 (Date) before me, Carl S. Petersen, Notary Public, (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared Tina P. Christiansen, (Name(s) of Signer(s))

☒ personally known to me

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

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

Place Notary Seal Above

WITNESS my hand and official seal.

Carl S. Petersen
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 14, 2006 (Date), before me, Carl S. Peterson (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Roger A. Grable (Name(s) of Signer(s)),

☐ personally known to me

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

CARL S. PETERSEN
Commission # 1404361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

WITNESS my hand and official seal.

Place Notary Seal Above

Carl S. Peterson
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

EXHIBIT "A"
DESCRIPTION OF THE SITE

1.) 391 HUNTINGTON, IRVINE, CA 92620

County of Orange, California
Parcel No. 93202540
Book Number: 550 page 32-42
Planning Area 8,
Tract: 12415, Lot 16

EXHIBIT "B"
DESCRIPTION OF THE PROJECT

The Subgrantee will use Community Development Block Grant (CDBG) funds to:

1. pay down the debt on the mortgage loan; and
2. construct and/or install accessibility features that will accommodate persons with disabilities. Accessibility upgrades may include the following:

    - Installation of a handicap ramp or exterior concrete repairs to improve accessibility of the unit.
    - Widening of the doorways.
    - Installation of handrails.
    - Lowering of cabinets.
    - Installation of plumbing fixtures

EXHIBIT "C"
BUDGET

The Project budget, to be financed by Community Development Block Grant Funds, is **One Hundred Fifty-Five Thousand Six Hundred Twenty Four and no/100 Dollars ($155,624.00)**. The CDBG funds are to be applied against the cost refinancing the loan of the site to reduce the mortgage payment and upgrade the facility to accommodate families with disabilities. Funds will be disbursed by the City directly to Families Forward upon submittal of requirements in Attachment "D".

LINE ITEM BUDGET

Line Item(s)	Budget Amount	City of Irvine Funds
1. Refinance Loan for 391 Huntington, Irvine.	$108,936.80	$108,936.80
Construction or installation of accessibility features to 391 Huntington, Irvine to accommodate disabled persons.	$46,687.20	$46,687.20
Total Project Budget:	**$155,624.00**	**$155,624.00**

EXHIBIT "D"
SPECIAL REQUIREMENTS

1) The Subgrantee is responsible for monitoring the activities of the subrecipient for program implementation and compliance.

2) Per 36 CFR 800: Protection of Historic Properties/floodplain Review (Section 106 Historic Review/Floodplain Management): the Subgrantee shall submit to the Community Development Commission (CDC) a Basic Property Identification form for all properties to be rehabilitated. Review of potentially historic structures and clearance of those structures through this process must be granted PRIOR to incurring any costs or starting the rehabilitation of the property. Properties requiring an in-depth review and analysis will be evaluated by the State Historic Preservation Officer (SHPO) for historical and/or architectural significance. Floodplain review and public noticing must also be completed where applicable. Each property must be cleared through this office on an INDIVIDUAL basis.

3) The Subgrantee will comply with procurement standards outlined in 24 CFR, Part 85, Section 85.36 of the Common Rule, entitled Procurement, for the purchase of all equipment, supplies, and contracted services using CDBG funds.

4) Subgrantee shall submit to the Contract Officer for approval, the following information:

    a. Descriptions of the repairs and improvements to the Site
    b. Bid package for improvements
    c. Copy of advertisement of bid

5) The Subgrantee shall maintain payroll and time and attendance records signed by the employee and approved by the supervisor. Time distribution records will also be kept by program and shall account for total work time on a daily basis for all employees.

6) Per 24 CFR 35: Lead-Based paint Poisoning Prevention in Certain Residential Structures: the Subgrantee is required to provide (where appropriate) notification, evaluation and reduction of lead-based paint hazards in Federally owned residential property and housing receiving Federal financial assistance. The Subgrantee shall maintain appropriate records to indicate compliance with this regulation on a property by property basis. Projects that are not exempt must comply with the regulation and follow procedures based on the funding amount for each project.

7) The Subgrantee is responsible for monitoring the activities of the subrecipient for program implementation and compliance.

8) The Subgrantee shall execute a professional services agreement with each consultant/contractor prior to incurring any costs or distributing any CDBG or ESG funds, in compliance with federal contractual requirements.

9) The Subgrantee will retain the site for low- and moderate-income use for a period of five years, or the CDBG program will be reimbursed the amount for work value to the property less any value attributed to the expenditures of non-CDBG funds for improvements to the property.

EXHIBIT "E"
SCHEDULE OF PERFORMANCE

It is the intent of Subgrantee, Families Forward, to complete all improvements to the housing units prior to June 30, 2006, and submit to the City all invoices for eligible CDBG funded Project budget costs prior to **July 10, 2006**. In the event that the Subgrantee has not submitted appropriate invoices for all eligible CDBG funded Project budget costs prior to July 10, 2006, this Contract shall be subject to termination at the discretion of the City. The Subgrantee may, prior to the Contract termination date, submit a written request to the City for extension thereof. Such request may be granted by the City Contract Officer upon written determination of good cause.

EXHIBIT "F"
REGULATORY AGREEMENT

ACCORDINGTO GOVERNMENT CODE 6102,
FREE RECORDING IS REQUESTED

WHEN RECORDED MAIL TO:

The City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: CDBG Coordinator

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder
NO FEE
2006000201885 03:10pm 03/28/06
213 148 A12 11
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

(Space Above This Line for Recorder's Office Use Only)

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

THIS REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Regulatory Agreement") is made and entered into this 1st day of July, 2006 by and between the CITY OF IRVINE, a municipal corporation ("City") and **Families Forward** ("Declarant").

RECITALS:

A. The City has agreed to grant sums from the City's Community Block Grant Fund ("Fund") to Declarant pursuant to the terms of a Community Development Block Grant Contract ("Contract") of even date herewith to assist Declarant with the Project for the Site located on that certain real properties in the City of Irvine, County of Orange, State of California more particularly described in Exhibit "A", attached hereto and incorporated by reference herein (the "Site"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Contract.

B. City and Declarant desire to place restrictions upon the use and operation of the Site, in order to ensure that the Site shall be continuously made available as transitional housing units for the homeless (the "Facilities") for a term of five (5) years. It is the intent of the parties that title to the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

C. The parties further intend that the Declarant, in exchange for the City making the grant to Declarant, shall hold, sell, and convey the Site subject to the covenants, conditions, restrictions and reservations set forth in this Regulatory Agreement and that the City shall have the right and power to enforce the covenants, conditions, restrictions and reservations as provided herein.

NOW, THEREFORE, the Declarant and City declare, covenant and agree, by and for themselves, their heirs, executors, administrators and assigns, and all persons claiming under or through them, that the Site shall be held, transferred, encumbered, all of which are declared to be in furtherance of a common plan for the improvement used, sold, conveyed, leased and occupied, subject to the covenants and restrictions hereinafter set forth, and are established

expressly and exclusively for the use and benefit of the Site, each and every person and entity who may now or in the future own the Site and the City.

1.0 USE OF FACILITY.

During the term of this Regulatory Agreement, the Facilities shall be continuously operated **as transitional housing units for low income families who are being helped to achieve self-sufficiency** i.e. providing shelter for persons earning less than fifty percent (50%) of the medium income for persons residing in the County of Orange, State of California, as established by HUD and in accordance with the terms of the Contract, the Act and the Regulations.

2.0 USE OF FUNDS.

The CDBG funds granted to Declarant pursuant to the terms of the Contract shall be used solely for the Project in accordance with the terms and conditions of the Contract, the Act and the Regulations.

3.0 SALE OR TRANSFER OF THE SITE.

The declarant covenants that Declarant shall not transfer the Site or any of its interest therein except as provided in this section.

3.1 Transfer Defined. As used in this Section, the term "transfer" shall include any assignment hypothecation, mortgage, pledge, conveyance, or encumbrance of the Site or the improvements thereon. A transfer shall also include the transfer to any person or group of persons acting in concert of more than twenty-five percent (25%) (in the aggregate) of the present ownership and/or control of any person or entity constituting Declarant or its general partners, taking all transfers into account on a cumulative basis, except transfers of such ownership or control interest among their respective shareholders. In the event any entity constituting Declarant, its successor or the constituent partners of Declarant or any successor of Declarant, is a corporation or trust, such transfer shall refer to the transfer of the issued and outstanding capital stock of such corporation or of beneficial interests of such trust; in the event that any entity constituting Declarant, its successor or the constituent partners of Declarant or any successor of Declarant is limited or general partnership, such transfer shall refer to the transfer of more than twenty-five percent (25%) of such limited or general partnership interest; in the event that any entity constituting Declarant, it successor of the constituent partners of Declarant or any successor of Declarant is a joint venture, such transfer shall refer to the transfer of more than twenty-five percent (25%) of the ownership and/or control of any such joint venture partner, taking all transfers into account on a cumulative basis.

3.2 City Approval of Transfer Required. Declarant shall not transfer the Site or any of Declarant's rights hereunder, or any interest in the Site or in the improvements thereon, directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of City, and if so purported to be transferred, the same shall be null and void. In considering whether it will grant approval of any transfer by Declarant of its interest in the Property, City shall consider factors such as (I) whether the completion of the rehabilitation of the Site is jeopardized; (ii) the financial credit, strength, and capability of the proposed transferee to perform Declarant's obligations hereunder; and (iii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects.

In the absence of specific written agreement by City, no transfer by Declarant of all or any portion of its interest in the Site shall be deemed to relieve it or any successor party from the obligation to complete the rehabilitation of the Site or any other obligations under this Regulatory Agreement. In addition, no attempted transfer of any of Declarant's obligations hereunder shall be effective unless and until the successor party executes and delivers to City an assumption agreement in a form approved by the City assuming such obligations.

4.0 ENFORCEMENT.

4.1 Events of Default. In the event Declarant defaults in the performance or observance of any covenant, agreement or obligation of Declarant set forth in this Regulatory Agreement or the Contract, and if such default remains uncured for a period of thirty (30)days after written notice thereof shall have been given by City, or, in the event said default cannot be cured within said time period, Declarant has failed to commence to cure such default within said thirty (30) days and diligently prosecute said cure to completion, then City shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take one or more of the following steps:

4.1.1 By mandamus or other suit, action or proceeding at law or in equity, require the Declarant to perform its obligations and covenants hereunder or enjoin any acts or things
which may be unlawful or in violation of this Regulatory Agreement; or

4.1.2 Enforce any of the City's rights contained in Section 7.3 of the Contract; or

4.1.3 Require Declarant to repay the funds granted by the City pursuant to the Contract. If said grant is not repaid within thirty (30) days after Declarant's receipt of notice thereof, the same shall be deemed delinquent, and the amount thereof shall bear interest thereafter at a rate of ten percent (10%) per annum until paid. Any and all delinquent amounts, together with said interest, costs and reasonable attorney's fees, shall be a lien and charge, with power of sale, upon the Site. Any such lien may be enforced by sale by the City following recordation of a Notice of Default and Notice of Sale given in the manner and time required by law as in the case of a deed of trust; such sale to be conducted in accordance with the provisions of Section 2924, et seq., of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law.

Any monetary lien provided for herein shall be subordinate to any bona fide mortgage or deed of trust covering an ownership interest in and to the Site, and any purchaser at any foreclosure or trustee's sale (as well as any deed or assignment in lieu of foreclosure or trustee's sale) under any such mortgage or deed of trust shall take title free from any such monetary lien, but otherwise subject to the provisions hereof; provided that, after the foreclosure of any such mortgage and/or deed of trust, all other assessments provided for herein to the extent they relate to the expenses incurred subsequent to such foreclosure, assessed hereunder to the purchaser at the foreclosure sale, shall become a lien upon the Site upon recordation of a Notice of Assessment or Notice of Claim of Lien as herein provided.

41.4 Take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Declarant hereunder.

4.2 Rights are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by any party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by another party.

5.0 NONDISCRIMINATION.

There shall be no discrimination against or segregation of any person, or group of persons, on account or race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease sublease, transfer, use, occupancy, tenure or enjoyment of the site, or any part thereof, nor shall Declarant, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site, or any part thereof. Declarant hereby agrees to abide by all of the affirmative actions policies set forth or referred to in the Regulations.

6.0 COVENANTS TO RUN WITH THE LAND.

6.1 Covenants Running With The Land. Declarant hereby subjects the Site to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The City and the Declarant hereby declare their express intent that all such covenants, reservations and restrictions shall be deemed covenants running with the land and shall pass to and be binding upon the Declarant'/s successors in title to the Site; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. All covenants without regard to technical classification or designation shall be binding for the benefit of the City, and such covenants shall run in favor of the City for the entire term of this Regulatory Agreement, without regard to whether the City is or remains an owner of any land or interest therein to which such covenants relate. Each and every contract, deed of trust or other instrument hereafter executed covering or conveying the Site or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and r restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed of trust or other instrument.

6.2 Touch and Concern the Land. City and Declarant hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that Declarants' legal interest in the Site is rendered less valuable thereby. City and Declarant hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Qualified Purchasers, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the City was formed.

6.3 Agreement Between Declarant and City. The Declarant, in exchange for the City granting monies to Declarant, hereby agrees to hold, sell and convey the Site subject to the terms of this Regulatory Agreement. Declarant also grants to the City and the City the right and power to enforce the terms of this Regulatory Agreement against the Declarant and all persons having any right, title or interest in the Site or any part thereof, their heirs, successive owners and assigns.

7.0 TERM.

This Regulatory Agreement shall automatically terminate without any further action of the parties five (5) years from the date this Regulatory Agreement is recorded against the Site.

Upon the expiration or sooner termination of this Contract, Declarant shall (I) transfer to the City any and all CDBG Funds and program income, as such term is defined in the Regulations, on hand (ii) any accounts receivable attributable to their use of CDBG Funds or program income; and (ii) if any CDBG Funds or program income was used by Declarant to improve or acquire real property and said CDBG Funds or program income was in excess of Twenty Five Thousand Dollars ($25,000.00), Declarant shall either (a) use said real property to meet one of the national objectives specified in 24 C.F.R. Section 570.208 for a period of five (5) years after the termination or sooner expiration of this Contract or (b) dispose of the real property and reimburse the City in an amount (together with any amounts previously repaid to the City) that is equal to the fair market value of the real property times a fraction, the numerator of which is equal to the amount of CDBG Funds or program income used to acquire or improve the real property and the denominator of which is equal to the fair market value of the real property immediately after the real property was acquired or improved with said funds.

8.0 ATTORNEY'S FEES.

In the event that a party to this Regulatory Agreement brings an action against the other party hereto by reason of the breach of any condition or covenant, representation or warranty in this Regulatory Agreement, or otherwise arising out of this Regulatory Agreement, the prevailing party in such action shall be entitled to recover from the other reasonably attorney's fees to be fixed by the court which shall render a judgment, as well as the costs of suits. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, including the conducting of discovery..

9.0 AMENDMENTS.

This Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County of Orange.

10.0 NOTICE.

Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the parties hereto:

City: City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: CDBG Coordinator

Copy to: Rutan & Tucker
611 Anton Blvd.
14th Floor
Costa Mesa, CA 92626

Delcarant: Families Forward
9221 Irvine Blvd.
Irvine, CA 92618
Attn: Margie Wakeham

The notice shall be deemed given three (3) business days after the date of mailing, or, if personally delivered, when received.

11.0 SEVERABILITY/WAIVER INTEGRATION.

11.1 If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

11.2 A waiver by either party of the performance of any covenant or condition herein shall not invalidate this Agreement nor shall it be considered a waiver of any other covenants or conditions, nor shall the delay or forbearance by either party in exercising any remedy or right be considered a waiver of, or an estoppel against, the later exercise of such remedy or right.

11.3 This Regulatory Agreement contains the entire agreement between the parties and neither party relies on any warranty or representation not contained in this Regulatory Agreement.

IN WITNESS WHEREOF, the City and Declarant have executed this Regulatory Agreement and Declaration of Covenants and Restrictions by duly authorized representative on the date first written above.

ATTEST:

By: _____
City Clerk

CITY OF IRVINE, a municipal corporation

By: _____
Tina Christiansen
Director of Community Development

By: _____
Beth Krom
Mayor

APPROVED AS TO FORM:

By: _____
City Attorney

Families Forward,
a California non-profit public benefit corporation

By: _____
Title: Executive Director

By: _____
Title: _____
"Declarant"

EXHIBIT "A"
DESCRIPTION OF THE SITE

1. 391 HUNTINGTON, IRVINE CA 92620

County of Orange, California
Parcel No. 93202540
Book Number: 550 page 32-42
Planning Area 8,
Tract: 12415, Lot 16

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 14, 2006 (Date), before me, Carl S. Petersen (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Margaret Hester Wakeham (Name(s) of Signer(s)),

~~☐ personally known to me~~

☒ ~~proved~~ to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is~~/are~~ subscribed to the within instrument and acknowledged to me that ~~he/~~she/~~they~~ executed the same in ~~his~~/her/t~~heir~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/t~~heir~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

Place Notary Seal Above

WITNESS my hand and official seal.

Carl S. Petersen
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Contract

Document Date: July 1, 2006 Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 14, 2006 (Date), before me, Carl S. Petersen (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Roger A. Grable (Name(s) of Signer(s)),

☐ personally known to me

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

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

WITNESS my hand and official seal.

Place Notary Seal Above

Carl S Petersen
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Orange } ss.

On February 23, 2006 (Date) before me, Carl Petersen, Notary Public (Name and Title of Officer (e.g., "Jane Doe, Notary Public"))

personally appeared Tina P. Christiansen (Name(s) of Signer(s)),

☒ personally known to me

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

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

WITNESS my hand and official seal.

Place Notary Seal Above

Carl S Petersen
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer's Name: _____
☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney in Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____
Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

© 2004 National Notary Association • 9350 De Soto Ave., P.O. Box 2402 • Chatsworth, CA 91313-2402 Item No. 5907 Reorder: Call Toll-Free 1-800-876-6827

Supporting Documents from Table 1

Document 15

Project Name: Families Forward

Year: 1996

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5420**
AMENDMENT:	
CONTRACT TYPE:	**SERVICE**
CONTRACT NAME:	**NORTHWOOD HOUSING ASSOCIATES**
CONTRACT DATE:	**12/13/06**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**WORKFORCE AFFORDABLE HOUSING AND LOAN AGREEMENT**
ITEM NUMBER:	
CONTRACT AMOUNT:	**$417,036.00**
MEETING DATE:	
COUNCIL ACTION:	

ORIGINAL

WORKFORCE AFFORDABLE HOUSING AND LOAN AGREEMENT

This WORKFORCE AFFORDABLE HOUSING AND LOAN AGREEMENT ("Agreement") is dated as of December 13, 2006, and entered into by and between the CITY OF IRVINE, a California municipal corporation ("City"), and NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership ("Borrower").

RECITALS

A. Borrower is the lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("Site"). Prior to the date of this Agreement, Borrower developed a 96-unit residential rental project, landscaping, and related improvements ("Project") on the Site.

B. Pursuant to that certain Regulatory Agreement and Declaration of Covenants and Restrictions between City and Borrower recorded against the Site on February 14, 2005, as Instrument No. 2005000114191, as may be amended ("Regulatory Agreement"), eleven (11) of the rental units on the Site are required to be rented to very low income households at an affordable rent for a period of fifty-five (55) years.

C. City has received funds from the California Department of Housing and Community Development pursuant to the Workforce Housing Reward Program (Health and Safety Code. § 50550, *et seq.*) to be used for the purposes of this Agreement. City desires to assist in the development of the Project by providing financial assistance to Borrower in the form of a loan of Workforce Housing Reward Program funds for certain construction costs incurred by Borrower prior to the date of this Agreement in connection with the development of the Project.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Borrower hereby agree as follows:

1. CITY LOAN.

1.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein and provided Borrower is not in default of this Agreement, City shall provide a loan Borrower in the amount of Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036) ("City Loan") for certain costs incurred by Borrower to develop the Project on the Site. The source of the City Loan is funds City has received pursuant to the Workforce Housing Reward Program (Health and Safety Code § 50550, *et seq.*).

1.2 Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse the City Loan proceeds to Borrower unless all of the following conditions (collectively the "Funding Conditions") are satisfied or City's Housing Manager waives such conditions in his sole and absolute discretion:

(a) *Execution and Delivery of Documents.* Borrower shall have executed and delivered to City the documents referred to in Section 1.6 of this Agreement.

(b) *City Title Policy.* A title company selected by City is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("City Title Policy"), with liability in the amount of the City Loan and any endorsemens required by City, showing fee title to the Site vested in Borrower, insuring in favor of City the Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) the Regulatory Agreement; (iii) the deed of trust securing the loan from Wells Fargo Bank to Borrower for the Project; (iv) the deed of trust securing the loan of HOME funds from City to Borrower for the Project; (v) non-delinquent property taxes and assessments; and (vi) such other matters as may be approved by City in its sole and absolute discretion. Borrower shall pay the premium for the City Title Policy.

(c) *No Default.* Borrower shall not be in default of any of the terms of this Agreement.

In the event that any of the Funding Conditions are not satisfied or waived by City on or before the date that is thirty (30) days after the date of this Agreement, or such later deadline as may be mutually approved in writing by City and Borrower in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Borrower.

1.3 Disbursement of City Loan. Provided Borrower is not in default of this Agreement, the City Loan shall be disbursed by City to Borrower within ten (10) days after the date the Funding Conditions are satisfied.

1.4 Repayment of City Loan. Borrower's obligation to repay the City Loan shall be as set forth in the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 2 ("City Note"). The City Note generally provides for Borrower to pay to City the City Loan on the date that is fifty-five (55) years after the date of the City Note. Borrower's obligation to repay the City Loan is secured by the Leasehold Deed of Trust With Assignment of Rents in the form attached hereto as Attachment No. 3 ("Leasehold Deed of Trust"). The Leasehold Deed of Trust contains an acceleration clause which generally provides that, to the extent permitted by law, (a) upon the occurrence of a default of this Agreement, the City Note, the Leasehold Deed of Trust, the Regulatory Agreement, or any of the loan documents for any other financing secured by the Site; or (b) if Borrower shall directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, (excluding the lease of the units on the Site in accordance with the Regulatory Agreement or other transfers approved in writing by City); or (c) if Borrower refinances any lien or encumbrance which has priority over the City Loan for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance, except as otherwise approved in writing by City; then, or at any time thereafter, City, at its option, may declare the entire indebtedness evidenced thereby immediately due and payable. City hereby approves the following transfers

and agrees that any such transfers shall not constitute a default hereunder or cause an acceleration of the City Loan: (i) transfer of a general partnership interest in Borrower to a nonprofit affiliate of BRIDGE Housing Corporation – Southern California ("BSC"); (ii) removal of BSC by the limited partner pursuant to the Borrower's partnership agreement, provided a new nonprofit general partner approved by City (such approval not to be unreasonably withheld) is designated by the limited partner within ninety (90) days; (iii) transfer of limited partnership interests in Borrower to The Irvine Company; (iv) execution of an option agreement for purchase of the leasehold interest in the Site and the fee interest in the Project between Borrower and BSC; and (v) exercise of the option and purchase of Borrower's leasehold interest in the Site and fee interest in the Project by BSC or a nonprofit affiliate of BSC, provided the transferee executes and delivers to City an assignment and assumption agreement of this Agreement and the agreements attached hereto in form satisfactory to the Contract Officer and City's legal counsel and provided an endorsement or a new lender's title policy is issued, at Borrower's cost, to City to reflect the change in ownership. As used in the preceding sentence, the term "affiliate" shall mean an entity who directly or indirectly controls BSC or is controlled by BSC. City hereby further approves the following encumbrances and agrees that any such encumbrances shall not constitute a default hereunder or cause an acceleration of the City Loan: (i) execution and recordation against the Site and Project of a deed of trust and regulatory agreement to the County of Orange (the "County") in connection with the permanent loan from the County to Borrower in the approximate amount of One Million Seven Hundred Eight Thousand Fifteen Dollars ($1,708,015); (ii) execution and recordation of regulatory agreement and deed(s) of trust to the California Housing Finance Agency ("CalHFA") in connection with a permanent loan from CalHFA to Borrower in the approximate amount of Six Million Seven Hundred Thirty Thousand Dollars ($6,730,000) and a bridge loan from CalHFA to Borrower in the approximate amount of One Million Two Hundred Seventy Thousand Dollars ($1,270,000).

1.5 Subordination of Leasehold Deed of Trust. The Leasehold Deed of Trust shall be subordinate to the construction and permanent loans referred to in the last sentence of Section 1.4 of this Agreement that are to be obtained by Participant from the County and CalHFA. The subordination agreements shall be in such form as reasonably approved by City's legal counsel and shall be designed to protect the City's investment in the event of a default by providing for rights of notice and opportunities to cure and other rights protective of City's interest.

1.6 Execution and Recordation of Documents. Concurrently with the execution of this Agreement, Borrower shall deliver to City the City Note, executed by Borrower, and the Leasehold Deed of Trust, executed and acknowledged by Borrower. Within ten (10) days after the Funding Conditions are satisfied and prior to City's disbursement of any City Loan proceeds, City shall cause the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California.

2. USE OF THE SITE.

2.1 Regulatory Agreement. Borrower and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement. Pursuant to the Regulatory Agreement, eleven (11) units on the Site shall be restricted to rent and occupancy by very low income households at affordable rent for a period of fifty-five (55) years.

2.2 Lease. Borrower represents and warrants that Borrower's performance under this Agreement and the agreements attached hereto and the Regulatory Agreement will not cause Borrower to be in default of the Lease, and the use and operation of the Site under such agreements is consistent with the use of the Site permitted under the terms of the Lease. Borrower shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Lease in order not to cause a default thereunder. Borrower shall not amend or modify the Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its sole and absolute discretion.

2.3 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If required, Borrower shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Borrower shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Borrower pursuant to this Section 2.3.

3. INDEMNITY.

Borrower shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Borrower or Borrower's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the development of the Project, except to the extent caused by the active negligence or willful misconduct of the Indemnitee. In addition, Borrower shall indemnify, protect, defend and hold harmless the City and its officers, employees, contractors and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) which, in connection with the development or construction (as defined by applicable law) of the Site, including, without limitation, any and all public works (as defined by applicable law), that results or arises in any way from the noncompliance by Borrower either prior to or subsequent to the date of this Agreement of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices). The award of the City Loan was made to Borrower after completion of construction of the Project. Borrower has received a commitment from the County of Orange for a permanent loan for the Project. It is anticipated that the County of Orange will record a regulatory agreement against the Property that meets the requirements of Labor Code Section 1720(c)(6)(E). Accordingly, it is the parties intention that the City Loan not trigger the state prevailing wage requirements based on the exemption in Labor Code Section 1720(c)(6)(E). Notwithstanding the foregoing, the City does not make any representations or warranty or assume any risk with respect to the applicability of prevailing wage laws or any other laws. Developer shall be solely responsible for determining and effectuating compliance with any and all such requirements and laws which may apply to the Project, regardless of whether they may be obligations of the contractor or of

the party awarding the contract. Developer hereby expressly acknowledges and agrees that City has not previously affirmatively represented to Developer or its contractor(s) for the construction or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work to be covered by this Agreement is not a "public work," as defined in Section 1720 of the Labor Code or that the Davis-Bacon Act or any other law is not applicable. The Indemnitee shall promptly notify Borrower of the filing of any action under this Section 3 and cooperate with Borrower in the defense thereof (at no cost to Indemnitee). So long as Borrower is not in default hereunder, the Indemnitee shall not compromise the defense of such action or permit a default judgment to be taken against the Indemnitee without the prior written approval of Borrower.

4. GENERAL PROVISIONS.

4.1 Notices. All notices, requests, demands, and other communications required or permitted under this Agreement shall be in writing (including telefax communications) and may be given by any commercially acceptable means to the party to whom the notice is directed at the address of the party as set forth below, or at any other address as that party may later designate by notice:

If to City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Manager Telecopier: (949) 724-6440
Copy to:	Rutan & Tucker, LLP 611 Anton Blvd., Ste. 1400 Costa Mesa, CA 92626 Attn: Philip Kohn, Esq. Telecopier: (714) 546-9035
If to Borrower:	Northwood Housing Associates, L.P. c/o BRIDGE Housing Corporation – Southern California 345 Spear Street, Suite 700 San Francisco, CA 94105 Attn: Lydia Tan Telecopier: (415) 699-3649

4.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Borrower in the event of any default or breach by City or for any amount which may become due to Borrower or on any obligations under the terms of this Agreement.

4.3 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Borrower.

4.4 Governing Law; Venue. This Agreement shall be governed in accordance with the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of Orange, State of California, in an appropriate municipal court in that county, or in the Federal District Court in the Central District of California.

4.5 Attorney's Fees. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

4.6 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

4.7 Assignment. City may, at its option, assign this Agreement and/or its right to receive repayment of the City Loan without the consent of Borrower. In no event shall Borrower assign or transfer any portion of this Agreement without the prior express written consent of City, which consent may be withheld in City's sole and absolute discretion. No assignment or assumption of the City Loan shall be permitted.

4.8 Representations and Warranties. Borrower and each person executing this Agreement on behalf of Borrower represents and warrants that: (a) Borrower is a California limited partnership in good standing and authorized to do business in the County of Orange; (b) Borrower has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Borrower, Borrower's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Borrower does not violate any provision of any other agreement to which Borrower is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Borrower are necessary in connection with the execution of this Agreement by Borrower or with the performance by Borrower of its obligations hereunder.

4.9 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

4.10 Attachments. This Agreement contains three (3) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Promissory Note Secured by Leasehold Deed of Trust
3	Leasehold Deed of Trust with Assignment of Rents

[signatures on next page]

IN WITNESS WHEREOF, City and Borrower have entered into this Agreement as of the first date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: City Manager

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"BORROWER"

NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership

By: BRIDGE Housing Corporation – Southern California
Its: General Partner

By: _____

Its: _____

IN WITNESS WHEREOF, City and Borrower have entered into this Agreement as of the first date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"BORROWER"

NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership

By: BRIDGE Housing Corporation – Southern California
Its: General Partner

By: Carol Galante

Its: President

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 3 OF PARCEL MAP NO. 92-242, AS SHOWN ON A MAP FILED IN BOOK 277, PAGES 46, 47 AND 48 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA.

PARCEL B:

AN EASEMENT FOR ACCESS PURPOSES OVER THAT PORTION OF PARCEL 4 OF PARCEL MAP NO. 92-242, AS SHOWN ON A MAP FILED IN BOOK 277, PAGES 46, 47 AND 48 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA, INCLUDED WITHIN THAT CERTAIN STRIP OF LAND, 40.00 FEET WIDE, DELINEATED ON SAID PARCEL MAP AS "40' WIDE EASEMENT FOR ACCESS PURPOSES RESERVED HEREON FOR THE USE AND BENEFIT OF PARCELS 3 & 4.

ATTACHMENT NO. 2

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$417,036 _____, 200__("Note Date")

FOR VALUE RECEIVED, the undersigned, NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036), plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to:

(i) The Workforce Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, dated December 13, 2006, as may be amended from time to time with City's approval, ("Loan Agreement"), which relates to an affordable rental housing project on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, and recorded against Borrower's leasehold interest in the Site on February 14, 2005, as Instrument No. 2005000114191, as may be amended from time to time with City's approval ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust With Assignment of Rents securing this Note recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time with City's approval ("Leasehold Deed of Trust").

(iv) The Lease between Borrower and The Irvine Company for the lease of the Site to Borrower, as may be amended from time to time with City's approval ("Lease").

1. Principal Amount. The principal amount of the City's loan to Borrower is Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036) ("City Loan"). No interest shall accrue on the City Loan. The City Loan shall be disbursed to Borrower as set forth in the Loan Agreement.

2. Repayment of City Loan.

(a) If not sooner paid, the City Loan shall be due and payable in full on the date that is fifty-five (55) years from the Note Date. The City Loan is secured by the Leasehold Deed of Trust, and repayment shall be non-recourse to the Borrower.

(b) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(c) All payments shall be first credited to costs, charges, and fees which may be owing from time to time, and then to reduction of the outstanding principal balance. All payments shall be made in lawful money of the United States.

(d) Payment of the City Loan shall be made in lawful money of the United States. Payments shall be made to City at One Civic Center Plaza, Irvine, CA 92623-9575, Attn: Cashier, or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

3. **Acceleration Upon Certain Events**. City shall have the right to accelerate the obligation to repay the City Loan and declare the entire City Loan together with all other sums owed by Borrower to City prior to the maturity date (a) upon the occurrence of an Event of Default, as defined in Section 4 below; (b) if Borrower shall directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, (excluding the lease of the units on the Site in accordance with the Regulatory Agreement or other transfers approved in writing by City); or (c) if Borrower refinances any lien or encumbrance which has priority over the City Loan for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance, except as otherwise approved in writing by the City.

4. **Event of Default**. The occurrence of any of the following shall be deemed an "Event of Default" under this Note: (a) Borrower fails to pay the Loan within ten (10) days following the due date;, or (b) Borrower is in default of any of the other terms of this Note any such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default; or (c) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, the Regulatory Agreement, or any of the loan documents for any other financing secured by the Site, and fails to timely cure such default within the applicable cure period under the applicable agreement, or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. Upon the occurrence of an Event of Default, City may declare the entire indebtedness evidenced hereby immediately due and payable. City will recognize any cure of any default of Borrower under this Note tendered by The Irvine Company with the same effect as if the same were tendered by Borrower.

Notices of default to Borrower shall be addressed to:

BRIDGE Housing Corporation—Southern California
345 Spear Street, Suite 700
San Francisco, CA 94105
Attn: Lydia Tan

5. **Collection Costs; Litigation.** If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Municipal and Superior Courts of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

6. **Waiver of Presentment.** To the extent permitted by law, Borrower and all endorsers, guarantors, and persons liable or to become liable on this Note waive presentment, protest, and demand, notice of protest, demand, and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part or increased, changed, or exchanged by agreement between City and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. **No Waiver by City.** No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

8. **Not Assignable.** This Note shall not be assignable or assumable without the express written consent of City, which may be given or withheld in City's sole and absolute discretion.

9. **Severability; Governing Law; Amendment.** The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

[signatures on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Note Date set forth above.

"BORROWER"

NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership

By: BRIDGE Housing Corporation – Southern California
Its: General Partner

By: _____

Its: _____

ATTACHMENT NO. 3

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Manager

(Space Above For Recorder's Use)

This Leasehold Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS is made this ____ day of _____, 200__, among NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership ("Trustor"), whose address is 345 Spear Street, Suite 700 San Francisco, CA 94105, and FIRST AMERICAN TITLE COMPANY ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. **Grant In Trust.** For the purposes and upon the terms and conditions in this Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest the real property located in the City of Irvine, County of Orange, State of California described in Exhibit "A" attached hereto and incorporated herein by this reference ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Property"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured.** Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036) ("Loan"), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) performance of Trustor under the City Note, the Workforce Affordable Housing and Loan Agreement between Trustor and Beneficiary dated December 13, 2006 ("Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and

Restrictions between Trustor and Beneficiary recorded against Borrower's leasehold interest in the Property on February 14, 2005, as Instrument No. 2005000114191 ("Regulatory Agreement"), as such agreements may be amended from time to time, and each agreement of Trustor incorporated by reference or contained herein; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust. This Deed of Trust, the City Note, the Loan Agreement, and the Regulatory Agreement are collectively referred to herein as the "Loan Documents."

3. Acceleration Upon Certain Events. To the extent permitted by applicable law, Beneficiary shall have the right to accelerate the obligation to repay the Loan and declare the entire Loan and other sums owed by Trustor to Beneficiary immediately due and payable prior to the maturity date (a) upon the occurrence of an Event of Default, as defined in Section 4 below; (b) if Trustor shall directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Trust Estate, (excluding the lease of the units on the Property in accordance with the Regulatory Agreement or other transfers approved in writing by Beneficiary); or (c) if Trustor refinances any lien or encumbrance which has priority over the Loan for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance, except as otherwise approved in writing by the City.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE REGULATORY AGREEMENT OR THE AFFORDABILITY COVENANTS THEREIN.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Trustor hereby irrevocably absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Property, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. The term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to

promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any Loan Document or any other instrument or agreement secured hereby, or any of the loan documents for any other financing secured by the Site, and fails to timely cure such default within the applicable cure period under the applicable agreement, or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure, it being understood and agreed by Trustor that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default hereunder.

4.2 **Covenants Regarding Leases.** Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Property leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a Lease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. **Incorporation of Fictitious Deed of Trust.** To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Property.

Trustor has caused this Deed of Trust to be executed as of the date set forth above.

NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership

By: BRIDGE Housing Corporation – Southern California
Its: General Partner

By: _____

Its: _____

State of California
County of _____

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

WITNESS my hand and official seal.

Signature_____

(Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	By: _____
_____	
_____	By: _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

PARCEL A:

PARCEL 3 OF PARCEL MAP NO. 92-242, AS SHOWN ON A MAP FILED IN BOOK 277, PAGES 46, 47 AND 48 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA.

PARCEL B:

AN EASEMENT FOR ACCESS PURPOSES OVER THAT PORTION OF PARCEL 4 OF PARCEL MAP NO. 92-242, AS SHOWN ON A MAP FILED IN BOOK 277, PAGES 46, 47 AND 48 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF ORANGE COUNTY, CALIFORNIA, INCLUDED WITHIN THAT CERTAIN STRIP OF LAND, 40.00 FEET WIDE, DELINEATED ON SAID PARCEL MAP AS "40' WIDE EASEMENT FOR ACCESS PURPOSES RESERVED HEREON FOR THE USE AND BENEFIT OF PARCELS 3 & 4."

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$417,036 December 20, 2006 ("Note Date")

FOR VALUE RECEIVED, the undersigned, NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036), plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to:

(i) The Workforce Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, dated December 13, 2006, as may be amended from time to time with City's approval, ("Loan Agreement"), which relates to an affordable rental housing project on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, and recorded against Borrower's leasehold interest in the Site on February 14, 2005, as Instrument No. 2005000114191, as may be amended from time to time with City's approval ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust With Assignment of Rents securing this Note recorded against Borrower's leasehold interest in the Site on or about the date first written above, as may be amended from time to time with City's approval ("Leasehold Deed of Trust").

(iv) The Lease between Borrower and The Irvine Company for the lease of the Site to Borrower, as may be amended from time to time with City's approval ("Lease").

1. Principal Amount. The principal amount of the City's loan to Borrower is Four Hundred Seventeen Thousand Thirty-Six Dollars ($417,036) ("City Loan"). No interest shall accrue on the City Loan. The City Loan shall be disbursed to Borrower as set forth in the Loan Agreement.

2. Repayment of City Loan.

(a) If not sooner paid, the City Loan shall be due and payable in full on the date that is fifty-five (55) years from the Note Date. The City Loan is secured by the Leasehold Deed of Trust, and repayment shall be non-recourse to the Borrower.

(b) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(c) All payments shall be first credited to costs, charges, and fees which may be owing from time to time, and then to reduction of the outstanding principal balance. All payments shall be made in lawful money of the United States.

(d) Payment of the City Loan shall be made in lawful money of the United States. Payments shall be made to City at One Civic Center Plaza, Irvine, CA 92623-9575, Attn: Cashier, or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

3. **Acceleration Upon Certain Events.** City shall have the right to accelerate the obligation to repay the City Loan and declare the entire City Loan together with all other sums owed by Borrower to City prior to the maturity date (a) upon the occurrence of an Event of Default, as defined in Section 4 below; (b) if Borrower shall directly or indirectly, voluntarily, or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Site, (excluding the lease of the units on the Site in accordance with the Regulatory Agreement or other transfers approved in writing by City); or (c) if Borrower refinances any lien or encumbrance which has priority over the City Loan for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance plus reasonable closing costs associated with the refinance, except as otherwise approved in writing by the City.

4. **Event of Default.** The occurrence of any of the following shall be deemed an "Event of Default" under this Note: (a) Borrower fails to pay the Loan within ten (10) days following the due date;, or (b) Borrower is in default of any of the other terms of this Note any such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default; or (c) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, the Regulatory Agreement, or any of the loan documents for any other financing secured by the Site, and fails to timely cure such default within the applicable cure period under the applicable agreement, or, if there is no cure period provided for, following written notice and thirty (30) days opportunity to cure, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. Upon the occurrence of an Event of Default, City may declare the entire indebtedness evidenced hereby immediately due and payable. City will recognize any cure of any default of Borrower under this Note tendered by The Irvine Company with the same effect as if the same were tendered by Borrower.

Notices of default to Borrower shall be addressed to:

BRIDGE Housing Corporation—Southern California
345 Spear Street, Suite 700
San Francisco, CA 94105
Attn: Lydia Tan

5. **Collection Costs; Litigation.** If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Municipal and Superior Courts of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

6. **Waiver of Presentment.** To the extent permitted by law, Borrower and all endorsers, guarantors, and persons liable or to become liable on this Note waive presentment, protest, and demand, notice of protest, demand, and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part or increased, changed, or exchanged by agreement between City and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. **No Waiver by City.** No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

8. **Not Assignable.** This Note shall not be assignable or assumable without the express written consent of City, which may be given or withheld in City's sole and absolute discretion.

9. **Severability; Governing Law; Amendment.** The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

[signatures on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Note Date set forth above.

"BORROWER"

NORTHWOOD HOUSING ASSOCIATES, L.P., a California limited partnership

By: BRIDGE Housing Corporation – Southern California
Its: General Partner

By: _____

Its: President

Supporting Documents from Table 1

Documents 16 –18

Project Name: Villa Hermosa Apartments

Year: 2006

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**4453B**
AMENDMENT:	**4453B**
CONTRACT TYPE:	**FUNDING**
CONTRACT NAME:	**ABILITYFIRST APARTMENTS IRVINE**
CONTRACT DATE:	
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**BUDGET ADJUSTMENT – REDUCTION TO $215,968.80**
ITEM NUMBER:	
CONTRACT AMOUNT:	
MEETING DATE:	
COUNCIL ACTION:	

ORIGINAL

AMENDMENT NUMBER 2 (TB)
TO "COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT FOR CAPITAL EXPENDITURES"

THIS AMENDMENT NUMBER 2 TO COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT FOR CAPITAL EXPENDITURES (the "~~First~~ Second Amendment") is made and entered into as of September 18, 2006 by and between the City of Irvine, a municipal corporation ("City") and AbilityFirst, ("Subgrantee"), for the purpose of amending the written "Community Development Block Grant Agreement for Capital Expenditures" entered into between City and Contractor as of August 22, 2002, City of Irvine contract number 4453 (the "Agreement").

1. Modify the agreement, as defined in "Section 3 entitled DISBURSEMENT OF CDBG FUNDS," by decreasing the maximum amount of CDBG funds to be provided toward this project to Two Hundred Fifteen Thousand Nine Hundred Sixty Eight and 80/100 ($215,968.80) Dollars. (TB)
2. Except as set forth in this ~~First~~ Second Amendment, all terms, conditions and provisions of the Agreement are unchanged and remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to the Agreement to be executed by their respective duly authorized agents as of the date first set forth above.

CITY OF IRVINE

By: _____

Its: Director of Redevelopment

By: _____

Its: City Manager

Attest:

By: _____
CITY CLERK OF THE CITY OF IRVINE

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn

ABILITYFIRST

By: _____

Its: VP Finance

By: _____

Its: _____

4453B

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**4453-3A**
AMENDMENT:	
CONTRACT TYPE:	**FUNDING**
CONTRACT NAME:	**ABILITYFIRST APARTMENTS IRVINE**
CONTRACT DATE:	**08/28/06**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**HOME PARTICIPATION**
ITEM NUMBER:	
CONTRACT AMOUNT:	
MEETING DATE:	
COUNCIL ACTION:	

ORIGINAL

AMENDMENT NUMBER 1

TO "CONTRACT SERVICES AGREEMENT"

THIS AMENDMENT NUMBER 1 TO CONTRACT SERVICES AGREEMENT (the "First Amendment") is made and entered into as of August 28, 2006 by and between the CITY OF IRVINE, a municipal corporation ("City") and AbilityFirst, a California nonprofit public benefit corporation ("Participant"), for the purpose of amending the written "HOME Program Participation Agreementt" entered into between City and Participant as of February 1, 2006, City of Irvine contract number 4453-3 (TB) (the "Agreement").

1. "Section 2.1.1 entilted "Amount and Source of City Loan" is modified to increase the total HOME loan amount to Seven Hundred Twenty Four Thousand Five Hundred Forty-Three and no/100 Dollars ($724,543.00).

2. Except as set forth in this First Amendment, all terms, conditions and provisions of the Agreement are unchanged and remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed and entered into this Agreement as of the date first set forth above.

CITY OF IRVINE

By: _____

Its: Director, Redevelopment Department

By: _____

Its: City Manager (if > $100K)

AbilityFirst

By: _____

Its: ~~Agent of Record~~ V.P. Admin. & Finance

By: _____

Its: _____

Attest:

By: _____
CITY CLERK OF THE CITY OF IRVINE

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn

Contractor Information

Address for Notices and Payments:
AbilityFirst Apartments Irvine
1300 E. Green Street
Pasadena, CA 91106-2606

Attn: Richard Greenig, V.P. Admin. & Finance ~~Roger Edwards, Director of Operations~~
Telephone Number: (626) 396-1010 ext. 329
FAX Number: (626) 396-1021
Tax I.D. Number: 91-2151977

4453-3A

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	5920
CONTRACT TYPE:	GRANT AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	7/1/2008
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	6/24/2008
ITEM NUMBER: Item number of meeting where contract was approved	4.7
CONTRACT AMOUNT: As stated in Budget section of Contract	
CONTRACT NAME: As stated in 1st paragraph of contract	ABILITYFIRST APARTMENTS IRVINE
CONTRACT SUBJECT: As stated in Description of Services section of contract	GRANT AGREEMENT WITH ABILITYFIRST APARTMENTS IRVINE

GRANT AGREEMENT

This GRANT AGREEMENT ("Agreement") is entered on JULY 1, 2008. by and between the CITY OF IRVINE, a California municipal corporation ("City"), and ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation ("Participant").

RECITALS

A. On or about February 1, 2006, City and Participant entered into that certain Home Program Participation Agreement ("Home Agreement"), pursuant to which Participant developed a 24-unit residential rental project ("Project") on that certain property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site"). All terms not otherwise defined herein shall have the meaning ascribed in the Home Agreement.

B. Pursuant to the Home Agreement, City provided financial assistance to Participant in the form of a loan for the costs to construct the Project.

C. In connection with the Home Agreement, the parties entered into that certain Regulatory Agreement and Declaration of Covenants and Restrictions recorded against the Site on September 28, 2006, as Instrument No. 2006000647801 ("Regulatory Agreement"), which imposes affordability covenants on the Project requiring that five (5) of the rental units be rented to very low-income households at affordable rent for a period of fifty-five (55) years.

D. The parties desire to enter into this Agreement to provide for City to grant to Participant additional funds for the Project, and for the parties to amend the Regulatory Agreement to add the Irvine Redevelopment Agency ("Agency") as a third party beneficiary to the Regulatory Agreement with the ability to enforce and implement the terms of the Regulatory Agreement.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. City Grant. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement or the Home Agreement, City shall provide to Participant the sum of Seventy One Thousand Fifty-Seven Dollars and Fifty-Six Cents ($71,057.56) ("City Grant") to reimburse Participant for certain Project costs incurred by Participant prior to the date of this Agreement and approved by City. The source of the City Grant is funds City has received from residential developers pursuant to City's inclusionary housing program. City shall disburse the City Grant proceeds to Participant within twenty (20) days after the date of this Agreement provided Participant has submitted to City the executed and acknowledged Amendment pursuant to Section 2 of this Agreement.

2. Amendment to Regulatory Agreement. No later than ten (10) days after the date of this Agreement, Participant shall execute (with signatures notarized) and deliver to City the

Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions in the form attached hereto as Exhibit "B" ("Amendment"). City shall execute the Amendment and cause it to be recorded in the Official Records of Orange County, California. In the event that Participant fails to timely deliver the executed Amendment to City, City may terminate this Agreement by delivery of written notice to Participant.

3. General Provisions.

3.1 Entire Agreement, Waivers, and Amendments. This Agreement and the Home Agreement contain the entire agreement between the parties relating to the subject matter hereof, and supersede all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Participant.

3.2 Notices. All notices required to be delivered under this Agreement to City or Participant must be in writing and shall be addressed to the respective parties at such address set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other parties hereto:

If to City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attention: Housing Manager
If to Participant:	Abilityfirst Apartments Irvine 1300 East Green Street Pasadena, CA 91106 Attention: Steve Schultz

3.3 Attorneys' Fees and Costs. If either party to this Agreement commences an action against the other party to this Agreement arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

3.4 Assignment. Participant shall not, whether voluntarily, involuntarily, or by operation of law, assign all or any part of this Agreement or any rights or obligations hereunder.

3.5 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California.

3.6 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement to be effective as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: MAYOR

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation

By: _____

Its: VP Finance & Administration

By: _____

Its: _____

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 3 OF TRACT NO. 15232, AS SHOWN ON A MAP RECORDED IN BOOK 746, PAGES 27 – 31 INCLUSIVE, OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING THEREFROM ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE HEREINABOVE DESCRIBED, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED IN DEED FROM THE IRVINE COMPANY, A MICHIGAN CORPORATION, RECORDED JANUARY 2, 1997 AS INSTRUMENT NO. 19970000564 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN, APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER, WATER RIGHTS OR INTEREST THEREIN, SHALL BE RIPARIAN, OVERLAYING, APPROPRIATIVE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, WATER RIGHTS OR INTEREST THEREIN, ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED IN DEED FROM THE IRVINE COMPANY, A MICHIGAN CORPORATION, RECORDED JANUARY 2, 1997 AS INSTRUMENT NO. 199700005664 OF OFFICIAL RECORDS.

EXHIBIT "B"

AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: CITY CLERK

(Space Above For Recorder's Use)

This Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Amendment") is entered into as of this 1st day of July, 2008, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation ("Declarant").

RECITALS

A. City and Declarant are parties to that certain Regulatory Agreement and Declaration of Covenants and Restrictions dated September 1, 2006, and recorded on September 28, 2006, as Instrument No. 2006000647801 in the Official Records of Orange County, California ("Original Agreement"), relating to that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described therein as the "Property." Any capitalized terms contained in this Amendment which are not defined herein shall have the meaning given in the Original Agreement.

B. The Original Agreement places certain covenants and restrictions on Declarant's development, use and operation of the Property, including the imposition of affordability covenants requiring that five units be rented to very low income households at affordable rent for a period of fifty-five years.

C. Declarant and City desire to amend the Original Agreement to designate the Irvine Redevelopment Agency, a public body, corporate and politic ("Agency"), as a third party beneficiary with the right to implement and enforce the terms of the Original Agreement.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Third Party Beneficiary. The parties agree that Agency is an intended third party beneficiary of the Original Agreement, as it may be amended from time to time, and that Agency shall have the right to enforce, implement, and monitor the performance under said agreement. In addition, Agency shall have the same rights as City under the Original Agreement and all provisions in the Original Agreement that are for the benefit of City, including without limitation Declarant's indemnity obligations, shall also be for the benefit of Agency.

2. Affordable Rent. The last sentence of the definition of the term "Affordable Rent" in Section 1 of the Original Agreement is hereby amended to read as follows: "Notwithstanding the foregoing, during the HOME Term, the Affordable Rent for each Restricted Affordable Unit shall not exceed the lesser of (i) the rent limits for the Restricted Affordable Unit set forth in the preceding two sentences, or (ii) the rent limits for the Restricted Affordable Unit set forth in the HOME Requirements including 24 C.F.R. § 92.252."

3. Reports. Declarant shall maintain and deliver to Agency such records and reports pertaining to the Residential Units as reasonably required by Agency.

4. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Agreement shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Agreement, the provisions of this Amendment shall control.

5. Execution in Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: MAYOR

ATTEST:

_____
City Clerk

"DECLARANT"

ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation

By: _____

Its: VP Finance & Administration

By: _____

Its: _____

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On JUNE 26 2008, before me, PETER HONG, Notary Public, personally appeared BETH KROM who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

PETER C. HONG
Commission # 1669886
Notary Public - California
Orange County
My Comm. Expires May 29, 2010

Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF Los Angeles)

On JULY 8, 2008, before me, Neomia Lillene Jones-Phillips, Notary Public, personally appeared Steven Scott Schultz who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity~~(ies)~~, and that by his/~~her~~/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

Neomia Lillene Jones-Phillips
Notary Public

[SEAL]

NEOMIA LILLENE JONES-PHILLIPS
COMM. #1790402
Notary Public - California
Los Angeles County
My Comm. Expires Feb. 1, 2012

STATE OF CALIFORNIA)
) ss
COUNTY OF Los Angeles)

On May 29, 2008, before me, Neomia Lillene Jones-Phillips Notary Public, personally appeared Steven Scott Schultz who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/~~their~~ authorized capacity~~(ies)~~, and that by his/~~her~~/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

NEOMIA LILLENE JONES-PHILLIPS
COMM. #1790402
Notary Public - California
Los Angeles County
My Comm. Expires Feb. 1, 2012

Neomia Lillene Jones-Phillips
Notary Public

[SEAL]

This Document was electronically recorded by ER Cert Mail D

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE
2008000487304 11:01am 10/22/08
104 159 A12 5
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: CITY CLERK

(Space Above For Recorder's Use)

This Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Amendment") is entered into as of this 1st day of July, 2008, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation ("Declarant").

RECITALS

A. City and Declarant are parties to that certain Regulatory Agreement and Declaration of Covenants and Restrictions dated September 1, 2006, and recorded on September 28, 2006, as Instrument No. 2006000647801 in the Official Records of Orange County, California ("Original Agreement"), relating to that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described therein as the "Property." Any capitalized terms contained in this Amendment which are not defined herein shall have the meaning given in the Original Agreement.

B. The Original Agreement places certain covenants and restrictions on Declarant's development, use and operation of the Property, including the imposition of affordability covenants requiring that five units be rented to very low income households at affordable rent for a period of fifty-five years.

C. Declarant and City desire to amend the Original Agreement to designate the Irvine Redevelopment Agency, a public body, corporate and politic ("Agency"), as a third party beneficiary with the right to implement and enforce the terms of the Original Agreement.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Third Party Beneficiary. The parties agree that Agency is an intended third party beneficiary of the Original Agreement, as it may be amended from time to time, and that Agency shall have the right to enforce, implement, and monitor the performance under said agreement. In addition, Agency shall have the same rights as City under the Original Agreement and all provisions in the Original Agreement that are for the benefit of City, including without limitation Declarant's indemnity obligations, shall also be for the benefit of Agency.

2. Affordable Rent. The last sentence of the definition of the term "Affordable Rent" in Section 1 of the Original Agreement is hereby amended to read as follows: "Notwithstanding the foregoing, during the HOME Term, the Affordable Rent for each Restricted Affordable Unit shall not exceed the lesser of (i) the rent limits for the Restricted Affordable Unit set forth in the preceding two sentences, or (ii) the rent limits for the Restricted Affordable Unit set forth in the HOME Requirements including 24 C.F.R. § 92.252."

3. Reports. Declarant shall maintain and deliver to Agency such records and reports pertaining to the Residential Units as reasonably required by Agency.

4. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Agreement shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Agreement, the provisions of this Amendment shall control.

5. Execution in Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: MAYOR

ATTEST:

_____
City Clerk

"DECLARANT"

ABILITYFIRST APARTMENTS IRVINE, a California nonprofit public benefit corporation

By: _____

Its: VP Finance & Administration

By: _____

Its: _____

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On JUNE 26 2008, before me, PETER HONG, Notary Public, personally appeared BETH KROM who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

PETER C. HONG
Commission # 1669386
Notary Public - California
Orange County
My Comm. Expires May 23, 2010

Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF Los Angeles)

On JULY 8, 2008, before me, Neomia Lillene Jones-Phillips Notary Public, personally appeared Steven SCOTT SCHULTZ who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity~~(ies)~~, and that by his/~~her~~/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

Neomia Lillene Jones Phillips
Notary Public

[SEAL]

NEOMIA LILLENE JONES-PHILLIPS
COMM. #1790402
Notary Public - California
Los Angeles County
My Comm. Expires Feb. 1, 2012

STATE OF CALIFORNIA)
) ss
COUNTY OF Los Angeles)

On May 29, 2008, before me, Neomia Lillene Jones-Phillips, Notary Public, personally appeared Steven Scott Schultz who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity~~(ies)~~, and that by his/~~her~~/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~ or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

Witness my hand and official seal.

NEOMIA LILLENE JONES-PHILLIPS
COMM. #1790402
Notary Public - California
Los Angeles County
My Comm. Expires Feb. 1, 2012
NRO1 NRO1

Neomia Lillene Jones-Phillips
Notary Public

[SEAL]

Supporting Documents from Table 1

Document 19

Project Name: Arbor at Woodbury

Year: 2006

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	**5347**
AMENDMENT:	
CONTRACT TYPE:	**AGREEMENT** - CDBG
CONTRACT NAME:	**JHC-WOODBURY, L.P.**
CONTRACT DATE:	**8/30/06**
EXPIRATION DATE:	
ENTRY DATE:	
CONTRACT SUBJECT:	**AFFORDABLE HOUSING AND LOAN AGREEMENT, WOODBURY LOAN DOCUMENTS**
ITEM NUMBER:	**8.1**
CONTRACT AMOUNT:	**$588,736.00**
MEETING DATE:	**4/25/06**
COUNCIL ACTION:	**APPROVED**

AFFORDABLE HOUSING AND LOAN AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation,

and

JHC-WOODBURY, L.P.,
a California limited partnership

an affiliate of
JAMBOREE HOUSING CORPORATION,
a California nonprofit public benefit corporation

AFFORDABLE HOUSING AND LOAN AGREEMENT

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("Agreement") is entered into this 5th day of September 2006, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Participant") (hereinafter, City and Participant are sometimes collectively referred to as the "Parties" and individually referred to as a "Party").

RECITALS

A. Participant is a California limited partnership and its primary purpose is to develop, operate and manage affordable housing for low-income households.

B. Participant desires to acquire a leasehold interest in that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("Site"). Participant plans to develop a 90-unit affordable residential rental project and related improvements on the Site ("Project").

C. City has received Community Development Block Grant ("CDBG") funds from the United States Department of Housing and Urban Development ("HUD") under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et. seq.*), and the regulations promulgated thereunder (24 C.F.R. § 570, *et seq.*). City desires to assist in the development of the Project by providing financial assistance to Participant in the form of a loan of CDBG funds in the amount of Three Hundred Thousand Dollars ($300,000) for Eligible Loan Expenses associated with the Project.

D. The development and operation of the Project on the Site pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both Parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Participant, including all exhibits and other documents attached hereto.

"Assignment of Plans" shall mean the Assignment of Architectural Agreements and Plans and Specifications and attached Consent in the form attached hereto as Attachment No. 7.

"CDBG" shall mean Community Development Block Grant.

"CDBG Requirements" shall mean the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*).

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Participant in the amount of Three Hundred Thousand Dollars ($300,000.00), for the Eligible Loan Expenses, as more fully discussed in Section 2 of this Agreement. The City Loan is comprised of CDBG funds.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 4 which sets for the terms for Participant's repayment of the City Loan to City.

"Contract Officer" shall mean City's Grants Coordinator or such other person as may be designated by the City Manager of City.

"Effective Date" shall mean the date this Agreement is approved by City, which date shall be inserted in the preamble to this Agreement.

"Eligible Loan Expenses" shall mean the expenses paid or caused to be paid by Participant for any and all predevelopment expenses that are necessary to effectuate the development of the Project. Such expenses include: architectural, engineering, environmental review, geotechnical review, entitlement, permit, and costs of financing expenses for the Project. The aforementioned expenses are meant to be examples of Eligible Loan Expenses, and shall not be construed as exhaustive.

"Ground Lease" shall mean the binding lease agreement to be entered into between Participant, as lessee, and The Irvine Company, as lessor, for the lease of the Site to Participant, consistent with the terms of Section 3 of this Agreement, and approved by the City.

"Ground Lease Effective Date" shall mean the date on which (i) consummation of the transactions contemplated by the Option to Lease and this Agreement occurs, including the execution of the Ground Lease and recordation thereof in the Official Records of Orange County, California, and (ii) any conditions in the Ground Lease to Participant's possession of the Site have been satisfied and the term of the Ground Lease has commenced.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation, and the initial limited partner of Participant.

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents in the form attached hereto as Attachment No. 5 which secures, among other things, Participant's payment obligations under the City Note.

"Loan Documents" shall mean this Agreement and the following attachments: the Promissory Note Secured by Leasehold Deed of Trust, the Leasehold Deed of Trust with Assignment of Rents, the Regulatory Agreement, and the Assignment of Plans.

"Option to Lease" shall mean that certain Option to Lease entered into between Participant and The Irvine Company, LLC, a Delaware limited liability company ("TIC"), executed on February 24, 2006, which contains certain terms and conditions of the Ground Lease and shall be binding between the parties thereto until Participant has acquired the leasehold interest in the Site. The Option to Lease is attached to this Agreement as Attachment No. 10 and hereby incorporated by reference.

"Participant" shall mean JHC-WOODBURY, L.P.. The term "Participant" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Participant hereunder, in accordance with this Agreement.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.10 of this Agreement.

"Project" shall mean the development on the Site of a 90-unit affordable residential rental project and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City.

"Project Budget" shall mean the estimated predevelopment, acquisition, and development costs of the Project set forth in Attachment No. 8 to this Agreement. The Parties acknowledge that the Project Budget is a preliminary budget as of the Effective Date and may change depending upon the results of the work completed during the predevelopment phase of the Project.

"Redevelopment Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions to be entered into between City and Participant, and acknowledged and agreed to by The Irvine Company, upon Participant's acquisition of the leasehold interest in the Site that regulates the operation and maintenance of the Site, in the form attached hereto as Attachment No. 6.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1.

"TIC" shall mean the Irvine Company, LLC, a Delaware limited liability company.

"UCC-1 Financing Statement" shall mean the form UCC-1 Financing Statement attached hereto as Attachment No. 9 and filed by Participant in the office of the California Secretary of State for the Benefit of City in accordance with this Agreement and the Assignment of Plans.

2. CITY FINANCIAL ASSISTANCE.

2.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Participant financial assistance for the Project in the form of a loan in the amount of Three Hundred Thousand Dollars ($300,000) ("City Loan"). The City Loan is comprised of CDBG funds. The source of the CDBG funds is HUD under Title I of the Housing and Community Development Act of 1974.

2.2 Use of City Loan. The City Loan shall be used to reimburse Participant for the Eligible Loan Expenses and for no other purpose.

2.3 Disbursement of City Loan. Provided Participant is not in default of this Agreement, City shall disburse the City Loan to Participant no more frequently than once every thirty (30) days to reimburse Participant for the Eligible Loan Expenses as such expenses are incurred by Participant and approved by City. Participant shall submit to City itemized statements, with such supporting information as City may reasonably require, documenting all of Participant's costs eligible to be considered in calculating the Eligible Loan Expenses, including invoices, contracts, or similar documentation. In the event Participant desires to obtain an advance disbursement for predevelopment activities scheduled to be undertaken or predevelopment activities not yet completed (e.g., as a down payment, advance payment, or progress payment), Participant shall present to City's Contract Officer a contract or other evidence that the consultant or other party performing the work is entitled to an advance payment and Participant has incurred the obligation to make such payment. The Contract Officer shall have the authority on behalf of City to calculate and approve the amount of Participant's Eligible Loan Expenses. Payment of the amount determined by City to be owing to Participant shall be made by City within thirty (30) days after Participant's submission of its completed payment request. Any disapproval of a payment request shall be provided to Participant within thirty (30) days after City has received information necessary to make the determination that the payment request cannot be approved.

City's obligation to make disbursements of the City Loan proceeds to Participant shall be contingent and conditional upon Participant's continuing satisfaction and performance of all of its obligations under this Agreement and the Option to Lease at the time due. Upon the occurrence of any event which, with the lapse of time or the giving of notice or both, would constitute a default under this Agreement or the Option to Lease, City may at any time thereafter and while such event remains uncured, refuse to issue further disbursements of City Loan proceeds under this Agreement until all such defaults are cured to the satisfaction of City.

2.4 Repayment of City Loan. Participant's obligation to repay the City Loan shall be as set forth in the City Note.

2.5 Leasehold Deed of Trust. Upon and after the Ground Lease Effective Date, Participant's obligation to repay the City Loan shall be secured by the Leasehold Deed of Trust for the term of repayment set forth in the City Note.

2.6 Plans, Drawings and Documents Assigned to City. Upon the Effective Date and until the recording of the Leasehold Deed of Trust, Participant's obligation to repay the City Loan shall be secured by the Assignment of Plans. Pursuant thereto, Participant shall assign to City as additional collateral for the City Loan any ownership rights and interest that Participant may have in the documents specified in the Assignment of Plans. City shall be permitted to exercise its rights under the Assignment of Plans upon events specified therein. City would not have agreed to disbursement of the City Loan unless the plans and related agreements referred to in the Assignment of Plans were assigned to City. No later than one (1) business day after the execution of any Architectural Agreement (as defined in the Assignment of Plans), Participant shall file or cause to be filed in the Office of the California Secretary of State a UCC-1 Financing Statement and exhibits thereto perfecting the security interest in said Architectural Agreement.

2.7 Execution, Delivery and Recording of Documents. Concurrently with the execution of this Agreement, Participant shall execute and deliver to City the City Note and the Assignment of Plans with the attached Consent executed by Participant's architect(s) if Participant has entered into any Architectural Agreement (as that term is defined in the Assignment of Plans). Upon entering into any Architectural Agreement in the future, Participant shall deliver to City an Assignment of Plans executed by Participant with the attached Consent executed by Participant's architect(s). No later than five (5) days prior to the scheduled date of execution and recordation of the Ground Lease, City shall execute and have notarized the Regulatory Agreement, and shall deliver the executed Regulatory Agreement and Leasehold Deed of Trust to Participant. Participant shall thereafter execute and have notarized the Regulatory Agreement and Leasehold Deed of Trust, and shall record or cause to be recorded the same immediately after the execution and recordation of the Ground Lease. In the event an escrow agent has been selected by Participant and TIC to service the transfer of the leasehold interest in the Site, Participant shall deliver to said escrow agent no later than one (1) day prior to the closing of escrow, with instructions to record against the leasehold interest, the fully executed and notarized Regulatory Agreement and Leasehold Deed of Trust.

2.8 Lender Approvals. Participant shall provide to City any requests for lender approvals from those lenders providing financial assistance for the Project.

2.9 CDBG Requirements. Because the source of the City Loan is funds City has received from HUD pursuant to Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), Participant is required to construct and operate the Project in compliance with all applicable provisions of CDBG Requirements, including but not limited to the requirements which are summarized in Attachment No. 3 of this Agreement. In the case of any conflict between the applicable provisions of the CDBG Requirements and this Agreement, the CDBG Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the CDBG Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the CDBG Requirements.

2.10 Title Insurance Policy. Upon the Ground Lease Effective Date, Participant shall cause United Title Company with offices at 500 N. Grand Boulevard, Suite 1150, Glendale, CA 91203 or such other title company approved by the City ("Title Company") to issue to City an ALTA lender's policy of title insurance with such endorsements as City may reasonably require with liability in the amount of the City Loan showing title to the leasehold interest in the Site vested in Participant, insuring in favor of City the Leasehold Deed of Trust and the Regulatory Agreement, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by City in its sole and absolute discretion. Borrower shall pay the premium for the City Title Policy.

3. ACQUISITION OF SITE AND DEVELOPMENT OF THE PROJECT.

3.1 Acquisition of Site. The Site is currently owned by TIC. Participant represents to City that Participant has entered into the Option to Lease with TIC, in which Participant has agreed to enter into the Ground Lease of the Site. Participant shall keep City informed of the status of the Option to Lease, including any amendment thereto or termination thereof, and Participant shall promptly notify City in writing of the anticipated date of execution of the Ground Lease once the Participant and TIC have determined said date.

3.2 Best Efforts to Finalize Ground Lease. From and after the Effective Date of this Agreement, Participant shall exercise diligent efforts to finalize the terms and enter into the Ground Lease with TIC for the lease of the Site to Participant no later than the date specified in the Option to Lease. The Ground Lease (a) shall have a term of no less than fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, (b) shall permit the Site to be developed and operated in accordance with the terms set forth in this Agreement (which by definition includes the Attachments), and shall otherwise be consistent with this Agreement, such that compliance with this Agreement will not cause a default under the Ground Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Participant, (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Participant under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Site in accordance with the Ground Lease, and (e) shall provide that modifications to the Ground Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of City. City shall have the right to approve the form of the Ground Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Ground Lease by Participant and TIC, Participant shall deliver a copy of the executed Ground Lease to City, and it shall be attached to this Agreement as Attachment No. 11. In addition to the foregoing, Participant shall exercise diligent efforts to cause TIC, as owner in fee of the Site, to agree to the terms of the Regulatory Agreement to be binding on the Site for the entire term of the Regulatory Agreement notwithstanding the termination of the Ground Lease for any reason, including Participant's default or otherwise.

3.3 Scope of Development. Participant shall develop the Project on the Site in strict accordance with the plans and drawings approved by City. If Participant desires to make any change in any approved development or building plans, the proposed change shall be submitted

to City for approval. Participant shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.4 Time of the Essence. Time is of the essence in the performance of this Agreement.

3.5 Performance of Work. Participant shall commence, prosecute, and complete the predevelopment activities authorized as Eligible Loan Expenses no later than the dates specified in the Schedule of Performance, subject to extension for reasons of force majeure as set forth in Section 6.3 of this Agreement.

3.6 Term. This Agreement shall commence on the Effective Date and shall continue in full force and effect until the date that is fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City.

3.7 Compliance with Permits and Laws. Participant shall carry out the construction of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation all applicable federal and state fair labor standards, including the payment of prevailing wages, if required, the final plans approved by City, and all applicable conditions and requirements of the CDBG Requirements (which for convenience of reference have been provided in part in Attachment No. 3).

3.8 Insurance. Participant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Participant's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five

Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Participant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.8 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Participant shall maintain the insurance set forth in the Regulatory Agreement.

Participant agrees that the provisions of this Section 3.8 shall not be construed as limiting in any way the extent to which Participant may be held responsible for the payment of damages to any persons or property resulting from Participant's activities or the activities of any person or persons for which Participant is otherwise responsible. No later than ninety (90) days after the execution between Participant and TIC of the Ground Lease, Participant shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion.

3.9 Right of Access. Upon the Ground Lease Effective Date, City and its officers, officials, employees, agents and representatives shall have, upon forty-eight (48) hours prior written notice to Participant, a reasonable right of access to the Site, without charges or fees, at normal hours during the period of construction for the purpose of investigating and assuring compliance with this Agreement.

3.10 Permitted Encumbrances. Upon and after the Ground Lease Effective Date, Participant may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("Permitted Encumbrances"). A Permitted Encumbrance recorded after any security interest recorded by City, including the Leasehold Deed of Trust (and any amendments thereto), shall be subordinate to the City's security interest unless City consents in writing to the priority of the Permitted Encumbrance, which consent shall not be unreasonably withheld or

denied in the event the Permitted Encumbrance will be in the form of either a construction or permanent loan, or both, underwritten by a reputable financial institution(s) or governmental entity(ies) that has a prior, known history of financing affordable housing projects similar to the Project.

3.11 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 3.11.

4. USE OF THE SITE.

4.1 General. Participant and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement, consistent with the CDBG Requirements.

4.2 Ground Lease. Participant agrees that the Ground Lease and Participant's development, use and operation of the Site thereunder will be consistent with the terms of this Agreement and the agreements attached hereto and the compliance of one will not cause Participant to be in default of the other. Participant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Participant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its sole and absolute discretion.

5. DEFAULTS, REMEDIES, AND TERMINATION.

5.1 Defaults—General. Failure or delay by either Party to perform any term or provision of this Agreement constitutes a default under this Agreement; provided, however, such Party shall not be deemed to be in default if (a) it cures, corrects, or remedies such default within thirty (30) days after receipt of a notice from the other Party specifying such failure or delay, or (b) for defaults that cannot reasonably be cured, corrected, or remedied within such time period, if such Party commences to cure, correct, or remedy such failure or delay within such time period after receipt of a notice from the other Party specifying such failure or delay, and diligently prosecutes such cure, correction or remedy to completion, within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). 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 the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a Party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any

default, nor shall it change the time of default, nor shall it 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.

5.2 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

5.3 Applicable Law. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement.

5.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

5.5 Attorney's Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing Party. If any Party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other Party, then the Party so litigating shall be entitled to reasonable attorney's fees from the other Party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a Party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

5.6 Indemnification. Participant agrees to indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Participant or Participant's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Participant of the filing of any such action and cooperate with Participant in the defense thereof (at no cost to Indemnitee).

6. GENERAL PROVISIONS.

6.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Participant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	CITY OF IRVINE COMMUNITY DEVELOPMENT DEPARTMENT One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Participant:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

6.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under the terms of this Agreement.

6.3 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 6.3, performance by either Party hereunder shall not be deemed to be in default and such Party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such Party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; supernatural causes; 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; delays of any contractor, subcontractor or supplies; acts of the other Party; acts or the failure to act of City or any other public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse performance by City). Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle

Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 6.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other Party.

Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

6.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Participant pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

6.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any Party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

6.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the Parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant. The City hereby authorizes the Director of Community Development for the City of Irvine or designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the Parties hereto.

6.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the Parties; and the Parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

6.8 Prohibition Against Assignment and Transfer by Participant. The qualifications and identity of Participant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Participant and entered

into this Agreement with Participant. Accordingly, except as expressly set forth herein, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be a member of the general partner of Participant.

Notwithstanding the foregoing paragraph, the following shall not require City approval for the purpose of this Section 6.8: (i) a transfer of Participant's leasehold interest in the Site and the Project to Jamboree; (ii) a transfer of Jamboree's limited partnership interest in Participant to TIC or another tax credit syndicator or investor, provided that Jamboree continues to manage the operation of the Project; (iii) a transfer of the limited partnership interest in Participant from TIC or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage the operation of the Project; or (iv) any Permitted Encumbrance. As used in the preceding sentence, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Participant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Participant of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Participant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Participant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

6.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Participant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Participant's approval to the Redevelopment Agency, or (b) with the approval of Participant, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the community land trust ("CLT") duly created and existing pursuant to law for the benefit of creating and maintaining affordable housing within the City (the "Irvine CLT"). At the time of execution of this Agreement, the Irvine CLT has not been certified by the Internal Revenue Service as a charitable entity under Section 501(c)(3) of the Internal Revenue Code, but is anticipated to be duly certified soon after the execution of this Agreement, and Participant hereby acknowledges and agrees that the provisions in this Section 6.9 shall be binding upon Participant upon the certification of the Irvine CLT.

6.10 Third Party Beneficiaries. The Redevelopment Agency is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 6.10, no person or entity other than City, Participant,

and the Redevelopment Agency, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

6.11 Right of Refusal to Purchase Participant's Interest. In the event that: (i) Participant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than Jamboree or an affiliate of Jamboree (as defined in Section 6.8 above), and (ii) Participant has complied with any and all approvals as required by TIC pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Participant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Participant shall give written notice to City of Participant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted successor or assign) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Participant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Participant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer. If City elects to exercise its option, City shall deliver to Participant its written "Notice of Exercise of Option" of such election within thirty (30) days after receipt of the Notice of Intent to Sell, subject to a reasonable extension of days to account for any approval period resulting from a mandate or requirement of any state or local law or regulation, including but not limited to public hearing and notification requirements under the Ralph M. Brown Act and Irvine Municipal Code (the "Exercise of Option Period"). The option set forth in this Section 6.11 shall remain open and available to City for the Exercise of Option Period, and in the event City fails to exercise its option within said period, then: (i) Participant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of the Exercise of Option Period; and (ii) City shall, upon request, deliver to Participant an acknowledgement of City's failure or decision not to exercise the option and Participant's right to sell the Interest pursuant to this Section 6.11.

6.12 Representations and Warranties. Participant and each person executing this Agreement on behalf of Participant represents and warrants that: (a) Participant is a California limited partnership in good standing and authorized to do business in the County of Orange; (b) Participant has all requisite power and authority to carry out its business as now and whenever conducted and to enter into and perform its obligations under this Agreement and the agreements attached to this Agreement; (c) by proper action of Participant, Participant's signatories have been duly authorized to execute and deliver this Agreement; (d) the execution of this Agreement by Participant does not violate any provision of any other agreement to which Participant is a party; and (e) except as may be specifically set forth in this Agreement, no approvals or consents not heretofore obtained by Participant are necessary in connection with the execution of this Agreement by Participant or with the performance by Participant of its obligations hereunder.

6.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

6.14 Attachments. This Agreement contains the following Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Community Development Block Grant Program Information
4	Promissory Note Secured by Leasehold Deed of Trust
5	Leasehold Deed of Trust with Assignment of Rents
6	Regulatory Agreement and Declaration of Covenants and Restrictions
7	Assignment of Plans
8	Project Budget
9	UCC-1 Financing Statement
10	Option to Lease
11	Ground Lease (upon execution between Participant and Irvine Co.)

[Signature page to follow]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the Effective Date.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: CITY MANAGER

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 of TRACT 16755 in the City of Irvine, County of Orange, State of California, as per map recorded in book 866 pages 12 to 21 of maps, in the office of the county recorder of said county.

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

Schedule of Performance by Task

Task	Projected Completion Date
Design Work Begun	2 months prior to the first, non-City Funding commitment
Design Work Complete	2 months after the receipt of a commitment from the final funding source
All Permit and Entitlement Applications submitted to City for Approval	Entitlement Application is completed and approved. Permit applications will be submitted 4 months prior to the commencement of construction
All Plans and Specifications to Complete Construction Submitted to City for Approval	4 months prior to the commencement of construction
Entering into Ground Lease	No later than the end of the "Term" of the Option as provided in Section 2.a of the Option to Lease

---

The Participant shall comply with the terms and conditions set forth in this Contract until the Termination Date as specified below:

TERMINATION DATE (Section 3.6): The date that is fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City.

ATTACHMENT NO. 3

COMMUNITY DEVELOPMENT BLOCK GRANT INFORMATION

The following is a summary only and shall not be construed as a complete statement of all Participant requirements. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.

Participant shall construct and operate the Project in compliance with all applicable requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*), including, but not limited to, those requirements which are summarized below:

1. *Equal Opportunity and Nondiscrimination.*

a. Participant shall comply with Title VI of the Civil Rights Act of 1964 which provides that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

b. Participant shall comply with Section 109 of the Housing and Community Development Act of 1974 which provides that no person shall on the grounds of race, color, or national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving funds under this Title.

c. Participant shall comply with Executive Order 11246, as amended by Executive Orders 11375 and 12086, which prohibits discrimination on the grounds of race, creed, color, sex or national origin in employment under federally assisted contracts.

d. Participant shall comply with Executive Order 11063, as amended by Executive Order 12259, which requires equal opportunity in housing and related facilities.

e. Participant shall comply with Section 504 of the Rehabilitation Act of 1973, and implementing regulations, which provides that handicapped individuals may not be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity receiving federal financial assistance.

f. EEO/AA Statement. Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action Employer.

g. Minority/Women Business Enterprise. Participant will use its best efforts to afford minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "minority and female business enterprise" means a business at least

fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surname or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

h. Participant shall comply with Section 3 of the Housing and Community Development Act of 1968.

2. *Uniform Administrative Requirements.* Participant shall comply with the uniform administrative requirements described in 24 C.F.R. § 570.502.

3. *Other Program Requirements.* Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 C.F.R. § 570 except for City's environmental responsibilities under 24 C.F.R. § 570.604 and City's responsibility for initiating the review process under the provisions of 24 C.F.R. Part 52.

4. *Religious Organizations.* If Participant is a religious organization as defined by the CDBG Requirements, Participant shall comply with all conditions prescribed by HUD for the use of CDBG funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. § 200(j).

5. *Reversion of Assets.* Upon the expiration or sooner termination of the Agreement, Participant shall transfer to City (a) any and all CDBG funds and program income on hand, and (b) any accounts receivable attributable to the use of CDBG funds or program income.

6. E*nvironmental.*

a. Air and Water. Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. § 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. § 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; U.S. Environmental Protection Agency regulations pursuant to 40 C.F.R. Part 50, as amended.

b. Flood Disaster Protection. In accordance with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. § 4001), Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

c. Lead-Based Paint. Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. § 570.608, including 24 C.F.R. Part 35, *et. al.*

d. Historic Preservation. Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. § 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

7. *Conflict of Interest.* Participant will comply with the provisions of the applicable HUD requirements of 24 C.F.R. § 570.611 regarding the avoidance of conflict of interest.

8. *Relocation.* City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601, *et seq.*, as amended, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to the provision of relocation assistance.

9. *Allowable Costs.* Participant shall comply with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable.

10. *Labor Standards.* When applicable, Participant shall comply with the provisions of 24 C.F.R. § 570.603 and related requirements. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts.

11. *Records and Reports.* Participant shall provide to City all records and reports relating to the Project that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements.

12. *Section 3.* Participant shall comply with and cause its contractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts entered into with third parties for the construction of the Project.

13. *Community Based Development Organization.* Participant's general partner is a Community-Development Based Organization (CBDO). Participant shall cause said general partner to remain a CBDO until the expiration of the initial twenty (20) year period following completion of the Project. Participant shall, upon request by City from time to time, provide to City evidence reasonably satisfactory to City demonstrating Participant's general partner's status as a CBDO, including without limitation annual board rosters and certification of continuing compliance with the foregoing.

ATTACHMENT NO. 4

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$300,000 September 5, 2006

FOR VALUE RECEIVED, the undersigned, JHC-WOODBURY, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Three Hundred Thousand Dollars ($300,000), plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower, of even date herein, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Assignment of Architectural Agreements and Plans and Specifications of even date herewith (the "Assignment of Plans") by and between City and Borrower and the UCC-1 Financing Statement (the "Financing Statement") naming Borrower as debtor, and City as secured party, to be filed concurrently herewith with the California Secretary of State.

(iii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, and acknowledged and agreed to by TIC, as may be amended from time to time (the "Regulatory Agreement"), which Regulatory Agreement shall be executed and dated concurrently upon Borrower's acquisition of a leasehold interest in the Site and recorded immediately thereafter in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

(iv) The Leasehold Deed of Trust (the "Leasehold Deed of Trust") that shall be executed and dated by Borrower for the benefit of City, concurrently upon Borrower's acquisition of a leasehold interest in the Site and recorded immediately thereafter in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Three Hundred Thousand Dollars ($300,000.00) ("City Loan"), which shall accrue no interest. The

City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City Loan shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City. There shall be no penalty to Borrower for any prepayment of the City Loan. Borrower shall make annual payments to City in an amount equal to either: (a) fifty percent (50%) of Project Cash Flow (as hereinafter defined) for the preceding calendar year in the event that Borrower receives additional financing for the Project solely by a Qualified Allocation Plan for a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, in which Borrower receives annual tax credits of either nine percent (9%) or four percent (4%) with tax-exempt bonds; or (b) a prorata share of Project Cash Flow (as hereinafter defined) for the preceding calendar year, with said prorata share to be memorialized in writing by the Parties and based upon Borrower's additional financing for the Project in the event that Borrower receives additional financing for the Project from any state or county affordable housing program, or both. Borrower's obligation to make annual or one-time payments hereunder shall be applicable only if: (a) Borrower and TIC have executed and entered into the Ground Lease; and (b) there is sufficient Project Cash Flow available from the Project from the preceding fiscal year. For purposes of this Section 2, the following definitions shall apply:

"***Gross Income***" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, excluding any security deposits received by Borrower from third parties as may be required by Borrower for the right to occupy any of the units in the Project.

"***Index***" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"***Operating Expenses***" shall mean all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The calculation of Operating Expenses shall be as follows:

(a) In the event the Ground Lease defines the term "Operating Expenses" in a manner that is consistent with the terms, conditions, covenants, and intent of the Loan Agreement and all Attachments thereto (including this Note) for the development of the Project, then upon the written approval by City, which shall not be unreasonably withheld or delayed, the definition of "Operating Expenses" in the Ground Lease shall apply and be incorporated herein by this reference to this Note ; OR

(b) In the event the Ground Lease does not define the term "Operating Expenses" in a manner that is consistent with the terms, conditions, covenants, and intent of the Loan Agreement, or City otherwise does not provide its written approval of the

definition set forth in the Ground Lease, the term "Operating Expenses" shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any lender or limited partner of Borrower; (II) all taxes and assessments (other than taxes based upon Borrower's income); (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and capital improvements to the Project, including component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees in connection with its rental of units at the Project for the applicable calendar year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; (x) waste disposal; and (xi) any social services fee paid to the limited partner of Borrower not to exceed Twenty-One Thousand Three Hundred Fifteen Dollars and Seventy-Nine Cents ($21,315.79) per calendar year (which amount shall increase annually by the lesser of two and one-half percent (2.5%) or the rate of increase in the Index from the prior calendar year); (IV) debt service on indebtedness (other than any indebtedness payable solely from available Project Cash Flow); (V) payments into operating and replacement reserves required by a mortgagee or Borrower; (VI) any partnership management fee paid to the limited partner in Borrower not to exceed Nine Thousand Four Hundred Seventy-Four Dollars ($9,474) per calendar year (which amount shall increase annually by the lesser of two and one-half percent (2.5%) or the rate of increase in the Index from the prior calendar year); (VII) any asset management fee payable to Borrower or a partner of Borrower not to exceed the limit required pursuant to California Tax Credit Allocation Committee regulations and policy (which amount shall increase annually by the lesser of two and one-half percent (2.5%) or the rate of increase in the Index from the prior calendar year); and (VIII) the amount of any developer fee paid pursuant to the development agreement between Borrower and Jamboree Housing Corporation not to exceed the limit required pursuant to California Tax Credit Allocation Committee regulations and policy (which amount shall increase annually by the lesser of two and one-half percent (2.5%) or the rate of increase in the Index from the prior calendar year). Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, and Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like.

"***Project Cash Flow***" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles.

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy in favor of Borrower which resulted in an underpayment greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice

from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), the City Loan shall become immediately due and payable.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if Borrower shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; or (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law

principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Borrower:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

14. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site.

[Signature page to follow]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

ATTACHMENT NO. 5

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

Signed Exhibit #5

RECORDING REQUESTED BY
FIRST AMERICAN TITLE COMPANY
SUBDIVISION DEPARTMENT

This Document was electronically recorded by
First American NHS Rancho Cucamonga

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE
2008000467748 04:30pm 10/07/08
102 27 D11 A36 9
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

21305-95-18

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Clerk

(Space Above For Recorder's Use)

This Leasehold Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS[1]

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 3rd day of October, 2008, among JHC-WOODBURY, L.P., a California limited partnership ("Trustor"), whose address is 2081 Business Center Drive, Suite 110, Irvine, CA 92612, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease (Parcel B of LLA No. 454074-LL) of even date herein, by and between The Irvine Company LLC, a Delaware limited liability company ("Ground Lessor") and Trustor ("Real Property"); (b) Trustor's interest in all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) Trustor's interest in all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) Trustor's interest in all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the

[1] This Leasehold Deed of Trust shall be recorded concurrently with Trustor's acquisition of the leasehold interest in the real property described herein pursuant to that certain Ground Lease entered into by and between Trustor and The Irvine Company, LLC, a Delaware limited liability company.

Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) performance of Trustor under that certain Promissory Note Secured by Leasehold Deed of Trust ("City Note") dated September 5, 2006 (which was executed pursuant to that certain Affordable Housing and Loan Agreement between Trustor and Beneficiary dated September 5, 2006 ("Loan Agreement")), as such City Note may be amended from time to time; (b) payment of the sum of Three Hundred Thousand Dollars ($300,000.00), according to the terms of a City Note made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust.

2.5. Loan Documents. This Leasehold Deed of Trust, the City Note, the Loan Agreement, and that certain Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary, and acknowledged and agreed to by Ground Lessor, recorded on or about the date of this Leasehold Deed of Trust (the "Regulatory Agreement") are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City); (b) unless otherwise approved in writing by City, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; or (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. Subordination. Beneficiary agrees that it in the event Trustor enters into other financing arrangements to be secured by the Site, Beneficiary shall subordinate this Leasehold

Deed of Trust to the lien of any and all such other financing on a form that is mutually acceptable to Beneficiary, in its reasonable discretion, and all other applicable lenders.

5. Assignment of Rents and Performance of Leases.

5.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized pursuant to Section 4 above to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 5.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

5.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on

such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 5.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a Lease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

6. **Default**. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

7. **Nonrecourse Obligation**. Trustor shall not have any personal liability under any of the other Loan Documents to pay the City Loan or any other indebtedness secured by this Leasehold Deed of Trust, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Trustor to pay the City Loan or other indebtedness secured by this Leasehold Deed of Trust shall be enforceable against Trustor only to the extent of Trustor's interest in the Site.

8. **Incorporation of Fictitious Deed of Trust**. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On October 3 2008 before me, Matthew Boliard, Notary Public, personally appeared Laura Archuleta who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

ESH1 MATTHEW BOLIARD COMM. #1693917 Notary Public-California SAN DIEGO COUNTY My Comm. Exp. Sept 15, 2010 ESH1

Matthew Boliard
Notary Public

[SEAL]

GOVERNMENT CODE 27361.7

I CERTIFY UNDER PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

NAME OF NOTARY: MATTHEW BOLIARD
DATE COMMISSION EXPIRES: SEPT 15, 2010
COUNTY WHERE BOND IS FILED: SAN DIEGO
COMMISSION NUMBER: 1693917
MANUFACTURER/VENDOR NUMBER: ESI1

PLACE OF EXECUTION: RANCHO CUCAMONGA
DATED: 10-7-08

SIGNATURE: _____
ED LUQUE

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein

A To protect the security of this Deed of Trust, Trustor agrees

1) To keep said property in good condition and repair, not to remove or demolish any building thereon, to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon, not to commit or permit waste thereof, not to commit, suffer or permit any act upon said property in violation of law, to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed

4) To pay at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock, when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto, and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded

B It is mutually agreed

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may reconvey any part of said property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto "

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof, all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To _____ Trustee _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same

Mail Reconveyance to	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

Containing 4.067 acres, more or less.

ATTACHMENT NO. 5

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Grants Coordinator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS[1]

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this _____ day of _____, 2006, among JHC-WOODBURY, L.P., a California limited partnership ("Trustor"), whose address is 2081 Business Center Drive, Suite 110, Irvine, CA 92612, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. **Grant In Trust.** For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain **[Ground Lease dated _____, _____ ("Ground Lease"), by and between Trustor and The Irvine Company, LLC, a Delaware limited liability company ("TIC") as evidenced by that certain Option to Lease, entered into between Trustor and TIC on February 24, 2006]**, ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the

[1] This Leasehold Deed of Trust shall be recorded concurrently with Trustor's acquisition of the leasehold interest in the real property described herein pursuant to that certain Ground Lease entered into by and between Trustor and The Irvine Company, LLC, a Delaware limited liability company.

ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured.** Trustor makes this grant and assignment for the purpose of securing the following: (a) performance of Trustor under the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated _____, 2006 ("Loan Agreement"), the terms of that certain Promissory Note Secured by Leasehold Deed of Trust ("City Note") dated on or about the date of the Loan Agreement, and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary, and acknowledged and agreed to by The Irvine Company, recorded on or about the date this Leasehold Deed of Trust (the "Regulatory Agreement"), as such agreements may be amended from time to time, and each agreement of Trustor incorporated by reference or contained herein; (b) payment of the sum of Three Hundred Thousand Dollars ($300,000.00), according to the terms of a City Note made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Loan Agreement, and the Regulatory Agreement are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default.** To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; or (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

4. **Subordination.** Beneficiary agrees that it in the event Trustor enters into other financing arrangements to be secured by the Site, Beneficiary shall subordinate this Leasehold Deed of Trust to the lien of any and all such other financing on a form that is mutually acceptable to Beneficiary, in its reasonable discretion, and all other applicable lenders.

5. **Assignment of Rents and Performance of Leases.**

5.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized pursuant to Section 4 above to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 5.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

5.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases

to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 5.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a Lease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

6. **Default**. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

7. **Nonrecourse Obligation.** Trustor shall not have any personal liability under any of the other Loan Documents to pay the City Loan or any other indebtedness secured by this Leasehold Deed of Trust, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Trustor to pay the City Loan or other indebtedness secured by this Leasehold Deed of Trust shall be enforceable against Trustor only to the extent of Trustor's interest in the Site.

8. **Incorporation of Fictitious Deed of Trust.** To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____, Notary Public, personally appeared _____

_____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said Deed of Trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust, delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	By: _____
_____	
_____	By: _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 of TRACT 16755 in the City of Irvine, County of Orange, State of California, as per map recorded in book 866 pages 12 to 21 of maps, in the office of the county recorder of said county.

ATTACHMENT NO. 6

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

Signed Exhibit #6

RECORDING REQUESTED BY
FIRST AMERICAN TITLE COMPANY
NATIONAL HOME SERVICES
SUBDIVISION DEPARTMENT

This Document was electronically recorded by First American NHS Rancho Cucamonga

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

NO FEE
2008000467747 04:30pm 10/07/08
102 27 A12 D02 34
0.00 0.00 0.00 0.00 0.00 0.00 0.00 0.00

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Clerk
330595-18

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS[1]

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this 3rd day of October, 2008, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Declarant") (hereinafter, City and Declarant are sometimes collectively referred to as "Parties" and individually referred to as a "Party").

RECITALS

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide funds ("CDBG Funds") to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 *et. seq.*), as amended from time to time, (the "Act") and the regulations promulgated thereunder (24 C.F.R. Sections 570 *et. seq.*). The Act provides that the City may grant the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

B. The City has agreed to loan sums from the City's Community Development Block Grant Fund ("Fund") to Declarant pursuant to the terms and conditions of that certain Affordable Housing and Loan Agreement ("Loan Agreement") dated September 5, 2006, to assist Declarant with the plans to develop a 90-unit affordable residential rental project, with landscaping,

[1] This Regulatory Agreement shall be recorded concurrently with Declarant's acquisition of the leasehold interest in the real property described herein pursuant to that certain Ground Lease entered into by and between Declarant and The Irvine Company, LLC, a Delaware limited liability company

driveways, and related improvements, and one (1) community building (the "Project") located on that certain real property in the City of Irvine, County of Orange, State of California more particularly described in Exhibit "A", attached hereto and incorporated by reference herein (the "Site"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

C. Declarant and The Irvine Company, LLC, a Delaware limited liability company ("TIC") have entered into that certain Ground Lease dated on or about the date of this Agreement, in which Declarant has a leasehold interest in the Site.

D. Pursuant to the Loan Agreement, City loaned funds ("City Loan") to Declarant for the predevelopment expenses associated with the development of the Project. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the imposition of affordability covenants requiring that the units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms are defined in the Loan Agreement and shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Assignment of Plans" shall mean the Assignment of Architectural Agreements and Plans and Specifications and attached Consent in the form attached to the Loan Agreement as Attachment No. 7.

"CDBG" shall mean Community Development Block Grant.

"CDBG Requirements" shall mean the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*).

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Declarant in the amount of Three Hundred Thousand Dollars ($300,000.00) for the Eligible Loan Expenses. The City Loan is comprised of CDBG funds.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, entered into on or about the date of the Loan Agreement, which sets for the terms for Declarant's repayment of the City Loan to City.

"Contract Officer" shall mean City's Grants Coordinator or such other person as may be designated by the City Manager of City.

"Eligible Loan Expenses" shall mean the expenses paid or caused to be paid by Declarant for any and all predevelopment expenses that are necessary to effectuate the development of the Project. Such expenses include: architectural, engineering, environmental review, geotechnical review, entitlement, permit, and costs of financing expenses for the Project. The aforementioned expenses are meant to be examples of Eligible Loan Expenses, and shall not be construed as exhaustive.

"Ground Lease" shall mean the binding lease agreement entered into between Declarant, as lessee, and TIC, as lessor, and recorded on even date of this Agreement.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation.

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents recorded on even date of this Regulatory Agreement, which secures, among other things, Declarant's payment obligations under the City Note.

"Loan Documents" shall mean this Agreement and the following: the Loan Agreement, the City Note, the Leasehold Deed of Trust, the Regulatory Agreement, and the Assignment of Plans.

"Option to Lease" shall mean that certain Option to Lease entered into between Declarant and TIC, executed on February 24, 2006, which contains certain terms and conditions of the Ground Lease and was binding between the parties thereto until Declarant had acquired the leasehold interest in the Site.

"Project" shall mean the development on the Site of a 90-unit affordable residential rental project and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City.

"Redevelopment Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A".

"TIC" shall mean the Irvine Company, LLC, a Delaware limited liability company.

In addition to the terms defined above, the following additional terms shall have the meanings given below for purposes of this Agreement unless expressly provided to the contrary:

"Affordability Term" shall mean the fifty-five (55) year term that the affordability covenants shall be binding upon the Site as provided in Section 3 of this Agreement.

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance), which are as follows:

(a) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 30% or less of the Median Income is 30% times 30% of Median Income adjusted for family size appropriate to the Residential Unit.

(b) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 50% or less of the Median Income is 30% times 50% of the Median Income adjusted for family size appropriate to the Residential Unit.

(c) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 60% or less of the Median Income is 30% times 60% of Median Income adjusted for family size appropriate for the Residential Unit.

(d) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 120% or less of the Median Income is 30% times 110% of the Median Income adjusted for family size appropriate for the Residential Unit.

As used herein, "adjusted for family size appropriate to the Residential Unit" shall mean a household of 2 persons in the case of a one-bedroom unit, a household of 3 persons in the case of a two-bedroom unit, and a household of 4.5 persons in the case of a three-bedroom unit.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant, and acknowledged and agreed to by TIC.

"Declarant" shall mean JHC-WOODBURY, L.P., and its permitted successors and assigns in and to the Site.

"Eligible Tenant" shall mean a tenant of one of the Residential Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular Residential Unit as set forth in the Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Median Income" shall mean the Orange County area median income, adjusted for family size, as established by the United States Department of Housing and Urban Development, and adjusted to reflect the median income used by the California Tax Credit Allocation Committee to calculate rent limits for the program. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Residential Units" shall mean the ninety (90) residential units planned to be developed on the Site. The Residential Units will be comprised of one-bedroom, two-bedroom, and three-bedroom units in accordance with the Unit Matrix.

"Unit Mix" shall mean the household income levels permitted for each Residential Unit other than the on-site manager's unit, as follows:

(i) Two (2) one-bedroom units, five (5) two-bedroom units, and three (3) three-bedroom units shall be occupied by households earning 30% or less of the Median Income, adjusted for family size.

(ii) Four (4) one-bedroom units, ten (10) two-bedroom units, and eight (8) three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

(iii) Two (2) one-bedroom units, six (6) two-bedroom units, and three (3) three-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

(iv) Ten (10) one-bedroom units, twenty-two (22) two-bedroom units, and fifteen (15) three-bedroom units shall be occupied by households earning 120% or less of the Median Income, adjusted for family size.

This Unit Mix shall be interpreted as the City's affordability requirements for the Residential Units. Nothing in this Unit Mix or Agreement shall be deemed to preclude Declarant from reserving more Residential Units to very low income households earning 50% or less of the Medium Income, adjusted for family size, if Declarant otherwise agrees to do so either unilaterally or with a third party, so long as any other agreement does not otherwise conflict with the terms and conditions of this Agreement or provisions of applicable federal, state, and local law.

2. **Development of the Project**. Declarant shall commence and complete predevelopment activities for the Project on the Site within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. **Term**. The covenants set forth in this Agreement shall remain in effect for a period of fifty-five (55) years commencing on the date that all Residential Units in the Project have received all required occupancy permits from the City ("Affordability Term").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as an affordable residential rental complex with the Residential Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent in compliance with the Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses. Notwithstanding any other provision set forth in this Agreement to the contrary, Declarant may set aside one Residential Unit as an on-site manager's unit that may but need not be subject to the affordability covenants set forth in this Agreement.

4.2. Occupancy by Eligible Tenants. The lease for each Residential Unit shall provide that it is to be used as the principal residence of the Residential Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its Residential Unit or its right of occupancy. Declarant shall institute a program to ensure that the Residential Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Residential Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Residential Unit shall include a provision limiting the number of persons permitted to occupy each Residential Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a Residential Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for multi-family housing revenue bonds or low income housing tax credits, the form attached to this Agreement as Exhibit "B", or other form approved by the Contract Officer) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Residential Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City.

Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Residential Unit by an Eligible Tenant, and on each anniversary date thereafter, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Residential Unit. In the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a Residential Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the Unit Mix as quickly as possible.

4.6 Leasing Residential Units. The Residential Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Residential Units, except to the extent that the Residential Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall give priority in renting Residential Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a Residential Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Residential Unit, Declarant shall rent available Residential Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Residential Units that become available as quickly as possible. Declarant shall market the Residential Units to the citizens of the City of Irvine on a nonexclusive basis.

4.7 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the Residential Units. Once approved, no material changes shall be made to the form of the lease agreement without City's prior written reasonable approval. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Not by way of the foregoing, each lease agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other

supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Residential Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement.

5. **No Discrimination**. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

6. **Maintenance of Property**. Declarant shall maintain or cause to be maintained the Site and all improvements on the Site in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of fifteen (15) days after written notice from a City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to attach a lien on the Site, or to assess the Site, 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. **Management**.

7.1 Property Manager. Declarant shall manage or shall cause the rental Project on the Site to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Site in accordance with the terms of this Agreement ("Property Manager"); provided, however, that the selection and hiring of such a Property Manager company shall be subject to approval by City, which shall not be

unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Property Manager, whether that Property Manager is Declarant or a third party. The replacement Property Manager shall be required to operate and maintain the Site in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Property Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have thirty (30) days after receipt of such notice (or such longer period as is reasonably necessary to correct the condition) to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms of this Agreement to operate the Residential Units as an affordable housing project and shall include, but is not limited to, the following:

i. Knowingly allowing a Residential Unit to be occupied by a person who does not qualify as an Eligible Tenant;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Site in the manner prescribed in Section 6;

iv. Fraud or embezzlement of Project monies; and

v. Failure to comply with reasonable recommendations of the Irvine Police Department in maintaining a crime free environment on the Site.

8. Records. Declarant shall maintain complete and accurate records pertaining to the Residential Units for a period of three (3) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Residential Units.

9. Right to Inspect. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

10. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

11. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

12. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 12.

12.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the

same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

12.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 12.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and

agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

13. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds and provided the insurance proceeds are sufficient to restore the Site and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

14. Defaults and Remedies.

14.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

14.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California; or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

15. Miscellaneous.

15.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and

supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

15.2 Attorneys' Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

15.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be a member of the general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval for the purpose of this Section 15.3: (i) a transfer of Declarant's leasehold interest in the Site and the Project to Jamboree; (ii) a transfer of Jamboree's limited partnership interest in Declarant to TIC or other tax credit syndicator or investor, provided that Jamboree continues to manage the operation of the Project; (iii) a transfer of the limited partnership interest in Declarant from TIC or other tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage the operation of the Project; or (iv) any Permitted Encumbrance (which is defined in the Loan Agreement and generally allows Declarant to mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the cumulative amount of the loans encumbering the Site does not exceed: (A) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (B) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City). As used in the preceding sentence, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, City

shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

15.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Declarant's approval to the Redevelopment Agency, or (b) with the approval of Declarant, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the community land trust ("CLT") duly created and existing pursuant to law for the benefit of creating and maintaining affordable housing within the City (the "Irvine CLT"). At the time of execution of this Agreement, the Irvine CLT has not been certified by the Internal Revenue Service as a charitable entity under Section 501(c)(3) of the Internal Revenue Code, but is anticipated to be certified soon after the execution of this Agreement, and Declarant hereby acknowledges and agrees that the provisions in this Section 15.4 shall be binding upon Declarant upon the certification of the Irvine CLT.

15.5 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California.

15.6 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

15.7. Third Party Beneficiaries. The Redevelopment Agency is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 15.6, no person or entity other than City, Declarant, and Redevelopment Agency, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

15.7 Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to.

To City:	CITY OF IRVINE COMMUNITY DEVELOPMENT DEPARTMENT One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Declarant:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

15.8 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Site, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Site and shall be binding upon all persons having any right, title or interest in the leasehold interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns, shall be binding upon Declarant, and its successors and assigns; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's leasehold interest in the Site is rendered less valuable thereby. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site by Eligible Tenants, and by furthering public purposes for City.

In amplification and not in restriction of the provisions hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be

binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

Furthermore, upon termination of Declarant's leasehold interest in the Site, except for a termination of the Ground Lease pursuant to Alteration, Damage, Destruction or Casualty of the Site, or pursuant to Eminent Domain, the covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall not terminate, shall continue to run with the land, shall be binding upon the Site for the remainder of the Affordability Term as defined in Section 3 of this Agreement, and shall inure to the benefit of and be enforceable by the City and its successors and assigns. As evidenced by TIC's signature below, TIC hereby acknowledges, agrees and consents to the terms in this Section 15.8.

In explanation of the preceding paragraph, and notwithstanding any provision in this Agreement to the contrary, following a termination of Declarant's leasehold interest in the Site resulting from Alteration, Damage, Destruction, Casualty of the Site, or pursuant to Eminent Domain, this Agreement, together with all of its covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein will terminate and will cease to encumber, restrict or otherwise affect the Site or TIC's interest therein (or that of TIC's successors and assigns).

15.9 RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST IN LAND. THIS SITE IS SUBJECT TO A RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST FOR THE DURATION OF THIS REGULATORY AGREEMENT. As set forth in the Affordable Housing Agreement, in the event that: (i) Declarant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than Jamboree or an affiliate of Jamboree (as defined in Section 15.3 of this Agreement), and (ii) Declarant has complied with any and all approvals as required by TIC pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Declarant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Declarant shall give written notice to City of Declarant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted successor or assign) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Declarant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Declarant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the

contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer. If City elects to exercise its option, City shall deliver to Declarant its written "Notice of Exercise of Option" of such election within thirty (30) days after receipt of the Notice of Intent to Sell, subject to a reasonable extension of days to account for any approval period resulting from a mandate or requirement of any state or local law or regulation, including but not limited to public hearing and notification requirements under the Ralph M. Brown Act and Irvine Municipal Code (the "Exercise of Option Period"). The option set forth in this Section 15.9 shall remain open and available to City for the Exercise of Option Period, and in the event City fails to exercise its option within said period, then: (i) Declarant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of the Exercise of Option Period; and (ii) City shall, upon request, deliver to Declarant an acknowledgement of City's failure or decision not to exercise the option and Declarant's right to sell the Interest pursuant to this Section 15.9.

15.10 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Douglas Williford, AICP
Community Development Director

ATTEST:

_____
City Clerk

"DECLARANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: **COUNTERPART**
Laura Archuleta
Its: President

[signatures continue on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: COUNTERPART
Douglas Williford, AICP
Community Development Director

ATTEST:

COUNTERPART
City Clerk

"DECLARANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: Laura Archuleta
Its: President

[signatures continue on next page]

The IRVINE COMPANY LLC, "TIC" herein, hereby acknowledges, agrees and consents to the terms in the second to last and last paragraph of Section 15.8 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By THE IRVINE COMPANY LLC, a Delaware
limited liability company:

By: _____
Richard I. Gilchrist,
President, Investment Properties Group

By _____
Richard E. Lamprecht
Senior Vice President,
Irvine Apartment Communities LLC,
Authorized signatory

LEGAL REVIEW

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On October 6, 2008 200_, before me, Diana M. Nowlin, Notary Public, personally appeared Richard I. Gilchrist who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

DIANA M. NOWLIN
COMM. #1539570
Notary Public-California
ORANGE COUNTY
My Comm. Exp. Dec 30, 2008

Diana M. Nowlin
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On October 6, 2008, before me, Diana M. Nowlin, Notary Public, personally appeared Richard Elmer Lamprecht who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

DIANA M. NOWLIN
COMM. #1539570
Notary Public-California
ORANGE COUNTY
My Comm. Exp. Dec 30, 2008

Diana M. Nowlin
Notary Public

[SEAL]

GOVERNMENT CODE 27361.7

I CERTIFY UNDER PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

NAME OF NOTARY: DIANA M. NOWLIN
DATE COMMISSION EXPIRES: DEC 30, 2008
COUNTY WHERE BOND IS FILED: ORANGE
COMMISSION NUMBER: 1539570
MANUFACTURER/VENDOR NUMBER: ESI1

PLACE OF EXECUTION: RANCHO CUCAMONGA
DATED: 10-7-08

SIGNATURE: _____
ED LUQUE

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____ 200_, before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On October 3 2008, before me, Matthew Boliard, Notary Public, personally appeared Laura Archuleta who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

ESI1 MATTHEW BOLIARD COMM. #1693917 Notary Public-California SAN DIEGO COUNTY My Comm. Exp. Sept 15, 2010 ESI1

[SEAL]

Matthew Boliard
Notary Public

GOVERNMENT CODE 27361.7

I CERTIFY UNDER PENALTY OF PERJURY THAT THE NOTARY SEAL ON THE DOCUMENT TO WHICH THIS STATEMENT IS ATTACHED READS AS FOLLOWS:

NAME OF NOTARY: MATTHEW BOLIARD
DATE COMMISSION EXPIRES: SEPT 15, 2010
COUNTY WHERE BOND IS FILED: SAN DIEGO
COMMISSION NUMBER: 1693917
MANUFACTURER/VENDOR NUMBER: ESI1

PLACE OF EXECUTION: RANCHO CUCAMONGA
DATED: 10-7-08

SIGNATURE: _____

ED LUQUE

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____ 200_, before me, _____, Notary Public, personally appeared _____ who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"
LEGAL DESCRIPTION OF SITE

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

Containing 4.067 acres, more or less.

EXHIBIT "B"
INCOME CERTIFICATION FORM

[Attached]

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date _____
Move-in Date. _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County _____ BIN #: _____

Address: _____ Unit Number. _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above TOTAL INCOME (E): $

PART IV INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS			$	$

Enter Column (H) Total If over $5000 $_____ Passbook Rate X 2 00% = (J) Imputed Income $

Enter the greater of the total of column I, or J. imputed income TOTAL INCOME FROM ASSETS (K) $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud False, misleading or incomplete information may result in the termination of the lease agreement.

Signature *(Date)* Signature *(Date)*

PART V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

Current Income Limit x 140%: $

Household Income exceeds 140% at recertification:
☐ Yes ☐No

Current Income Limit per Family Size: $

Household Income at Move-in $

Household Size at Move-in:

PART VI. RENT

Tenant Paid Rent $

Utility Allowance $

Rent Assistance $

Other non-optional charges: $

GROSS RENT FOR UNIT (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at.
θ 60% θ 50% θ 40% θ 30% θ____%

Maximum Rent Limit for this unit: $

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS? explanation*

☐ yes ☐ no

If yes, Enter student

(also attach documentation)

Ente
r 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII PROGRAM TYPE

Mark the program(s) listed below (a through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐	b HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. _____ ☐ *(Name of Program)*
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

_____ _____

SIGNATURE OF OWNER/REPRESENTATIVE DATE

INSTRUCTIONS FOR COMPLETING
TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification
Property Name	Enter the name of the development
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609)
Address	Enter the address of the building
Unit Number	Enter the unit number
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350 3 for complete instructions on verifying and calculating income, including acceptable forms of verification

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment, distributed profits and/or net income from a business

Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc
Column (C)	Enter the annual amount of income received from public assistance (i.e , TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount

Part IV - Income from Assets

See HUD Handbook 4350 3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification)
Column (H)	Enter the cash value of the respective asset
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income

Row (K)	Enter the greater of the total in Column (I) or (J)
Row (L)	Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L)
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size

Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit

**Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit See Part V above.

HOME If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation

Tax Exempt If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.

AHDP If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.

Other If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.
These instructions should not be considered a complete guide on tax credit compliance The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

ATTACHMENT NO. 6

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Grants Coordinator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS[1]

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this _____ day of _____, 200___, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Declarant") (hereinafter, City and Declarant are sometimes collectively referred to as "Parties" and individually referred to as a "Party").

RECITALS

A. The City has entered into various funding agreements with the United States Department of Housing and Urban Development ("HUD"), which agreements provide funds ("CDBG Funds") to the City under the Federal Housing and Community Development Act of 1974 (42 U.S.C. Sections 5301 *et. seq.*), as amended from time to time, (the "Act") and the regulations promulgated thereunder (24 C.F.R. Sections 570 *et. seq.*). The Act provides that the City may grant the CDBG Funds to nonprofit organizations for certain purposes allowed under the Act.

B. The City has agreed to loan sums from the City's Community Development Block Grant Fund ("Fund") to Declarant pursuant to the terms and conditions of that certain Affordable Housing and Loan Agreement ("Loan Agreement") dated _____, 2006, to assist Declarant with the plans to develop a 90-unit affordable residential rental project, with

[1] This Regulatory Agreement shall be recorded concurrently with Declarant's acquisition of the leasehold interest in the real property described herein pursuant to that certain Ground Lease entered into by and between Declarant and The Irvine Company, LLC, a Delaware limited liability company

landscaping, driveways, and related improvements, and one (1) community building (the "Project") located on that certain real property in the City of Irvine, County of Orange, State of California more particularly described in Exhibit "A", attached hereto and incorporated by reference herein (the "Site"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Loan Agreement.

C. Declarant and The Irvine Company, LLC, a Delaware limited liability company ("TIC") have entered into that certain Ground Lease dated on or about the date of this Agreement, in which Declarant has a leasehold interest in the Site.

D. Pursuant to the Loan Agreement, City loaned funds ("City Loan") to Declarant for the predevelopment expenses associated with the development of the Project. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the imposition of affordability covenants requiring that the units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. **Definitions.** The following terms are defined in the Loan Agreement and shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Assignment of Plans" shall mean the Assignment of Architectural Agreements and Plans and Specifications and attached Consent in the form attached to the Loan Agreement as Attachment No. 7.

"CDBG" shall mean Community Development Block Grant.

"CDBG Requirements" shall mean the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et. seq.*), and the implementing regulations (24 C.F.R. § 570, *et seq.*).

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Declarant in the amount of Three Hundred Thousand Dollars ($300,000.00) for the Eligible Loan Expenses. The City Loan is comprised of CDBG funds.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, entered into on or about the date of the Loan Agreement, which sets for the terms for Declarant's repayment of the City Loan to City.

"Contract Officer" shall mean City's Grants Coordinator or such other person as may be designated by the City Manager of City.

"Eligible Loan Expenses" shall mean the expenses paid or caused to be paid by Declarant for any and all predevelopment expenses that are necessary to effectuate the development of the Project. Such expenses include: architectural, engineering, environmental review, geotechnical review, entitlement, permit, and costs of financing expenses for the Project. The aforementioned expenses are meant to be examples of Eligible Loan Expenses, and shall not be construed as exhaustive.

"Ground Lease" shall mean the binding lease agreement entered into between Declarant, as lessee, and TIC, as lessor, and recorded on even date of this Agreement.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation.

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents recorded on even date of this Regulatory Agreement, which secures, among other things, Declarant's payment obligations under the City Note.

"Loan Documents" shall mean this Agreement and the following: the Loan Agreement, the City Note, the Leasehold Deed of Trust, the Regulatory Agreement, and the Assignment of Plans.

"Option to Lease" shall mean that certain Option to Lease entered into between Declarant and TIC, executed on February 24, 2006, which contains certain terms and conditions of the Ground Lease and was binding between the parties thereto until Declarant had acquired the leasehold interest in the Site.

"Project" shall mean the development on the Site of a 90-unit affordable residential rental project and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City.

"Redevelopment Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A".

"TIC" shall mean the Irvine Company, LLC, a Delaware limited liability company.

In addition to the terms defined above, the following additional terms shall have the meanings given below for purposes of this Agreement unless expressly provided to the contrary:

"Affordability Term" shall mean the fifty-five (55) year term that the affordability covenants shall be binding upon the Site as provided in Section 3 of this Agreement.

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance) pursuant to California Health and Safety Code Section 50053 in effect at the time of this Agreement, which are as follows:

(a) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 30% or less of the Median Income is 30% times 30% of Median Income adjusted for family size appropriate to the Residential Unit.

(b) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 50% or less of the Median Income is 30% times 50% of the Median Income adjusted for family size appropriate to the Residential Unit.

(c) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 60% or less of the Median Income is 30% times 60% of Median Income adjusted for family size appropriate for the Residential Unit.

(d) The Affordable Rent for the Residential Units designated to be occupied by Eligible Tenants earning 120% or less of the Median Income is 30% times 110% of the Median Income adjusted for family size appropriate for the Residential Unit.

As used herein, "adjusted for family size appropriate to the Residential Unit" shall mean a household of 2 persons in the case of a one-bedroom unit, a household of 3 persons in the case of a two-bedroom unit, and a household of 4.5 persons in the case of a three-bedroom unit.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant, and acknowledged and agreed to by TIC.

"Declarant" shall mean JHC-WOODBURY, L.P., and its permitted successors and assigns in and to the Site.

"Eligible Tenant" shall mean a tenant of one of the Residential Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular Residential Unit as set forth in the Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Median Income" shall mean the Orange County area median income, adjusted for family size, as established by the United States Department of Housing and Urban Development, and as published periodically by the State of California Department of Housing and Community Development. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Residential Units" shall mean the ninety (90) residential units planned to be developed on the Site. The Residential Units will be comprised of one-bedroom, two-bedroom, and three-bedroom units in accordance with the Unit Matrix.

"Unit Mix" shall mean the household income levels permitted for each Residential Unit other than the on-site manager's unit, as follows:

(i) Two (2) one-bedroom units, five (5) two-bedroom units, and three (3) three-bedroom units shall be occupied by households earning 30% or less of the Median Income, adjusted for family size.

(ii) Four (4) one-bedroom units, ten (10) two-bedroom units, and eight (8) three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

(iii) Two (2) one-bedroom units, six (6) two-bedroom units, and three (3) three-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

(iv) Ten (10) one-bedroom units, twenty-two (22) two-bedroom units, and fifteen (15) three-bedroom units shall be occupied by households earning 120% or less of the Median Income, adjusted for family size.

This Unit Mix shall be interpreted as the City's affordability requirements for the Residential Units. Nothing in this Unit Mix or Agreement shall be deemed to preclude Declarant from reserving more Residential Units to very low income households earning 50% or less of the Medium Income, adjusted for family size, if Declarant otherwise agrees to do so either unilaterally or with a third party, so long as any other agreement does not otherwise conflict with the terms and conditions of this Agreement or provisions of applicable federal, state, and local law.

2. Development of the Project. Declarant shall commence and complete predevelopment activities for the Project on the Site within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. Term. The covenants set forth in this Agreement shall remain in effect for a period of fifty-five (55) years commencing on the date that all Residential Units in the Project have received all required occupancy permits from the City ("Affordability Term").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as an affordable residential rental complex with the Residential Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent in compliance with the Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses. Notwithstanding any other provision set forth in this Agreement to the contrary, Declarant may set aside one Residential Unit as an on-site manager's unit that may but need not be subject to the affordability covenants set forth in this Agreement.

4.2. Occupancy by Eligible Tenants. The lease for each Residential Unit shall provide that it is to be used as the principal residence of the Residential Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its Residential Unit or its right of occupancy. Declarant shall institute a program to ensure that the Residential Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Residential Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Residential Unit shall include a provision limiting the number of persons permitted to occupy each Residential Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a Residential Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for multi-family housing revenue bonds or low income housing tax credits, the form attached to this Agreement as Exhibit "B", or other form approved by the Contract Officer) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Residential Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to the City.

Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Residential Unit by an Eligible Tenant, and on each anniversary date thereafter, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Residential Unit. In the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a Residential Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the Unit Mix as quickly as possible.

4.6 Leasing Residential Units. The Residential Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Residential Units, except to the extent that the Residential Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall give priority in renting Residential Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a Residential Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Residential Unit, Declarant shall rent available Residential Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Residential Units that become available as quickly as possible. Declarant shall market the Residential Units to the citizens of the City of Irvine on a nonexclusive basis.

4.7 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the Residential Units. Once approved, no material changes shall be made to the form of the lease agreement without City's prior written reasonable approval. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Not by way of the foregoing, each lease agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other

supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Residential Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement.

5. **No Discrimination.** Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

6. **Maintenance of Property**. Declarant shall maintain or cause to be maintained the Site and all improvements on the Site in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects within the City of Irvine are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 6, and such default continues for a period of fifteen (15) days after written notice from a City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to attach a lien on the Site, or to assess the Site, 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

7. **Management.**

7.1 **Property Manager**. Declarant shall manage or shall cause the rental Project on the Site to be managed in a prudent and business-like manner. Declarant may contract with a management company or manager to operate and maintain the Site in accordance with the terms of this Agreement ("Property Manager"); provided, however, that the selection and hiring of such a Property Manager company shall be subject to approval by City, which shall not be

unreasonably withheld provided that the management company or manager has the requisite experience level and performance record.

7.2 **Gross Mismanagement**. In the event of "Gross Mismanagement" (as that term is defined below), City shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Property Manager, whether that Property Manager is Declarant or a third party. The replacement Property Manager shall be required to operate and maintain the Site in accordance with the terms of this Agreement. In the event of such a replacement, the costs to retain the replacement Property Manager shall be the responsibility of Declarant. City shall provide written notice to Declarant of the event(s) of Gross Mismanagement occurring and Declarant shall have thirty (30) days after receipt of such notice (or such longer period as is reasonably necessary to correct the condition) to cure, correct, or remedy the event(s) of Gross Mismanagement identified in City's notice and to notify City of the cure, correction, or remedy. For purposes of this Agreement the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms of this Agreement to operate the Residential Units as an affordable housing project and shall include, but is not limited to, the following:

i. Knowingly allowing a Residential Unit to be occupied by a person who does not qualify as an Eligible Tenant;

ii. Allowing the prescribed occupancy levels to be exceeded without taking immediate action to stop such overcrowding;

iii. Failure to maintain the Site in the manner prescribed in Section 6;

iv. Fraud or embezzlement of Project monies; and

v. Failure to comply with reasonable recommendations of the Irvine Police Department in maintaining a crime free environment on the Site.

8. **Records**. Declarant shall maintain complete and accurate records pertaining to the Residential Units for a period of three (3) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Residential Units.

9. **Right to Inspect**. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

10. **Relocation**. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

11. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

12. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 12.

12.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the

same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

12.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 12.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and

agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

13. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds and provided the insurance proceeds are sufficient to restore the Site and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

14. Defaults and Remedies.

14.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

14.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

15. Miscellaneous.

15.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and

supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

15.2 Attorneys' Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

15.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be a member of the general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval for the purpose of this Section 15.3: (i) a transfer of Declarant's leasehold interest in the Site and the Project to Jamboree; (ii) a transfer of Jamboree's limited partnership interest in Declarant to TIC or other tax credit syndicator or investor, provided that Jamboree continues to manage the operation of the Project; (iii) a transfer of the limited partnership interest in Declarant from TIC or other tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage the operation of the Project; or (iv) any Permitted Encumbrance (which is defined in the Loan Agreement and generally allows Declarant to mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the cumulative amount of the loans encumbering the Site does not exceed: (A) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (B) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City). As used in the preceding sentence, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, City

shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

15.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Declarant's approval to the Redevelopment Agency, or (b) with the approval of Declarant, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the community land trust ("CLT") duly created and existing pursuant to law for the benefit of creating and maintaining affordable housing within the City (the "Irvine CLT"). At the time of execution of this Agreement, the Irvine CLT has not been certified by the Internal Revenue Service as a charitable entity under Section 501(c)(3) of the Internal Revenue Code, but is anticipated to be certified soon after the execution of this Agreement, and Declarant hereby acknowledges and agrees that the provisions in this Section 15.4 shall be binding upon Declarant upon the certification of the Irvine CLT.

15.5 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California.

15.6 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

15.7. Third Party Beneficiaries. The Redevelopment Agency is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 15.6, no person or entity other than City, Declarant, and Redevelopment Agency, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

15.7 Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	CITY OF IRVINE COMMUNITY DEVELOPMENT DEPARTMENT One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Declarant:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

15.8 Covenants Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Site, in accordance with the provisions of Civil Code Section 1468. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall run with the Site and shall be binding upon all persons having any right, title or interest in the leasehold interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of the City and its successors and assigns, shall be binding upon Declarant, and its successors and assigns; and may be enforced by City and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Declarant's leasehold interest in the Site is rendered less valuable thereby. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site by Eligible Tenants, and by furthering public purposes for City.

In amplification and not in restriction of the provisions hereinabove, it is intended and agreed that City is deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be

binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City which real property shall be deemed the benefited property of such covenants. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any action at law or suit in equity or other proper proceedings to enforce the curing of such breach of agreement or covenant.

Furthermore, upon termination of Declarant's leasehold interest in the Site, except for a termination of the Ground Lease pursuant to Alteration, Damage, Destruction or Casualty of the Site, or pursuant to Eminent Domain, the covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall not terminate, shall continue to run with the land, shall be binding upon the Site for the remainder of the Affordability Term as defined in Section 3 of this Agreement, and shall inure to the benefit of and be enforceable by the City and its successors and assigns. As evidenced by TIC's signature below, TIC hereby acknowledges, agrees and consents to the terms in this Section 15.8.

15.9 RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST IN LAND. THIS SITE IS SUBJECT TO A RIGHT OF REFUSAL TO PURCHASE DECLARANT'S INTEREST FOR THE DURATION OF THIS REGULATORY AGREEMENT. As set forth in the Affordable Housing Agreement, in the event that: (i) Declarant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than Jamboree or an affiliate of Jamboree (as defined in Section 15.3 of this Agreement), and (ii) Declarant has complied with any and all approvals as required by TIC pursuant to the Ground Lease prior to the sale of said Interest, and (iii) Declarant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Declarant shall give written notice to City of Declarant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted successor or assign) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Declarant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Declarant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer. If City elects to exercise its option, City shall deliver to Declarant its written "Notice of Exercise of Option" of such election within thirty (30) days after receipt of the Notice of Intent to Sell, subject to a reasonable extension of days to account for any approval period resulting from a mandate or requirement of any state or local law or regulation, including but not limited to public hearing and notification requirements under the Ralph M. Brown Act and Irvine Municipal Code (the "Exercise of Option Period"). The option set forth in this Section 15.9 shall remain open and available to City for the Exercise of Option Period, and in the

event City fails to exercise its option within said period, then: (i) Declarant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of the Exercise of Option Period; and (ii) City shall, upon request, deliver to Declarant an acknowledgement of City's failure or decision not to exercise the option and Declarant's right to sell the Interest pursuant to this Section 15.9.

15.10 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

"DECLARANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

The IRVINE COMPANY LLC, "TIC" herein, hereby acknowledges, agrees and consents to the terms of Section 15.8 of this Regulatory Agreement:

ACKNOWLEDGED, AGREED AND CONSENTED TO,
By the IRIVINE COMPANY LLC, a Delaware
limited liability company:

By:_____

Its:_____

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____, Notary Public, personally appeared _____

_____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____, Notary Public, personally appeared _____

_____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

On _____, before me, _____, Notary Public, personally appeared _____

_____

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

Witness my hand and official seal.

_____
Notary Public

[SEAL]

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 of TRACT 16755 in the City of Irvine, County of Orange, State of California, as per map recorded in book 866 pages 12 to 21 of maps, in the office of the county recorder of said county.

EXHIBIT "B"

INCOME CERTIFICATION FORM

[Attached]

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date: _____
Move-in Date: _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____

Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above — TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____ X Passbook Rate 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income — TOTAL INCOME FROM ASSETS (K) $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ _____ _____ _____

Signature (Date) Signature (Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

RECERTIFICATION ONLY:
Current Income Limit x 140%: $

Household Income exceeds 140% at recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $

Household Income at Move-in: $

Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent $
Utility Allowance $

Rent Assistance: $
Other non-optional charges: $

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:
θ 60% θ 50% θ 40% θ 30% θ____%

Maximum Rent Limit for this unit: $

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?

☐ yes ☐ no

If yes, Enter student explanation* (also attach documentation)

Enter 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. _____ ☐ (Name of Program)
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE _____ DATE _____

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).
Column (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)	Enter the greater of the total in Column (I) or (J)
Row (L)	Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.

Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of <u>non-optional</u> charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption <u>must</u> be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

**Full time is determined by the school the student attends.*

Part VIII – Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.

Other If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

ATTACHMENT NO. 7

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS

AND PLANS AND SPECIFICATIONS

[Attached]

ASSIGNMENT OF ARCHITECTURAL AGREEMENTS AND PLANS AND SPECIFICATIONS

FOR VALUE RECEIVED, JHC-WOODBURY, L.P., a California limited partnership ("Participant"), does hereby assign, pledge, transfer and set over to the CITY OF IRVINE, a municipal corporation ("City"), all of its right, title, and interest in, to, and under any and all existing and future architectural and design agreements including, without limitation the plans for the Project (as that term is defined in the Affordable Housing and Loan Agreement between Participant and City dated September 5, 2006 ("Loan Agreement")), and any and all amendments, modifications, supplements, addenda and general conditions to such agreements (collectively "Architectural Agreements"), and any and all plans and specifications, together with all existing and/or future shop drawings, working drawings, amendments, modifications, changes, supplements, general conditions and addenda thereto (collectively "Plans"), heretofore or hereafter entered into or prepared by any architect, engineer, surveyor, or other person or entity (other than a general contractor), for the account of Participant in connection with and directly related to the construction of the Project on that certain real property more particularly described in Exhibit "A" attached hereto ("Site"). Participant shall cause the Parties to all Architectural Agreements, whether the Architectural Agreements are executed prior or subsequent to the date of this Assignment, to execute a Consent in the form attached below.

Participant hereby irrevocably appoints City, with power to act individually, as its attorney-in-fact (which agency is coupled with an interest) to demand, receive, and enforce any and all of Participant's rights with respect to the Plans and Architectural Agreements and perform any and all acts in the name of Participant or in the name of City with the same force and effect as if performed by Participant in the absence of this Assignment. City shall exercise its rights in this paragraph only in the event: (1) Participant is in default after any applicable cure period of an obligation that is secured by this Assignment; or (2) Participant does not obtain a leasehold interest in the Site by the expiration of the option period provided in the Option to Lease (as described in the Loan Agreement and attached thereto); or (3) Participant defaults after any applicable cure period on any term, condition, covenant or requirement in the Option to Lease; or (4) the Loan Agreement or any other agreement secured by this Assignment is terminated (as may be permitted in accordance with the terms of the applicable agreement). City shall not incur any liability if any action taken by City or on its behalf in good faith, pursuant to this paragraph, shall prove to be, in whole or in part inadequate or invalid, and Participant hereby indemnifies and agrees to hold City harmless from and against any and all loss, claim, demand, cost, liability, damage or expense, including, without limitation, attorneys' fees and expenses in connection with any such action or actions.

This Assignment is made to secure:

(a) Participant's payment to City of the loan in the principal amount of Three Hundred Thousand Dollars ($300,000) (the "City Loan") evidenced by that certain Promissory Note Secured by Deed of Trust ("City Note") executed on or about the date of this Assignment.

(b) Performance by Participant of all of its obligations under the Loan Agreement and all attachments thereto, including without limitation the Regulatory Agreement and Declaration of Covenants and Restrictions to be entered into by Participant and City upon Participant's

acquisition of the leasehold interest of the Site pursuant to that certain Ground Lease between Participant and The Irvine Company LLC, a Delaware limited liability company ("TIC").

(c) Completion of the tasks set forth in the Schedule of Performance attached to the Loan Agreement as Attachment No. 2 within the time periods set forth therein, including Participant's recordation of the Regulatory Agreement and Leasehold Deed of Trust.

(d) Performance of each obligation of Participant set forth in this Assignment.

Participant and the Party(ies) executing the Consent to this Assignment, agree that City does not assume any of Participant's obligations or duties concerning the Architectural Agreements and the Plans, including, but not limited to, the obligation to pay for the preparation of the Architectural Agreements and the Plans, until and unless City shall exercise its rights hereunder.

Participant hereby represents and warrants to City that no previous assignment(s) of its interest in and to or rights under the Plans and/or Architectural Agreements has or have been made, and Participant agrees not to assign, sell, pledge, transfer, mortgage, or hypothecate or otherwise encumber in any manner its interest in and to or rights under the Plans and/or Architectural Agreements so long as this Assignment remains in effect, except for an assignment in connection with a Permitted Encumbrance (as that term is defined in the Loan Agreement).

Upon the occurrence of an event that authorizes the City to exercise its rights as set forth above in this Assignment, the City may, in its sole and absolute discretion, offer for sale to TIC any and all Plans and/or Architectural Agreements, in which case the value paid by TIC shall be made payable and delivered to the City. The City may thereafter, in its sole and absolute discretion, forward all or a portion of the funds received by TIC to Participant to pay for costs or expenses incurred in connection with any affordable housing project that is currently under construction within the City (a "Current Eligible Project"). No later than ten (10) days after City's written request, Participant shall provide to City evidence that said funds were received and spent for costs incurred in connection with a Current Eligible Project.

No later than one (1) business day after the execution of any Architectural Agreement, Participant shall file or cause to be filed in the Office of the California Secretary of State a UCC-1 Financing Statement and exhibits thereto protecting the security interest granted thereby in said Architectural Agreement until the recordation of the Leasehold Deed of Trust. The form of the UCC-1 Financing Statement is attached to the Loan Agreement as Attachment No. 9.

This Assignment shall be binding upon and inure to the benefit of the heirs, legal representatives, assigns, or successors in interest of the Participant and City.

[Signature page to follow]

IN WITNESS WHEREOF, Participant has caused this Assignment of Architectural Agreements and Plans and Specifications to be executed on AUG. 24, 2006.

"PARTICIPANT" JHC-WOODBURY, L.P., a California limited partnership By: JHC-Woodbury, LLC, a California limited liability company, Its: Managing General Partner By: Jamboree Housing Corporation, a California nonprofit public benefit corporation Its: Manager By: _____ Laura Archuleta Its: President	

CONSENT

The undersigned has prepared the Plans, and hereby consents to the above Assignment. The undersigned also agrees that in the event of a breach by Participant of any of the terms and conditions of the Architectural Agreement or any other agreement entered into with the undersigned in connection with the Plans, that so long as Participant's interest in the Plans is assigned to City it will give written notice to City of such breach. City shall have thirty (30) days from the receipt of such notice of default to remedy or cure said default; however, nothing herein shall require City to cure said default, but only gives it the option to do so.

The undersigned hereby further agrees that if, at any time City undertakes to complete or cause the completion of the improvements described by the Plans and/or Architectural Agreement, or otherwise requires the use of the Plans or the performance of the obligations of the undersigned under the Architectural Agreement, then so long as the undersigned has received or continues to receive the compensation required under the Architectural Agreement with Participant related to the Plans, City or its designee shall have the right to use the same, and the ideas, designs and concepts therein contained, in connection with the completion of the improvements without payment of any additional fees or charges to the undersigned.

The undersigned also agrees that in the event of default by Participant under any of its obligations secured by the Assignment, the undersigned, at City's request, shall continue performance under the Architectural Agreement in accordance with the terms hereof, provided that the undersigned shall be reimbursed in accordance with the Architectural Agreement for all services rendered on City's behalf.

Dated: 8/16/06

ARCHITECT:

KTGY Group, Inc.

By: _____

Name: David Obitz

Title: Principal

CONSENT

The undersigned has prepared the Plans, and hereby consents to the above Assignment. The undersigned also agrees that in the event of a breach by Participant of any of the terms and conditions of the Architectural Agreement or any other agreement entered into with the undersigned in connection with the Plans, that so long as Participant's interest in the Plans is assigned to City it will give written notice to City of such breach. City shall have thirty (30) days from the receipt of such notice of default to remedy or cure said default; however, nothing herein shall require City to cure said default, but only gives it the option to do so.

The undersigned hereby further agrees that if, at any time City undertakes to complete or cause the completion of the improvements described by the Plans and/or Architectural Agreement, or otherwise requires the use of the Plans or the performance of the obligations of the undersigned under the Architectural Agreement, then so long as the undersigned has received or continues to receive the compensation required under the Architectural Agreement with Participant related to the Plans, City or its designee shall have the right to use the same, and the ideas, designs and concepts therein contained, in connection with the completion of the improvements without payment of any additional fees or charges to the undersigned.

The undersigned also agrees that in the event of default by Participant under any of its obligations secured by the Assignment, the undersigned, at City's request, shall continue performance under the Architectural Agreement in accordance with the terms hereof, provided that the undersigned shall be reimbursed in accordance with the Architectural Agreement for all services rendered on City's behalf.

Dated:_____

ARCHITECT:

_____

By:_____
Name:_____
Title:_____

EXHIBIT "A" TO ASSIGNMENT

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 of TRACT 16755 in the City of Irvine, County of Orange, State of California, as per map recorded in book 866 pages 12 to 21 of maps, in the office of the county recorder of said county.

ATTACHMENT NO. 8

PROJECT BUDGET

[Attached]

DEVELOPMENT COSTS		OC App			Total	Residential	Predev. Budget		Per Unit Cost	Eligible Basis	Aggregate Basis
	Land Cost	C15			11,830	11,830		100	131	-	11,830
	Relocation				-	-		-	-		-
	Demolition	C16			-	-		-	-		-
	Off-site Improvements	C20			-	-		-	-		-
Total Acquisition Cost		C21			11,830	11,830		100	131	-	11,830
	Site Work	C32			2,939,855	2,939,855			32,665	2,939,855	2,939,855
	Structures	C33			11,204,395	11,204,395			124,493	11,204,395	11,204,395
	General Requirements	C34			815,100	815,100			9,057	815,100	815,100
	Overhead	C35			-	-			-	-	-
	Profit	C36			731,199	731,199			8,124	731,199	731,199
	General Liability Ins. & Bond	C37			564,579	564,579			6,273	564,579	564,579
Total Construction Costs PREVAILING WAGE		C38		180,613	16,255,129	16,255,129		0	180,613	16,255,129	16,255,129
	Architecture Design	C40			340,000	340,000			3,778	340,000	340,000
	Landscape Architecture	C40			170,834	170,834			1,898	170,834	170,834
	Architecture Supervision	C41			108,000	108,000			1,200	108,000	108,000
	Architecture Reimb.	C40			40,000	40,000			444	40,000	40,000
Total Architectural Fees		C42			658,834	658,834		492,664	7,320	658,834	658,834
	Survey	C43			140,466	140,466			1,561	140,466	140,466
	Soils	C43			35,803	35,803			398	35,803	35,803
	Civil Engineering	C43			180,920	180,920			2,010	180,920	180,920
	Engineering Consultants	C43			99,900	99,900			1,110	99,900	99,900
	Testing & Inspection	C43		0.27%	43,500	43,500			483	43,500	43,500
Total Survey & Engineering		C43			500,589	500,589		175,528	5,562	500,589	500,589
	Const. Ln. Amount		15,587,807		Const. Loan Interest Rate		6.75%		Const. Period (Mos)	18	
	Const. Period Interest	C45			946,959	946,959			10,522	946,959	946,959
	Rent Up Period (Mos)			6					-		
	Interest after PIS	C45			526,088	526,088			5,845		
	Predev't Loan Interest								-	-	-
	Subtotal Construction Loan I	C45			1,473,048	1,473,048			16,367	946,959	946,959
	Origination Fee	C46		1.00%	155,878	155,878			1,732	155,878	155,878
	Bank Costs	C47			7,260	7,260			81	7,260	7,260
	Taxes during Const.	C48			$383,676	383,676			4,263	340,690	340,690
	Insurance	C49			302,500	302,500			3,361	302,500	302,500
	Title & Recording	C50			40,000	40,000			444	40,000	40,000
Total Const. Interest & Fees		C51			2,362,362	2,362,362		-	26,248	1,793,287	1,793,287
	Perm. Ln. Orig. Fee	C53		1.00%	10,313	10,313			115	-	-
	Bond Costs of Issuance				116,137	116,137			1,290	-	-
	Lender Costs	C54			17,000	17,000			189	-	-
	Title & Recording	C55			35,000	35,000			389	-	-
Total Perm Loan Interest & Fees		C57			178,451	178,451		-	1,983	-	-
	Lender Legal	C59,C60			$65,000	65,000			722	48,750	65,000
	JHC Legal	C60			$110,000	110,000			1,222	82,500	110,000
Total Attorney Costs		C61			$175,000	175,000		25,000	1,944	131,250	175,000
	Capitalized Reserves	C64		3	244,058	244,058			2,712	-	-
Total Reserves		C65			244,058	244,058		-	2,712	-	-
	As Built Appraisal	C66			$0	-			-	-	-
	Loan Appraisal	C66			$10,000	10,000			111	5,000	5,000
Total Appraisal		C66			$10,000	10,000		10,000	111	5,000	5,000
	Const. Contingency	C67		7.00%	1,137,859	1,137,859			12,643	1,137,859	1,137,859
	Soft Contingency	C67		7.00%	271,966	271,966			3,022	271,966	271,966
Total Contingency		C67			1,409,826	1,409,826		20,000	15,665	1,409,826	1,409,826
	TCAC Fees	C69			49,596	49,596		55,482	551	-	-
	Environmental Audit	C70			$9,500	9,500		9,500	106	9,500	9,500
	Dev. Impact Fees	C71			2,520,505	2,520,505		-	28,006	348,625	348,625
	Permit Fees	C72			305,602	305,602		4,230	3,396	305,602	305,602
	Marketing/Rentup	C74			$119,940	119,940		1,100	1,333	-	-
	Accounting & Audit	C77			$41,000	$41,000		5,000	456	-	-
	Furnishings	C75			$36,900	36,900		-	410	36,900	36,900
	Market Study	C76			$20,000	20,000		20,000	222	-	0
	Construction Manager	C88			$200,993	200,993		47,700	2,233	200,993	200,993
	Organizational Costs	C90			$17,500	$17,500		7,500	194		
Total Other Costs					3,321,536	3,321,536		150,512	36,906	901,619	901,619
	Developer Fee	C84			$1,125,000	1,125,000			12,500	1,125,000	1,125,000
	Consultant	C85			$75,000	75,000		-	833	75,000	75,000
Total Developer Costs					1,200,000	1,200,000		-	13,333	1,200,000	1,200,000
TOTAL PROJECT COST					26,327,614	26,327,614		873,803	292,529	22,855,534	22,911,114

DEVELOPMENT COSTS	OC App		Total	Residential	Predev. Budget		Per Unit Cost	Eligible Basis	Aggregate Basis
Land Cost	C15		11,830	11,830		100	131	-	11,830
Relocation			-	-		-	-		-
Demolition	C16		-	-		-	-		-
Off-site Improvements	C20		-	-		-	-		-
Total Acquisition Cost	C21		11,830	11,830		100	131	-	11,830
Site Work	C32		2,159,702	2,159,702			23,997	1,619,776	2,159,702
Structures	C33		9,010,131	9,010,131			100,113	9,010,131	9,010,131
General Requirements	C34		676,533	676,533			7,517	676,533	676,533
Overhead	C35		-	-			-	-	-
Profit	C36		536,392	536,392			5,960	536,392	536,392
General Liability Ins. & Bond	C37		414,222	414,222			4,602	414,222	414,222
Total Construction Costs PREVAILING WAGE	C38	142,189	12,796,979	12,796,979		0	142,189	12,257,054	12,796,979
Architecture Design	C40		340,000	340,000			3,776	340,000	340,000
Landscape Architecture	C40		170,834	170,834			1,898	170,834	170,834
Architecture Supervision	C41		108,000	108,000			1,200	108,000	108,000
Architecture Reimb.	C40		40,000	40,000			444	40,000	40,000
Total Architectural Fees	C42		658,834	658,834		492,664	7,320	658,834	658,834
Survey	C43		140,466	140,466			1,561	140,466	140,466
Soils	C43		35,803	35,803			398	35,803	35,803
Civil Engineering	C43		180,920	180,920			2,010	180,920	180,920
Engineering Consultants	C43		99,900	99,900			1,110	99,900	99,900
Testing & Inspection	C43	0.34%	43,500	43,500			483	43,500	43,500
Total Survey & Engineering	C43		500,589	500,589		175,528	5,562	500,589	500,589
Const. Ln. Amount		16,131,904	Const. Loan Interest Rate	8.00%			Const. Period (Mos)	18	
Const. Period Interest	C45		1,161,497	1,161,497			12,906	1,161,497	1,161,497
Rent Up Period (Mos)		6	-				-		
Interest after PIS	C45		645,276	645,276			7,170		
Predev't Loan Interest							-	-	-
Subtotal Construction Loan I	C45		1,806,773	1,806,773			20,075	1,161,497	1,161,497
Origination Fee	C46	1.00%	161,319	161,319			1,792	161,319	161,319
Bank Costs	C47		7,260	7,260			81	7,260	7,260
Taxes during Const.	C48		$383,676	383,676			4,263	190,111	190,111
Insurance	C49		302,500	302,500			3,361	302,500	302,500
Title & Recording	C50		40,000	40,000			444	40,000	40,000
Total Const. Interest & Fees	C51		2,701,528	2,701,528		-	30,017	1,862,687	1,862,687
Perm. Ln. Orig. Fee	C53	1.00%	11,996	11,996			133	-	-
Bond Costs of Issuance			-	-			-	-	-
Lender Costs	C54		17,000	17,000			189	-	-
Title & Recording	C55		35,000	35,000			389	-	-
Total Perm Loan Interest & Fees	C57		63,996	63,996		-	711	-	-
Lender Legal	C59,C60		$65,000	65,000			722	65,000	65,000
JHC Legal	C60		$110,000	110,000			1,222	110,000	110,000
Total Attorney Costs	C61		$175,000	175,000		25,000	1,944	175,000	175,000
Capitalized Reserves	C64	3	212,907	212,907			2,366	-	-
Total Reserves	C65		212,907	212,907		-	2,366	-	-
As Built Appraisal	C66		$0	-			-	-	-
Loan Appraisal	C66		$10,000	10,000			111	5,000	5,000
Total Appraisal	C66		$10,000	10,000		10,000	111	5,000	5,000
Const. Contingency	C67	7.00%	695,789	695,789			9,953	695,789	695,789
Soft Contingency	C67	7.00%	287,696	287,696			3,197	287,696	287,696
Total Contingency	C67		1,183,485	1,183,485		20,000	13,150	1,183,485	1,183,485
TCAC Fees	C69		118,900	118,900		164,087	1,321	-	-
Environmental Audit	C70		$9,500	9,500		9,500	106	9,500	9,500
Dev. Impact Fees	C71		2,520,505	2,520,505		-	28,006	348,625	348,625
Permit Fees	C72		305,602	305,602		4,230	3,396	305,602	305,602
Marketing/Rentup	C74		$119,940	119,940		1,100	1,333	-	-
Accounting & Audit	C77		$41,000	$41,000		5,000	456	-	-
Furnishings	C75		$36,900	36,900		-	410	36,900	36,900
Market Study	C76		$20,000	20,000		20,000	222	-	0
Construction Manager	C88		$200,993	200,993		47,700	2,233	200,993	200,993
Organizational Costs	C90		$17,500	$17,500		7,500	194		
Total Other Costs			3,390,839	3,390,839		259,117	37,676	901,619	901,619
Developer Fee	C84		$1,725,000	1,725,000			19,167	1,400,000	1,400,000
Consultant	C85		$75,000	75,000		-	833	75,000	75,000
Total Developer Costs			1,800,000	1,800,000		-	20,000	1,475,000	1,475,000
TOTAL PROJECT COST			23,505,988	23,505,988		982,409	261,178	19,019,268	19,571,024

ATTACHMENT NO. 9

UCC-1 FINANCING STATEMENT

[Attached]

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

1. DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (1a or 1b) – do not abbreviate or combine names

1a. ORGANIZATION'S NAME

OR

1b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

1c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

1d. TAX ID #: SSN OR EIN | ADD'L INFO RE ORGANIZATION DEBTOR | 1e. TYPE OF ORGANIZATION | 1f. JURISDICTION OF ORGANIZATION | 1g. ORGANIZATIONAL ID #, if any ☐ NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME – insert only one debtor name (2a or 2b) – do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

2c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

2d. TAX ID #: SSN OR EIN | ADD'L INFO RE ORGANIZATION DEBTOR | 2e. TYPE OF ORGANIZATION | 2f. JURISDICTION OF ORGANIZATION | 2g. ORGANIZATIONAL ID #, if any ☐ NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) – insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME

OR

3b. INDIVIDUAL'S LAST NAME | FIRST NAME | MIDDLE NAME | SUFFIX

3c. MAILING ADDRESS | CITY | STATE | POSTAL CODE | COUNTRY

4. This FINANCING STATEMENT covers the following collateral:

5. ALTERNATIVE DESIGNATION [if applicable]: ☐ LESSEE/LESSOR ☐ CONSIGNEE/CONSIGNOR ☐ BAILEE/BAILOR ☐ SELLER/BUYER ☐ AG. LIEN ☐ NON-UCC FILING

6. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable]

7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] [optional] ☐ All Debtors ☐ Debtor 1 ☐ Debtor 2

8. OPTIONAL FILER REFERENCE DATA

NATIONAL UCC FINANCING STATEMENT (FORM UCC1) (REV. 07/29/98)

698/048170-0698
670888.12 a08/14/06

EXHIBIT "A" TO UCC-1

This Exhibit "A" is attached to that certain UCC-1 Financing Statement identified as follows:

1. DEBTOR:

ORGANIZATION'S NAME
JHC-WOODBURY, L.P., a California limited partnership

4. DESCRIPTION OF PERSONAL PROPERTY COLLATERAL:

All right, title, and interest of Debtor in and to that certain architect's agreement dated _____ by and between Debtor and _____ ("Architect") and those certain plans and specifications and any and all amendments, modifications, supplements, general conditions and addenda thereto ("Plans") prepared by Architect, Job No. _____, for the Account of Debtor in connection with the development of the real property described on Exhibit "B" hereto.

EXHIBIT "B" TO UCC-1

This Exhibit "B" is attached to that certain UCC-1 Financing Statement identified as follows:

1. DEBTOR:

ORGANIZATION'S NAME
JHC-WOODBURY, L.P., a California limited partnership

LOCATION OF PERSONAL PROPERTY COLLATERAL

That certain real property located in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 of TRACT 16755 in the City of Irvine, County of Orange, State of California, as per map recorded in book 866 pages 12 to 21 of maps, in the office of the county recorder of said county.

ATTACHMENT NO. 10

OPTION TO LEASE

[Attached]

OPTION TO LEASE
(Lot 7 of TTM 16755)

This Option to Lease (this ***"Agreement"***) is entered into as of February 24, 2006 (the ***"Effective Date"***), by and between THE IRVINE COMPANY LLC, a Delaware limited liability company (***"TIC"***), and JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation (***"Jamboree"***). TIC and JAMBOREE are sometimes referred to collectively herein as the ***"Parties."***

RECITALS

A. TIC is the owner of undeveloped real property consisting of approximately 5 acres located in the City of Irvine, County of Orange, State of California, more particularly described in ***Exhibit "1"*** attached hereto (the ***"Property"***). The Property lies primarily within Lot 7 of Tentative Tract Map 16755 (***"Lot 7"***) but the lot lines of Lot 7 do not currently match the boundaries of the Property. TIC is in the process of obtaining a lot line adjustment of Lot 7 intended to result in the Property being composed exclusively of the entirety of Lot 7 and that is estimated to result in the lot line for Lot 7 being approximately 592' West of Sand Canyon, excluding the area to the West of Regal at the entrance of the Property (the ***"Lot Line Adjustment"***).

B. JAMBOREE desires to acquire an option to lease the Property, and upon exercise of such option, develop the Property with approximately one hundred twenty (120) units of rental housing (the ***"Development"***) in accordance with the terms of the ***"Lease"*** (defined below). As used herein, the term ***"Lease"*** means a long term ground lease for the Development substantially in the form of TIC's standard form of ground lease for affordable housing projects incorporating the terms set forth in the Engagement Letter dated of even date herewith between JAMBOREE and TIC and such further modification as may be approved by the TIC Board of Directors. JAMBOREE intends to form a limited partnership (***"Partnership"***) to lease and develop the Property in accordance with the terms of the Lease. JAMBOREE will be the general partner of the Partnership.

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL PROMISES CONTAINED IN THIS AGREEMENT, THE PARTIES AGREE AS FOLLOWS:

AGREEMENT

Section 1. Grant of Option; Lease Form.

a. Option. TIC grants to JAMBOREE the option (the ***"Option"***) to lease the Property on the terms and conditions set forth in this Agreement. JAMBOREE will use its best efforts to (a) pursue and obtain as soon as possible all permits, approvals, financing, entitlements and other matters necessary or desirable for the Partnership to enter into the Lease and to develop and operate the Property in accordance with the terms of the Lease, including, without limitation, obtaining an allocation of tax credits for the Property for the Development (b) prepare and submit to TIC as soon as possible (but in no event later than JAMBOREE's delivery

prepare and submit to TIC as soon as possible (but in no event later than JAMBOREE's delivery of the Option Notice (defined below)) budgets required under terms of the Lease and all construction documents for the Development (i.e., all plans and specifications necessary to complete construction of the Development). Promptly upon exercise of the Option (and in no event later than thirty (30) days following exercise of the Option) (the "***Lease Drafting Date***"), TIC and JAMBOREE will enter into the Lease only if TIC shall have obtained the approval of the Lease by the TIC Board of Directors, which approval may be granted or withheld in the sole and absolute discretion of TIC's Board of Directors notwithstanding anything in this Agreement to the contrary. If the Lease is not executed prior to the Lease Drafting Date, this Agreement and the Option shall automatically terminate, without the need of any further notice and neither party shall have any further rights or obligations hereunder.

Section 2. Term of Option.

a. Term. The term of the Option shall be for a period commencing on the Effective Date and ending on the earlier of: (i) termination pursuant to Section 1.a, or (2) 5:00 p.m. (California time) on August 15, 2007 (the "***Term***"). The parties are free to execute an amendment to this Agreement to extend the Term but neither party is under any obligation to do so.

b. Exercise of Option. Provided that JAMBOREE is not in breach of this Agreement and provided TIC first completes the Lot Line Adjustment, it being the express understanding of the parties that the Lot Line Adjustment shall be subject to TIC's approval in TIC's sole and absolute discretion, JAMBOREE may exercise the Option at any time during the Term by delivering to TIC the "***Option Notice***" (defined below), "***Option Notice***" shall mean JAMBOREE's written notice to TIC of JAMBOREE's election to exercise the Option accompanied by the following: (i) a statement signed by the "***Approved Officer(s)***" (defined below) of JAMBOREE certifying that JAMBOREE has obtained one or more commitments for construction financing for the Development from one or more of the lenders in accordance with the terms set forth in the Lease, together with a copy of the commitment letter(s), and that JAMBOREE anticipates that the construction loan(s) will close within thirty-five (35) days after the date of the Option Notice; (ii) a statement signed by the Approved Officer(s) of JAMBOREE certifying that JAMBOREE anticipates commencing construction of the Development within ninety (90) days after the date of the Option Notice; and (iii) a statement signed by the Approved Officer(s) of JAMBOREE certifying that the Partnership has been formed, together with a copy of the filed LP-1. As used herein, "***Approved Officer(s)***" means any one officer of JAMBOREE duly authorized, acting alone, to execute and deliver this Agreement, the foregoing certificates and the Lease pursuant to a resolution adopted by the board of directors of JAMBOREE, a copy of which, certified as true and correct by a secretary or assistant secretary of JAMBOREE, is delivered to TIC prior to JAMBOREE's exercise of the Option. Absent such a resolution, "***Approved Officer(s)***" means (A) the president or a vice president of JAMBOREE and (B) the secretary, an assistant secretary or the chief financial officer of JAMBOREE. Within ten (10) days after JAMBOREE validly exercises the Option as provided above, TIC and the Partnership will execute the Lease.

c. Expiration. The Option shall expire at 5:00 p.m. (California time) on the last day of the Term. If the expiration date of the Term falls on a Saturday, Sunday or other

day on which banks are not generally open in the State of California, then the expiration date shall be extended to the next following business day. JAMBOREE shall sign and deliver to TIC a fully executed and acknowledged quitclaim deed or such other document as may be required by TIC to evidence the termination of the Option, which quitclaim deed or other instrument shall be held by TIC and recorded upon the termination or expiration of the Option. TIC shall return the quitclaim deed to JAMBOREE upon execution and delivery of the Lease.

d. As Is. JAMBOREE agrees and acknowledges that TIC has made no representations or warranties of any kind whatsoever in connection with the Property or in respect to the condition of the Property. JAMBOREE agrees and acknowledges that the Partnership will be leasing the Property "AS IS," and that JAMBOREE and the Partnership shall be relying solely on their own inspections and investigations regarding the Property, the condition of the Property, and all other matters related thereto. Prior to exercising the Option, JAMBOREE and the Partnership shall have each obtained the advice of such independent professional consultants as they deem necessary in connection with its investigation and study of the Property, and will, to the extent they deem necessary, independently investigate the condition of the Property, including, without limitation, the soils, hydrology, seismology, and archaeology thereof, the laws relating to the construction, maintenance, use and operation of the Development, and all environmental, zoning and other land use entitlement requirements and procedures, height restrictions, floor area coverage limitations and similar matters.

Section 3. Option Consideration.

The Option is granted in consideration of JAMBOREE's payment to TIC of the sum of One Hundred Dollars ($100). JAMBOREE shall pay such amount to TIC upon the execution of this Agreement, and TIC shall retain such amount whether or not the Option is exercised and, if exercised, such amount shall not be applied to any amount due to TIC under the Lease.

Section 4. Right of Entry on the Property.

Provided that JAMBOREE has executed TIC's standard form Entry Permit (***"Entry Permit"***), and subject to the terms thereof during the Term, at JAMBOREE's sole cost and expense, JAMBOREE and its designated agents, employees, contractors and representatives shall have the right during the Term to enter on the Property at all reasonable times and from time to time, for the purpose of conducting (at JAMBOREE's sole costs and expense) customary soils and engineering tests and to inspect and survey the Property in accordance with and subject to the terms of the Entry Permit.

Section 5. TIC's Cooperation in Seeking Permits, Approvals and Tax Credits.

a. Permits and Approvals. During the Term and so long as JAMBOREE is not in breach of this Agreement, JAMBOREE may meet with all city, county, district and other governmental entities (***"Governmental Agencies"***) to discuss JAMBOREE's proposed Development, may obtain all project approvals that JAMBOREE may deem necessary or advisable in connection therewith. JAMBOREE shall not submit any plans, proposals, applications, questionnaires, requests for approval or responses (***"Application Documents"***) concerning the Development to any Governmental Agencies without obtaining TIC's prior written

approval of all development proposals for the Property contained in the Application Documents. No approval by TIC under this Section 5.a shall relieve JAMBOREE of its obligations to obtain approvals of plans respecting the Development under the Lease (if executed). Provided TIC does not incur any liabilities or out-of-pocket costs (expressly excluding attorneys' fees) exceeding FIVE THOUSAND DOLLARS ($5,000) in the aggregate and without binding the Property prior to the execution and delivery of the Lease in any way, TIC agrees to cooperate with JAMBOREE with respect to Application Documents and execute any and all documents or join in any applications that may be required to obtain all such project approvals in connection with the Development.

b. Tax Credits; Tax-Exempt Financing. TIC acknowledges that JAMBOREE desires (i) to have the Partnership develop the Property as a low-income housing project and to receive tax credits (***"Tax Credits"***) pursuant to the provisions of Section 42 of the Internal Revenue Code of 1986, as amended (the ***"Code"***), (ii) to have the California Tax Credit Allocation Committee allocate tax credits to the Partnership, and/or (iii) to obtain tax-exempt financing for the Development. Provided JAMBOREE is not in breach of this Agreement, TIC shall cooperate with JAMBOREE (at no cost or liability to TIC) in connection with applications prepared by JAMBOREE for such tax credit allocations. JAMBOREE hereby agrees that it shall not offer to sell or syndicate the Tax Credits to anyone other than TIC, provided that TIC and JAMBOREE can agree to mutually acceptable terms and conditions for such purchase or syndication, and in the event TIC and JAMBOREE are unable to agree to such terms and conditions, then JAMBOREE may offer or syndicate the Tax Credits to a third party.

c. Default and Termination. In the event of (i) breach or violation by JAMBOREE of any provision of this Agreement which is not cured within twenty (20) days after written notice thereof from TIC or (ii) any breach or violation by JAMBOREE of any provision of any Entry Permit executed by JAMBOREE which is not cured within twenty (20) days after written notice thereof from TIC (or, if such breach or violation is curable but cannot be cured within twenty (20) days, JAMBOREE fails to cure such breach or violation within such time period as may be reasonably necessary to cure same, not to exceed sixty (60) days after written notice of such breach or violation), then in addition to any other rights or remedies it may have at law or in equity, TIC may terminate this Agreement and said Entry Permit and thereafter TIC shall have no further liability or responsibility hereunder or thereunder.

Section 6. Notices.

All notices or other communications made pursuant to this Agreement shall be in writing and shall be served to the parties at the following addresses (i) mailed by certified mail, postage prepaid, return receipt requested; (ii) sent by express delivery service, charges prepaid with a delivery receipt; (iii) personally delivered with a delivery receipt; or (iv) delivered via facsimile with a follow-up notice as provided below:

TIC:	The Irvine Company 110 Innovation Drive Irvine, CA 92617 Attention: Richard Lamprecht Fax No. (949) 720-5550
With a copy to:	The Irvine Company 550 Newport Center Drive Newport Beach, CA 92660 Attention: Mary Westbrook, Esq. Fax No. (949) 760-0896
JAMBOREE:	Jamboree Housing Corporation 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attention: Laura Archuleta and Beth Weinstein Fax No. (949) 263-0647
With a copy to:	Rutan and Tucker 611 Anton Blvd., Suite 1400 Costa Mesa, Ca 92626 Attention: Pat McCalla Fax No. (714) 546-9035

All notices (other than facsimiles) shall be deemed received on the date shown on the delivery receipt as the date of delivery, the date delivery was refused, or the date the notice was returned as undeliverable. All notices delivered via facsimile shall be deemed received upon confirmation of electronic transmission, provided that the applicable notice is confirmed by a follow-up notice using another approved method hereunder within seventy-two (72) hours. Either party may change its address for the purposes of this paragraph by giving prior written notice of the change to the other party in the manner provided in this Section.

Section 7. Assignment of Option.

JAMBOREE may assign its rights and obligations under this Agreement to the Partnership. Any assignment of this Agreement by JAMBOREE to a person or entity other than the Partnership shall require the prior written consent of TIC in its sole discretion. Without limiting the foregoing, JAMBOREE acknowledges and agrees that TIC may condition its consent to any assignment of this Agreement to any person or entity other than the Partnership on, among other things, JAMBOREE's agreeing to execute and deliver to TIC a guaranty of Tenant's obligations under the Lease in form and substance satisfactory to TIC. TIC's rights and obligations may be (and shall be deemed to be) assigned to and assumed by any subsidiary of TIC to which TIC conveys fee title to the Property. The provisions of this Section 7 shall be construed reasonably so as to give effect to TIC's interest in the quality of the Development occurring on the Property and the reliability, financial and otherwise, of the Partnership

undertaking the Development, the avoidance of speculation in land, and the retention of covenants and controls on the Property, among other things.

Section 8. Binding Effect.

This Agreement and its terms and conditions shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

Section 9. Time.

Time is of the essence of this Agreement.

Section 10. Further Documents.

Upon the reasonable request of the other party, each party will execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such further instruments and documents as may be reasonably necessary in order to carry out the intent and purpose of this Agreement, including escrow instructions.

Section 11. Exhibits.

All exhibits attached to this Agreement and referred to in this Agreement are incorporated into this Agreement by this reference as though they were fully set forth in this Agreement.

Section 12. Commission.

Each party to this Agreement represents to the other party that it has not engaged or used the services of any person, firm or corporation that may claim a broker's commission or finder's fee upon execution of this Agreement, the exercise of the Option or the execution of the Lease, and each party hereto agrees to hold the other party harmless from any loss, damage, expense or liability, including attorney's fees, resulting from any claim by any person, firm or corporation based upon its having acted as broker or finder on behalf of said indemnifying party.

Section 13. Captions.

The captions of the sections/paragraphs of this Agreement are for convenience and reference only, and the words contained in the captions shall in no way be held to explain, modify, amplify or aid in the interpretations, constructions or meaning of the provisions of this Agreement.

Section 14. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

Section 15. Attorney's Fees.

In any action between JAMBOREE and TIC to enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to recover its costs and expenses, including, without limitation, reasonable attorneys' fees and expert witness fees.

Section 16. Reservation of Credits.

Without derogating from TIC's option and first refusal with respect to the Tax Credits provided herein, TIC hereby reserves to itself the sole and exclusive right to retain, use, transfer, assign and otherwise benefit from all affordable housing credits issued or made available, attributable to or arising from the Development (including, without limitation, the right to transfer or assign same to any of its subsidiary or affiliated entities). Nothing contained in this Section 16 shall be deemed or construed to reserve to TIC any tax credits under Section 42 of the Code, which tax credits are reserved for the sole and exclusive benefit of Tenant.

Section 17. Entire Agreement.

This Agreement contains the entire agreement between the parties respecting the matters set forth herein, and supersedes all prior agreements between the parties respecting such matters.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date.

"TIC"

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: _____
Name: Clarence W. Barker
Title: President, Investment Properties Group

By: _____
Name: Richard E. Lamprecht
Senior Vice President, Development,
Irvine Apartment Communities LLC,
authorized signatory

LEGAL REVIEW

"JAMBOREE"

JAMBOREE HOUSING CORPORATION,
a California nonprofit public benefit corporation

By: _____
Name: Laura Archuleta
Title: President

EXHIBIT "1"

DESCRIPTION OF THE PROPERTY

Lot 7 of Tract 16755 in the City of Irvine, County of Orange, State of California, as shown on a map filed in book 866 page(s) 12 to 21, as modified by the Lot Line Adjustment.

ATTACHMENT NO. 11

GROUND LEASE

[To be attached upon execution]

Memo

To: Douglas Williford, Director of Community Development

From: Mark Asturias, Housing and Redevelopment Manager

Date: June 10, 2010

Re: Request for Signature – Allonge to Note and Estoppel Certificates for the Arbor at Woodbury Affordable Housing Project

---

Please sign the attached Allonge to Note and Estoppel Certificates for the Arbor at Woodbury, an affordable housing project built by Jamboree Housing Corporation (Jamboree). These documents are required to allow the conversion of construction financing to permanent financing to repay the City's loans totaling $575,000.

The City of Irvine provided this project with a Community Development Block Grant loan in the amount of $300,000. This loan agreement was approved by the City Council on April 12, 2005. The City also provided a HOME Investment Partnership program loan in the amount of $275,000. This loan agreement was approved by the City Council on June 23, 2009. The CDBG Note was subsequently changed to reflect modifications to cash flow requirements. The modification was to be memorialized with the attached Allonge to Note prior to execution of the estoppel and Jamboree has executed this document.

The Estoppel Certificates are requested by the project's senior lender, Union Bank. They are requesting one estoppel for each of the City's loans to ensure that Jamboree is in good standing with the City on both loans. Jamboree is in compliance with all terms of their loans with the City and has indicated their intent to prepay both loans immediately after the project's conversion to permanent financing.

The attached documents have been reviewed by the City Attorney's office and approved for execution. The City Attorney has also confirmed that per Section 6.6 of the loan agreement the Director of Community Development is the authorized City representative able to execute the documents. When executed, the City Clerk must also attest the Allonge to Note. Jamboree is proposing to close escrow next week and has requested an expedited processing of these documents. As noted, they intend to fully repay the City at close and expedited processing will permit repayment of the loan by June 21, 2010. Upon execution, please return the documents to Tamara Campbell for further processing. Thank you.

Attachments:
1. Allonge to Note
2. Estoppel Certificates (2)

ALLONGE TO NOTE

This ALLONGE TO NOTE ("Allonge") is affixed to and forms a part of that certain Promissory Note Secured by Leasehold Deed of Trust dated October 7, 2008, in the original principal amount of Three Hundred Thousand Dollars ($300,000) ("Note"), payable by JHC-WOODBURY, L.P. to the CITY OF IRVINE.

Effective as of June 23, 2009, the Note is hereby endorsed and modified as follows: The words "fifty percent (50%) of Project Cash Flow" in clause (a) of the third sentence of Section 2 of the Note is hereby modified to read "twenty-five percent (25%) of Project Cash Flow."

Except as expressly modified by this Allonge to Note, the Note shall remain unmodified and in full force and effect.

IN WITNESS WHEREOF, this Allonge to Note has been executed to be effective as of June 23, 2009.

CITY OF IRVINE, a California municipal corporation

By: _____

Its: Community Development D.C.

ATTEST:

_____

Deputy City Clerk

JHC-WOODBURY, L.P.,
a California limited partnership

By: JHC-Woodbury, LLC,
a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation,
a California nonprofit public benefit corporation
Its: Manager

By: _____

Mary Jo Goelzer
Its: Chief Operating Officer

www.ci.irvine.ca.us

City of Irvine One Civic Center Plaza P.O. Box 19575 Irvine, California 92623-9575 (949) 724-6000

June 9, 2010

Union Bank of California, N.A.
200 Pringle Avenue, Suite 200
Walnut Creek, CA 94596

Re: JHC-Woodbury L.P. (the "Partnership")

Dear Sirs:

We refer to that certain loan in the amount of $300,000 made by us to the Partnership (the "**Loan**") evidenced and secured by various documents (the "**Loan Documents**") on property located in Irvine, CA (the "**Property**"). The term Loan Documents is intended to include any regulatory agreement executed in connection with the Property.

We understand that you are about to make an installment of your equity investment in the Partnership, and have requested that we execute this Estoppel Certificate (this "**Certificate**") in connection therewith.

We hereby represent and warrant to you that:

1. to the best of our knowledge, after due inquiry, no default under the Loan Documents has occurred or is continuing;

2. to the best of our knowledge, after due inquiry, no event has occurred that, with the passage of time or the giving of notice, or both, would constitute a default under the Loan Documents;

3. each and every covenant, condition and obligation to funding required to be performed or satisfied through the date hereof has been satisfied, completed and/or waived;

4. any matter required to be approved by the Lender as of the date hereof has been approved;

5. the Loan Documents have not been modified or amended except as follows: The Affordable Housing and Loan Agreement dated September 5, 2006, was amended by the Amendment to Affordable Housing and Loan Agreement executed Oct. 7, 2008, the Regulatory Agreement and Declaration of Covenants and Restrictions recorded on October 7, 2008 as Instrument No. 2008000467747 was amended by the First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions recorded on September 16, 2009, as Instrument No. 2009000494159, and the Promissory Note Secured by Leasehold Deed of Trust dated October 7, 2008, was amended by the Allonge to Note dated June 23, 2009.

6. with regard to any future loans provided by the City, we will not cross-default or cross-collateralize the Loan with such future loans without the approval of Union Bank of California;

7. the terms of this Certificate shall bind assignees of the Loan and we will not assign the Loan without providing the assignee with a copy of this Certificate;

8. the person(s) executing this Certificate on our behalf represent and warrant that: (i) we are duly organized and existing, (ii) the person(s) executing this Certificate is duly authorized to execute and deliver the same on behalf of us, (iii) we have taken such formal action as may be required by law to bind us, and we are formally bound, to the provisions of this Certificate, and (iv) entering into this Certificate does not violate any provision of any other agreement to which we are bound.

Sincerely,

Douglas Williford, AICP
Director of Community Development

Supporting Documents from Table 1

Documents 20–22

Project Name: ICLT Condos

Year: 2006

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	6013B
CONTRACT TYPE:	AMENDMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	6/23/2009
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	6/23
ITEM NUMBER: Item number of meeting where contract was approved	3.15
CONTRACT AMOUNT: As stated in Budget section of Contract	14654.00
CONTRACT NAME: As stated in 1st paragraph of contract	IRVINE COMMUNITY LAND TRUST
CONTRACT SUBJECT: As stated in Description of Services section of contract	AMENDMENT TO PROVIDE 14954.00 IN AMERICAN DREAM DOWNPAYMENT INITIATIVE PROGRAM (ADDI) FUNDS TO BE USED TO ASSIST LOW-INCOME FIRST TIME HOMEBUYERS IN PURCHASING SINGLE-FAMILY AFFORDABLE UNITS

ORIGINAL

SECOND AMENDMENT TO AFFORDABLE HOUSING AND GRANT AGREEMENT

This SECOND AMENDMENT TO AFFORDABLE HOUSING AND GRANT AGREEMENT (the "Second Amendment") is made and entered into this 23rd day of June, 2009, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("Participant"), with reference to the following:

RECITALS

A. On or about October 7, 2008, the parties entered into that certain Affordable Housing and Grant Agreement, as amended on November 26, 2008 by the First Amendment to Affordable Housing and Grant Agreement (collectively, the "Agreement") whereby City agreed to provide Participant with financial assistance so that Participant could acquire existing residential units in the City of Irvine for the purpose of providing affordable housing.

B. The City agreed to provide financial assistance to Participant in the form of Community Development Block Grant (CDBG) Funds, HOME Investment Partnerships Program (HOME) Funds and Workforce Housing Reward Program (Workforce) Funds in the collective amount not to exceed One Million Eight Hundred Fifteen Thousand Six Hundred Thirty-Nine Dollars ($1,815,639.00), to be used by Participant for certain expenses related to Participant's housing activities.

C. The City now desires to provide Participant with the additional Fourteen Thousand Nine Hundred Fifty-Four Dollars ($14,954.00) in American Dream Downpayment Initiative Program (ADDI) funds to be used to assist low-income first time homebuyers in purchasing single-family Affordable Units (as defined in the Agreement) by providing funds for down payment, closing costs, and rehabilitation of Affordable Units, when carried out in conjunction with the purchases of Affordable Units.

D. The amount of ADDI Funds provided may not exceed Ten Thousand Dollars ($10,000) or six percent (6%) of the purchase price of an Affordable Unit, whichever is greater. The rehabilitation must be completed within one (1) year of the Affordable Unit purchase. Rehabilitation may include, but is not limited to, the reduction of lead paint hazards and the remediation of other home health hazards.

E. Pursuant to Section 9.6 of the Agreement, City and Participant may amend the Agreement by a writing signed by the appropriate authorities of City and Participant.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Participant hereby agree as follows:

SECTION 1. Recital C of the Agreement is struck and hereby amended to read in its entirety as follows:

> City desires to provide financial assistance to Participant in the form of a grant of CDBG Funds, HOME Funds, Workforce Funds, and ADDI Funds in the collective amount not to exceed One Million Eight Hundred Thirty Thousand Five Hundred Ninety-Three Dollars ($1,830,593.00) ("City Grant") to be used by Participant for certain expenses related to Participant's housing activities, more particularly described herein as the "Eligible Expenses."

SECTION 2. In Section 1 of the Agreement, the following definitions are hereby added to read:

> "ADDI Funds" shall mean the funds allocated to City by HUD under the American Dream Downpayment Initiative Program, as amended (42 U.S.C. § 12821.)
>
> "ADDI Portion of City Grant" shall mean the portion of the City Grant in the amount of Fourteen Thousand Nine Hundred Fifty-Four Dollars ($14,954.00) comprised of ADDI Funds.
>
> "ADDI Requirements" shall mean the requirements of the American Dream Downpayment Initiative Program, as amended, set forth in 42 U.S.C. § 12821 and Subpart M (commencing with Section 92.600) of 24 C.F.R. Part 92.

SECTION 3. The definition of "City Grant" contained in Section 1 of the Agreement is struck and hereby amended to read in its entirety as follows:

> "City Grant" shall mean the subgrant of Program Funds in the amount not to exceed the sum of One Million Eight Hundred Thirty Thousand Five Hundred Ninety-Three Dollars ($1,830,593.00) to be provided by City to Participant for the Eligible Expenses, as more fully explained in Section 3 of this Agreement. The City Grant is comprised of the Two Hundred Eighty-Nine Thousand One Hundred Thirty-Three Dollars ($289,133.00) CDBG Portion of City Grant, the Six Hundred Seventeen Thousand One Hundred Eighty-Four Dollars ($617,184.00) HOME Portion of City Grant, the Nine Hundred Nine Thousand Three Hundred Twenty-Two Dollars ($909,322.00) Workforce Portion of City Grant, and the Fourteen Thousand Nine Hundred Fifty-Four Dollars ($14,954.00) ADDI Portion of the City Grant.

SECTION 4. The definition of "Eligible Expenses" contained in Section 1 of the Agreement is struck and hereby amended to read in its entirety as follows:

> "Eligible Expenses" shall mean the expenses for the acquisition and rehabilitation of the Affordable Units for which the City Grant may be used. As to each Affordable Unit, the line item categories of Eligible Expenses and the amount budgeted for each item shall be set forth in the Affordable Unit Implementation Document for that Affordable Unit. Whenever ADDI Funds are used to pay for acquisition and rehabilitation expenses of an Affordable Unit, the owner of that Affordable Unit shall be a low-income first time homebuyer, and use of ADDI Funds shall be subject to the ADDI Restrictions, including but not limited to those restrictions identified in Recitals C and D of this Second Amendment.

SECTION 5. The definition of "Program Requirements" contained in Section 1 of the Agreement is struck and hereby amended to read in its entirety as follows:

> "Program Requirements" shall collectively refer to the CDBG Requirements, the HOME Requirements, the Workforce Requirements, and the ADDI Requirements.

SECTION 6. In Section 2.9 of the Agreement, the following sentence is hereby added after the first sentence and before the second sentence, to read:

> Participant shall submit to City quarterly reports as set forth in Section 5.2 on all program income as defined in and pursuant to 24 C.F.R. § 92.616(d) generated by activities carried out with ADDI Funds, if any.

SECTION 7. Section 3.1 of the Agreement is struck and hereby amended to read in its entirety as follows:

> Amount and Source of City Grant. Subject to the terms and conditions set forth herein, City shall provide Participant financial assistance for the Eligible Expenses in the form of a grant not to exceed the sum of One Million Eight Hundred Thirty Thousand Five Hundred Ninety-Three Dollars ($1,830,593.00) ("City Grant"). The City Grant is comprised of the CDBG Portion of City Grant in the amount of Two Hundred Eighty-Nine Thousand One Hundred Thirty-Three Dollars ($289,133.00), the HOME Portion of City Grant in the amount of Six Hundred Seventeen Thousand One Hundred Eighty-Four Dollars ($617,184.00), the Workforce Portion of City Grant in the amount of Nine Hundred Nine Thousand

Three Hundred Twenty-Two Dollars ($909,322.00), and the ADDI Portion of the City Grant in the amount of Fourteen Thousand Nine Hundred Fifty-Four Dollars ($14,954.00).

SECTION 8. All capitalized terms that are not specifically defined in this Second Amendment shall have the same meanings set forth in the Agreement.

SECTION 9. Except as specifically amended by this Second Amendment, the terms and conditions in the Agreement remain in full force and effect.

SECTION 10. This Second Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which counterparts taken together shall constitute but one and the same instrument.

[Signatures on Next Page]

IN WITNESS WHEREOF, City and Participant have signed this Agreement as of the date set opposite their signatures.

"CITY"

CITY OF IRVINE, a California municipal corporation

Date: 6-25-09

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

Date: 9-16-09

By: _____
Beth Krom
Its: President

By: _____
Nancy Donnelly
Its: Secretary

Supporting Documents from Table 1

Document 23

Project Name: Arbor at Woodbury

Year: 2008

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	6225A
CONTRACT TYPE:	AMENDMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	8/10/2009
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	275000.00
CONTRACT NAME: As stated in 1st paragraph of contract	JHC-WOODBURY, L.P.
CONTRACT SUBJECT: As stated in Description of Services section of contract	AMENDMENT TO LOAN AMOUNT

ORIGINAL

FIRST AMENDMENT TO AFFORDABLE HOUSING AND LOAN AGREEMENT

This FIRST AMENDMENT TO AFFORDABLE HOUSING AND LOAN AGREEMENT ("Amendment") is entered into on August 10, 2009, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Participant").

RECITALS

A. On or about June 23, 2009, City and Participant entered into that certain Affordable Housing and Loan Agreement ("Original Agreement") relating to City's provision of a loan to Participant for the development of an affordable residential rental project on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly therein as the "Site."

B. The parties desire to enter into this Amendment to reduce the amount of the City Loan from $415,277 to $275,000 and to make certain other changes to the Original Agreement requested by the other lenders for the Project.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. Defined Terms. Any capitalized terms contained in this Amendment which are not defined herein shall have the meaning given in the Original Agreement, unless expressly provided to the contrary.

2. Loan Amount. The parties have agreed to reduce the City Loan amount from $415,277 to $275,000. Accordingly, all references in the Original Agreement to the amount of the City Loan, including without limitation the references in the recitals, the definition of the term City Loan in Section 1, and Section 2.1 of the Original Agreement, are hereby modified to read $275,000.

3. Eligible Loan Expenses. As a result of the change to the City Loan amount, the Eligible Loan Expenses in the Project Budget have been modified. Accordingly, the Project Budget attached to the Original Agreement as Attachment No. 3 is hereby replaced with Attachment No. 3 (revised) attached to this Amendment.

4. Acceleration of City Loan. City agrees that a transfer of the Site permitted to be made under the Original Agreement or the Regulatory Agreement without City approval will not trigger City's right to accelerate payment of the City Loan provided an assignment and assumption agreement in a form approved by City is executed as required by the Original Agreement and Regulatory Agreement. In order to effectuate this modification, the parenthetical in clause (a) of the fourth sentence of Section 2.5 of the Original Agreement is hereby amended to read as follows: "(excluding the lease of the units on the Site in accordance with this Agreement and the Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer

that is permitted under this Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance that is approved in writing by City's Contract Officer) . . . . "

5. Agreement as Encumbrance on Site. The first paragraph of Section 8.14 of the Original Agreement is hereby revised to read as follows: "This Agreement, through the recordation of the Memorandum, shall constitute an encumbrance on the Site until the earlier of the following ("Completion Date"): (a) the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed, (b) the termination of the Lease, or (c) the foreclosure of a senior lien encumbering Participant's leasehold interest in the Site. Accordingly, the provisions of the following indented paragraph shall be applicable only until the Completion Date." The removal of the Original Agreement and this Amendment from title through a foreclosure or otherwise will not terminate or otherwise affect the separate affordability requirements imposed on the use of the Site under City's land use controls and the entitlements for the Site.

6. Modifications to Note, Deed of Trust, and Regulatory Agreement. The lenders for the Project have requested certain changes be made to the City Note, the Leasehold Deed of Trust and the Amendment to Regulatory Agreement, as reflected on the mark-up of said documents attached hereto, respectively, as Attachment No. 5 (revised), Attachment No. 6 (revised), and Attachment No. 7 (revised). In connection therewith, the form of the City Note attached to the Original Agreement as Attachment No. 5 is hereby replaced with Attachment No. 5 (revised), the form of the Leasehold Deed of Trust attached to the Original Agreement as Attachment No. 6 is hereby replaced with Attachment No. 6 (revised), and the form of the Amendment to Regulatory Agreement attached to the Original Agreement as Attachment No. 7 is hereby replaced with Attachment No. 7 (revised). Prior to executing the City Note, the Leasehold Deed of Trust and the Amendment to Regulatory Agreement, the form of each such document shall be modified so that the changes are not reflected in a mark-up format.

7. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Agreement shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Agreement, the provisions of this Amendment shall control.

8. Execution in Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[Signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce

Its: City Manager

ATTEST:

_____ for:
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"PARTICIPANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

EXHIBIT "A"
SCHEDULE OF HOME LOAN DOCUMENTS

1. Affordable Housing and Loan Agreement dated June 23, 2009 between City of Irvine and JHC-Woodbury, L.P.

2. First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 between the City of Irvine and JHC-Woodbury, L.P.

3. Promissory Note Secured by Leasehold Deed of Trust dated August 19, 2009 in the original principal amount of $275,000 made by JHC-Woodbury, L.P. in favor of the City of Irvine.

4. Leasehold Deed of Trust with Assignment of Rents (HOME Loan) dated August 19, 2009 executed by JHC-Woodbury, L.P. for the benefit of the City of Irvine.

5. First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions dated August 19, 2009 between JHC-Woodbury, L.P. and the City of Irvine.

6. Memorandum of Affordable Housing and Loan Agreement dated August 19, 2009 between JHC-Woodbury, L.P. and the City of Irvine.

EXHIBIT "B"
MAXIMUM 2009 AFFORDABLE RENTS

Arbor at Woodbury:
Affordability/Unit Mix
(90 Units Total)

2009 REGULATORY AGREEMENT AFFORDABILITY MIX

Unity Type	Affordability Level	2009 Gross Rents	# of Units
1-Bedroom	30% AMI	$523	2
2-Bedroom	30% AMI	$627	5
3-Bedroom	30% AMI	$725	3
1-Bedroom	**50% AMI**	**$871**	4
2-Bedroom	**50% AMI**	**$1,046**	10
3-Bedroom	**50% AMI**	**$1,208**	8
1-Bedroom	60% AMI	$1,046	2
2-Bedroom	60% AMI	$1,255	6
3-Bedroom	60% AMI	$1,450	3
1-Bedroom	120% AMI or less	$2,090	10
2-Bedroom	120% AMI or less	$2,510	22
3-Bedroom	120% AMI or less	$2,899	15
TOTAL RESTRICTED UNITS			**90**

Source: TCAC 2009 Rents U.S. Department of Housing and Urban Development 03/2009.

2009 HOME LOAN AFFORDABILITY MIX

Unity Type	Affordability Level	2009 Gross Rents	# of Units
1-Bedroom	50% AMI (Low HOME Rent)	$871	2
2-Bedroom	50% AMI (Low HOME Rent)	$1,046	5
3-Bedroom	50% AMI (Low HOME Rent)	$1,208	4
TOTAL HOME RESTRICTED UNITS			**11**

Source: HOME Program Rents 2009 U.S. Department of Housing and Urban Development 03/2009.

ATTACHMENT No. 4 (revised)
ARBOR AT WOODBURY ELIGIBLE LOAN EXPENSES

		Total	HOME Funds BUDGET
Land Cost		11,930	
Relocation		-	
Demolition		-	
Off-site Improvements		-	
		11,930	
Site Work		2,376,652	
Structures/New Construction		9,172,126	251,804
Contractor's Contingency		28,872	
General Conditions		770,000	
General Liability Insurance		193,287	
Financial Guarantee LOC		124,702	
Contractor's Fee		559,361	
	146,944	13,225,000	
Architecture Design		377,000	
Landscape Architecture		181,600	
Architecture Supervision		108,000	8,396
Architecture Reimb.		40,000	
		706,600	
Survey		130,305	
Soils		35,803	
Civil Engineering		189,005	
Engineering Consultants		168,995	
Testing & Inspection	0.33%	43,500	
		567,608	
Const. Ln. Amount	14,750,000		
Const. Period Interest		550,014	
Rent Up Period (Mos)	6		
Interest after PIS		428,166	
Subtotal Construction Loan Interest		978,180	
TIC Loan Interest-Deferred		441,331	
Origination Fee	0.65%	95,875	
Bank Costs		83,136	
Taxes during Const.		457,978	
Insurance		352,500	
Title & Recording		40,000	
		2,449,000	
Perm. Ln. Orig. Fee	0.00%	-	
Lender Costs		17,000	
Title & Recording		35,000	
		52,000	
Lender Legal		40,000	4,800
JHC Legal		82,000	10,000
		122,000	
Capitalized Reserves	3	235,772	
Capitalized Transportation Reserve		850,445	
		1,086,217	
As Built Appraisal		$0	
Loan Appraisal		$24,000	
		$24,000	
Const. Contingency	7.57%	1,001,133	
Soft Contingency	6.57%	371,881	
		1,373,014	
TCAC Fees		109,447	
Environmental Audit		9,500	
Dev. Impact Fees		2,048,870	
Permit Fees		965,337	
Marketing/Rentup		83,040	
Accounting & Audit		41,000	
Furnishings		86,900	
Market Study		17,100	
Construction Manager		169,759	
Reproduction and Reimburseables		57,500	
		3,588,452	
Developer Fee		$1,800,000	
Consultant		$75,000	
		1,875,000	
		25,080,821	**275,000**

ATTACHMENT NO. 5 (revised)

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$275,000~~415,277~~ _____, 2009

FOR VALUE RECEIVED, the undersigned, JHC-WOODBURY, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Two Hundred Seventy-Five Thousand~~Four Hundred Fifteen Thousand Two Hundred Seventy Seven~~ Dollars ($275,000~~415,277~~), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower dated June 23, 2009, and the First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009, ~~on or about the date hereof~~, as may be further amended from time to time ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, recorded on October 7, 2008 as Instrument No. 2008000467747 in the Official Records of Orange County, California, and the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions, as may be further amended from time to time (collectively, the "Regulatory Agreement").

(iii) The Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Two Hundred Seventy-Five Thousand~~Four Hundred Fifteen Thousand Two Hundred Seventy Seven~~ Dollars ($275,000~~415,277~~) ("City Loan"), which shall accrue simple interest at the rate of 1% per annum commencing on the date of this Note. The City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years from the date that all units in the Project have received all

required occupancy permits from the City, but in no event later than the date that is fifty-seven (57) years after the date of this Note. There shall be no penalty to Borrower for any prepayment of the City Loan. Borrower shall make annual payments to City in an amount equal to twenty-five percent (25%) of Project Cash Flow (as hereinafter defined) for the preceding calendar year. For purposes of this Section 2, the following definitions shall apply:

"***Gross Income***" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, and amounts received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"***Index***" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"***Operating Expenses***" shall mean all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any lender or any limited partner of Borrower; (II) all taxes and assessments (other than taxes based upon Borrower's income); (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees not to exceed the lesser of (A) $558 per unit per year (which limit increases by 3.0% per year) and (B) eight percent (8%) of the gross rental income received by Borrower in connection with its rental of units at the Project for the applicable calendar year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness of the $300,000 City CDBG loan and the $5,000,000 financing provided by The Irvine Company ("TIC") described in the Ground Lease as the "Landlord Financing") in accordance with the original loan documents evidencing such indebtedness or any refinancing of such indebtedness consented to by City and TIC under the Ground Lease (if such first position mortgage or deed of trust loan is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses to the extent such financing is not replaced by an Acquisition Loan (as defined in Section 15.1 of the Ground Lease)), (B) any Acquisition Loan, and (C) any loan consented to by City and by TIC pursuant to Section 15.1 of the Ground Lease; (V) payments into operating and replacement reserves anticipated in the

Finance Budget attached to the Ground Lease, and otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City in its reasonable discretion and by TIC pursuant to the Lease; (VI) any partnership management fee paid to a general partner in Borrower not to exceed $12,500 per calendar year (which limit increases annually by two and one-half percent (2.5%)) and any asset management fee paid to a limited partner in Borrower not to exceed $7,500 per calendar year (which limit increases annually by two and one-half percent (2.5%)); (VII) a social services fee payable to the general partner of Borrower in the amount of $37,500 per calendar year (which limit increases annually commencing the second calendar year by two and one-half percent (2.5%)); (VIII) payments of a developer fee not to exceed One Million Eight Hundred Thousand Dollars ($1,800,000) in the aggregate, to the extent such developer fee is not paid from capital contributions to Borrower or from financing proceeds; (IX) the repayment of loans made by the partners of Borrower in accordance with Sections 3.9 or 3.11 of the First Amended and Restated Limited Partnership Agreement dated October 7, 2008, between Borrower, Jamboree Housing Corporation and Union Bank of California) ("Partnership Agreement") or otherwise, to the extent such loans do not accrue interest (except for loans pursuant to Sections 3.9 or 3.11 of the Partnership Agreement) and such loan amounts did not exceed the positive difference, if any, between Operating Expenses during the calendar year in which the loan was made minus Gross Income during the calendar year in which the loan was made; and (X) the Minimum Rent payable under the Ground Lease. As used herein, the term "Ground Lease" shall mean the Ground Lease dated October 7, 2008, between Borrower, as lessee, and TIC, as lessor, for the ground lease of the Site to Borrower.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above or the proceeds of any partner loans described in subsection (IX) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the $300,000 City CDBG loan and the $5,000,000 financing provided by TIC described in the Ground Lease as the "Landlord Financing" and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City and TIC have ~~has~~ approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"***Project Cash Flow***" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Tenant's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Tenant is or was entitled to an exemption under Section 2.14(g) of the California Revenue and Taxation Code and

such exemption was not obtained due to a failure on the part of Tenant to use commercially reasonable efforts to obtain the exemption.

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently

prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City Loan immediately due and payable.

In addition to Borrower's cure rights, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Union Bank of California, N.A. as if made by Borrower.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and

interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if Borrower shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period; or (e) if Borrower's Ground Lease for the Site terminates for any reason, City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby

shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Borrower:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.
With a copy to:	Union Bank of California, N.A. 200 Pringle Avenue, Suite 200 Walnut Creek, CA 94596 Attn: Asset Management

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

14. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site.

[signatures on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

ATTACHMENT NO. 6 (revised)

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Manager

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this _____ day of _____, 2009, among JHC-WOODBURY, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary" or "City").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated October 7, 2008 ("Ground Lease"), by and between Trustor and The Irvine Company, LLC, a Delaware limited liability company ("TIC") ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured**. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of ~~Four Hundred Fifteen Thousand Two Hundred Seventy-Seven~~ Two Hundred Seventy-Five Dollars ($275,000~~415,277~~), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); and (b) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated June 23, 2009, and the First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 (collectively, the "Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Participant's leasehold interest in the Site on October 7, 2008 as Instrument No. 2008000467747 in the Official Records of Orange County, California, and the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded on or about the date hereof (collectively, the "Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default**. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, or (e) if Trustor's Ground Lease for the Site terminates for any reason, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE AFFORDABILITY RESTRICTIONS IN THE REGULATORY AGREEMENT.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases

to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

In addition to Trustor's cure rights, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from Beneficiary to cure a monetary default of this Leasehold Deed of Trust and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Leasehold Deed of Trust; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Beneficiary shall accept any cure made by Union Bank of California, N.A. as if made by Trustor.

6. Nonrecourse Obligation. Trustor shall not have any personal liability under any of the other Loan Documents to pay the City Loan or any other indebtedness secured by this Leasehold Deed of Trust, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Trustor to pay the City Loan or other indebtedness secured by this Leasehold Deed of Trust shall be enforceable against Trustor only to the extent of Trustor's interest in the Site.

7. Subordination. Beneficiary agrees that it in the event Trustor enters into other financing arrangements to be secured by the Site, Beneficiary shall subordinate this Leasehold Deed of Trust to the lien of any and all such other financing on a form that is mutually acceptable to Beneficiary, in its reasonable discretion, and all other applicable lenders, provided the proceeds of the financing are used for the benefit of the Site (i.e., construction or permanent financing for Site improvements).

8. Repair of Damage. Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders,

Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

9. Permitted Encumbrances. Trustor may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary ("Permitted Encumbrances"). A Permitted Encumbrance recorded after any security interest recorded by Beneficiary, including this Leasehold Deed of Trust (and any amendments thereto), shall be subordinate to the Beneficiary's security interest unless Beneficiary consents in writing to the priority of the Permitted Encumbrance, which consent shall not be unreasonably withheld or denied in the event the Permitted Encumbrance will be in the form of either a construction or permanent loan, or both, underwritten by a reputable financial institution(s) or governmental entity(ies) that has a prior, known history of financing affordable housing projects similar to the Project.

10. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____ _____ _____	**By:** _____ **By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

ATTACHMENT NO. 7 (revised)

FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Manager

(Space Above For Recorder's Use)

This First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Amendment") is entered into as of this _____ day of _____, 2009, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Declarant").

RECITALS

A. Declarant is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" ("Site").

B. City and Declarant are parties to that certain Regulatory Agreement and Declaration of Covenants and Restrictions recorded on October 7, 2008, as Instrument No. 2008000467747 in the Official Records of Orange County, California ("Original Regulatory Agreement") concerning the construction and operation of a 90 unit affordable rental housing project on the Site. All references herein to "this Agreement" shall refer to the Original Regulatory Agreement as amended by this Amendment.

C. ~~On or about June 23, 2009,~~ City and Declarant are parties to ~~entered into~~ that certain Affordable Housing and Loan Agreement dated June 23, 2009, and that certain First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 (collectively, the "HOME Loan Agreement") which provides for City to loan additional funds to Declarant for the development of the affordable housing project on the Site. The HOME Loan Agreement is incorporated herein by reference and is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the HOME Loan Agreement and the Original Regulatory Agreement.

D. The sources of the funds loaned by City to Declarant under the HOME Loan Agreement are funds received by City from the United States Department of Housing and Urban Development ("HUD") under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*) (collectively, the "HOME Requirements").

E. The HOME Requirements require that City place certain covenants and restrictions on Declarant's development and operation of the Site. The parties desire to amend the Original Regulatory Agreement to, among other things, include the HOME Requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Defaults. The following language is hereby added to Section 14.1 of the Original Regulatory Agreement: "In addition to Declarant's cure rights hereunder, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement~~Note~~ and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement~~Note~~; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Union Bank of California, N.A. as if made by Declarant."

2. Notices. Section 15.7 of the Original Regulatory Agreement is hereby amended to provide that copies of notices to Declarant shall also be provided to Union Bank of California, N.A., at:

With a copy to: Union Bank of California, N.A.
200 Pringle Avenue, Suite 200
Walnut Creek, CA 94596
Attn: Asset Management

3. Additional Sections. The following new Sections 16-18~~9~~ are hereby added to the Original Regulatory Agreement:

"16. HOME Requirements.

16.1 HOME Term. The covenants set forth in this Section 16 shall be applicable until the date that is twenty (20) years after the date City issues the certificate of occupancy for the last unit in the Project ("HOME Term").

16.2 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME

Requirements. In the case of any conflict between the HOME Requirements and this Agreement (including this Section 16), the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement (including this Section 16) and the applicable HOME Requirements. As used herein, the term "HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), including those summarized in Attachment No. 3 to the HOME Loan Agreement, which are incorporated herein by this reference.

16.3 Designation of HOME Units. The "HOME Units" are eleven (11) residential units on the Site that are to be rented to Eligible Tenants at affordable rent as set forth in Section 16.5. The HOME Units shall be comprised of 2 one-bedroom units, 5 two-bedroom units, and 4 three-bedroom units. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all residential units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size, features and amenities to the originally designated HOME Unit.

16.4 Eligible Tenants. The eleven HOME Units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

16.5 Affordable Rent for HOME Units. Notwithstanding any other provision of this Agreement to the contrary, during the HOME Term, the rent for each HOME Unit shall not exceed the lesser of the amount set forth in the definition of "Affordable Rent" in Section 1 of this Agreement or the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The HOME Requirements establish maximum rent limits at the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (ii) a rent that does not exceed thirty percent (30%) of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

In addition, as to the HOME Units to be occupied by Eligible Tenants earning fifty percent (50%) or less of Median Income, the rent may not exceed thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of the Median Income, as determined by HUD, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under the preceding paragraph, then the maximum rent for the HOME Units shall be that calculated under the preceding paragraph.

If the Eligible Tenant is paying utilities and services, the rent for the HOME Units may not exceed the maximum rent minus the monthly allowance established by City for utilities and services.

16.6 Lease. The form of the lease between Declarant and each of the Eligible Tenants for the HOME Units shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (iv) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

16.7 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

16.8 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

16.9 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

~~17. Right of Refusal to Purchase Declarant's Interest. In the event that: (a) Declarant desires to sell all or any part of its interest in the Site (including any and all improvements thereon) (the "Interest") to a third party other than Jamboree or an entity that directly or indirectly controls or is controlled by Jamboree, and (b) Declarant has complied with any and all approvals as required by TIC pursuant to the Lease prior to the sale of said Interest, and (c) Declarant has received an acceptable bona fide offer to purchase said Interest ("Offer"), then Declarant shall give written notice to City of Declarant's intent to sell said Interest (the "Notice of Intent to Sell"), together with an executed copy of the Offer setting forth all of the terms of the proposed purchase and identifying the prospective purchaser. City (or its permitted successor or assign) shall then have an option to purchase said Interest on the same terms and conditions as set forth in the Offer; provided, however, that if the terms and conditions of the Offer provide for an exchange of property or other non-cash item as payment for all or any portion of the purchase price, City shall have the further option of paying Declarant in cash or cash equivalent at closing the full amount of the purchase price of the Interest notwithstanding any non-cash terms set forth in the Offer. Declarant hereby agrees to be bound by the preemptive rights herein and shall sell to City the Interest notwithstanding any terms to the contrary set forth in the Offer so long as the City's exercise of its option produces the economic equivalent of the Offer. If City elects to exercise its option, City shall deliver to Declarant its written "Notice of Exercise of Option" of such election within thirty (30) days after receipt of the Notice of Intent to Sell, subject to a reasonable extension of days to account for any approval period resulting from a mandate or requirement of any state or local law or regulation, including but not limited to public hearing and notification requirements under the Ralph M. Brown Act and Irvine Municipal Code (the "Exercise of Option Period"). The option set forth in this Section 17 shall remain open and available to City for the Exercise of Option Period, and in the event City fails to exercise its option within said period, then: (a) Declarant shall be free to accept an offer to sell the Interest on the terms and conditions set forth in the Offer at any time within ninety (90) days after the expiration of the Exercise of Option Period; and (b) City shall, upon request, deliver to Declarant an acknowledgement of City's failure or decision not to exercise the option and Declarant's right to sell the Interest pursuant to this Section 17. At the request of Declarant, the document referred to in clause (b) of the preceding sentence shall be in recordable form.~~

178. Affordability Requirements Under Land Use Restrictions. Declarant acknowledges that the Site is subject to, and that it will comply with, the affordability requirements imposed under City's zoning laws, regulations and ordinances, including without limitation Planning Commission Resolution 07-2854, which are in addition to the affordability covenants imposed under this Agreement.

19~~8~~. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion."

4. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Regulatory Agreement shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Regulatory Agreement, the provisions of this Amendment shall control.

5. Execution and Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have entered into this Amendment as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____

Its: _____

ATTEST:

_____
City Clerk

"DECLARANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

INTERCREDITOR AGREEMENT
AND LANDLORD'S CONSENT

THIS INTERCREDITOR AGREEMENT AND LANDLORD'S CONSENT ("**Agreement**") is dated for reference purposes as of August 19, 2009, between and among THE IRVINE COMPANY LLC, a Delaware limited liability company ("**TIC**"), the CITY OF IRVINE, a California municipal corporation ("**City**") and JHC-WOODBURY, L.P., a California limited partnership ("**Borrower**").

Recitals

A. Borrower holds a leasehold interest in certain real property located in the City of Irvine, State of California (the "**Land**") pursuant to that certain Ground Lease (the "**Ground Lease**") dated October 7, 2008 by and between TIC as lessor and Borrower as lessee.

B. TIC has previously made a loan to Borrower in the maximum principal amount of $5,000,000 (the "**TIC Loan**") pursuant to a Loan Agreement (the "**TIC Loan Agreement**") dated October 7th, 2008 by and between TIC and Borrower and secured by a deed of trust encumbering Borrower's leasehold interest in the Land (the "**TIC Deed of Trust**").

C. City previously made a $300,000 loan to Borrower from CDBG funds received by the City (the "**City CDBG Loan**"), secured by a deed of trust encumbering Borrower's leasehold interest in the Land (the "**City CDBG Deed of Trust**").

D. City has agreed to make an additional loan to Borrower in the maximum principal amount of $275,000 from the proceeds of HOME funds received by the City (the "**City HOME Loan**") to be secured by a deed of trust encumbering Borrower's leasehold interest in the Land (the "**City HOME Deed of Trust**").

E. The documents and instruments evidencing the City HOME Loan are set forth on Exhibit "A" attached hereto and referred to herein as the "**City HOME Loan Documents.**"

F. The documents and instruments evidencing the TIC Loan are referred to herein as the "**TIC Loan Documents.**"

G. Both the Ground Lease and the TIC Loan Documents provide that any additional indebtedness incurred by Borrower with respect to the Land must be approved by TIC and TIC desires to consent to the City HOME Loan Documents as more particularly provided herein.

H. TIC and City wish to set forth various understandings and agreements with respect to the Ground Lease, the TIC Loan and City HOME Loan.

Agreement

1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference as agreements of the parties.

2. Consent. TIC hereby consents to the City HOME Loan to the extent the City HOME Loan is evidenced by documents that are materially similar to the forms approved by TIC or its legal representative in writing (which written approval may be effected through e-mail transmission).

3. Lien Priority; Limits on Additional Financing. In accordance with recordation chronology, the City CDBG Deed of Trust will enjoy priority over the TIC Deed of Trust and the TIC Deed of Trust will enjoy priority over the City HOME Deed of Trust. City agrees that it will not materially amend, extend, modify, or renew the City HOME Loan or provide additional advances under the City HOME Loan without TIC's prior written consent, which shall not be unreasonably withheld or delayed.

4. Debt Service. City acknowledges and agrees that in no event will the annual debt service obligations due by Borrower to City with respect to the City CDBG Loan exceed 25% of Tenant's Cash Flow (as defined in the Ground Lease) nor will the annual debt service obligations due by Borrower to City with respect to the City HOME Loan exceed 25% of Tenant's Cash Flow, unless TIC and City agree in writing to an increase in the percentage of Tenant's Cash Flow that will service Borrower's annual debt service obligations to City. Provided the debt service obligations on the City CDBG Loan and the City HOME Loan are satisfied in full, City consents to all rent payments made in accordance with the Ground Lease and all debt service to TIC in accordance with the TIC Loan Documents.

5. Ground Lease Provisions. TIC acknowledges and agrees that all reference in the Ground Lease and the TIC Loan Documents to the "City Financing" shall be deemed to refer to the City CDBG Loan and the City HOME Loan, individually or collectively, except for references in Section 12.02 of the TIC Loan Agreement and Section 40 of the TIC Deed of Trust, which references will continue to refer to the City CDBG Loan only.. Further, the City HOME Loan shall constitute an "Approved Mortgage" under the Ground Lease.

6. Affordable Rents. For the 2009 calendar year, the maximum rents permitted to be charged with respect to the HOME Units pursuant to Section 16.5 of the Regulatory Agreement and Declaration of Covenants and Restrictions ("Regulatory Agreement"), as amended by the First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions ("First Amendment"), and the maximum Affordable Rent as defined in Section 1 of the Regulatory Agreement are set forth on Exhibit "B" attached hereto.

7. Notice of Defaults. TIC and City must deliver to each other a copy of any notice given or received by it with respect to either of the TIC Loan or City HOME Loan. City agrees that TIC is entitled to cure any default with respect to the City HOME Loan Documents, and TIC agrees that City is entitled to cure any default with respect to the TIC Loan Documents, and any such cure will be accepted or rejected on the same terms as are available to Borrower. All notices given under this Agreement must be in writing and will be served effectively upon delivery, or if mailed, upon the first to occur of receipt or the expiration of forty-eight (48) hours after deposit in certified United States mail, postage prepaid, sent to the party at its address appearing below its signature. Those addresses may be changed by any party by notice to all other parties. Provided the provisions of this Agreement are complied with, nothing herein may be construed

as limiting exercise by City and TIC of any remedies to which they may be entitled pursuant to the TIC Loan Documents and the City HOME Loan Documents or otherwise provided by law.

8. Third Party Consents. The Borrower shall be responsible for obtaining any and all necessary consents or approvals from its other lenders, investors and other third parties to permit the Borrower to obtain the City HOME Loan and covenants to indemnify TIC and hold it harmless from any claims, losses or damages resulting from Borrower's failure to obtain such consents or approvals.

9. Attorneys' Fees. In the event of any litigation regarding this Agreement, the losing party shall pay to the prevailing party its costs of litigation including reasonable attorneys' fees.

10. Miscellaneous. All exhibits described in this Agreement are incorporated by this reference. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Agreement are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation," and the word "including" means "including, but not limited to." No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Agreement. Time is of the essence in the performance of this Agreement by Borrower. This Agreement may not be assigned in whole or in part by any party hereto (other than an assignment by TIC to an affiliate of TIC or an assignment by City to the Irvine Redevelopment Agency or the Irvine Community Land Trust) without the written consent of the other party, which will not be unreasonably withheld or delayed. This Agreement may be amended only by a written agreement signed by the parties hereto. This Agreement is governed by the laws of the State of California, without regard to choice of law rules. This Agreement and any attached consents or exhibits requiring signatures may be executed in counterparts, and all counterparts constitute but one and the same document. This Agreement does not amend, limit or replace that certain Intercreditor Agreement dated as of October 2, 2008 by and among the parties hereto (the "Prior Intercreditor Agreement"), except to the extent the provisions of Section 4 hereof conflict with the provision of Section 3 of the Prior Intercreditor Agreement.

[THE REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first indicated above.

TIC:

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: _____
Max L. Gardner
President,
IAC, Inc., authorized signatory

By: _____
Floy E. Andrews
Vice President

Address:

The Irvine Company LLC
110 Innovation Drive
Irvine, CA 92617
Attention: Max L. Gardner

The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Attention: Floy E. Andrews, Esq.

CITY:

CITY OF IRVINE,
a California municipal corporation

By: Sean Joyce
Name: Sean Joyce
Title: City Manager

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

With copy to:

Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, CA 92626
Attn: Philip D. Kohn, Esq.

BORROWER:

JHC-WOODBURY, L.P.,
a California limited partnership

By: JHC-WOODBURY LLC,
a California limited liability company
Its: General Partner

By: Jamboree Housing Corporation,
a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta, President

Address:

JHC-Woodbury, L.P.
c/o Jamboree Housing Corporation
17701 Cowan Avenue, Suite 200
Irvine, CA 92612
Attn: Laura Archuleta

Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, CA 92626
Attn: Patrick D. McCalla, Esq.

EXHIBIT "A"
SCHEDULE OF HOME LOAN DOCUMENTS

1. Affordable Housing and Loan Agreement dated June 23, 2009 between City of Irvine and JHC-Woodbury, L.P.

2. First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 between the City of Irvine and JHC-Woodbury, L.P.

3. Promissory Note Secured by Leasehold Deed of Trust dated August 19, 2009 in the original principal amount of $275,000 made by JHC-Woodbury, L.P. in favor of the City of Irvine.

4. Leasehold Deed of Trust with Assignment of Rents (HOME Loan) dated August 19, 2009 executed by JHC-Woodbury, L.P. for the benefit of the City of Irvine.

5. First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions dated August 19, 2009 between JHC-Woodbury, L.P. and the City of Irvine.

6. Memorandum of Affordable Housing and Loan Agreement dated August 19, 2009 between JHC-Woodbury, L.P. and the City of Irvine.

EXHIBIT "B"
MAXIMUM 2009 AFFORDABLE RENTS

Arbor at Woodbury:
Affordability/Unit Mix
(90 Units Total)

2009 REGULATORY AGREEMENT AFFORDABILITY MIX

Unity Type	Affordability Level	2009 Gross Rents	# of Units
1-Bedroom	30% AMI	$523	2
2-Bedroom	30% AMI	$627	5
3-Bedroom	30% AMI	$725	3
1-Bedroom	**50% AMI**	**$871**	4
2-Bedroom	**50% AMI**	**$1,046**	10
3-Bedroom	**50% AMI**	**$1,208**	8
1-Bedroom	60% AMI	$1,046	2
2-Bedroom	60% AMI	$1,255	6
3-Bedroom	60% AMI	$1,450	3
1-Bedroom	120% AMI or less	$2,090	10
2-Bedroom	120% AMI or less	$2,510	22
3-Bedroom	120% AMI or less	$2,899	15
TOTAL RESTRICTED UNITS			**90**

Source: TCAC 2009 Rents U.S. Department of Housing and Urban Development 03/2009.

2009 HOME LOAN AFFORDABILITY MIX

Unity Type	Affordability Level	2009 Gross Rents	# of Units
1-Bedroom	50% AMI (Low HOME Rent)	$871	2
2-Bedroom	50% AMI (Low HOME Rent)	$1,046	5
3-Bedroom	50% AMI (Low HOME Rent)	$1,208	4
TOTAL HOME RESTRICTED UNITS			**11**

Source: HOME Program Rents 2009 U.S. Department of Housing and Urban Development 03/2009.

www.ci.irvine.ca.us

City of Irvine, One Civic Center Plaza, P.O. Box 19575, Irvine, California 92623-9575 (949) 724-6000

September 8, 2009

Tiffany Switzer
DLA Piper US LLP
550 South Hope Street, Suite 2300
Los Angeles, CA 90071

Subject: Woodbury Arbor Subordination Agreement

Dear Ms. Switzer:

Please find the enclosed Subordination Agreement executed by the City of Irvine and Jamboree Housing Corporation for the Woodbury Arbor affordable housing development.

Upon execution of the agreement by US Bank and its recordation, we request that a copy be sent for the City's records to my attention at:

Steve Holtz
Housing Administrator
City of Irvine
PO Box 19575
Irvine, CA 92623-9575

Please feel free to contact me at 949-724-7452 or by email at sholtz@ci.irvine.ca.us should you have any questions.

Sincerely,

Steve Holtz
Housing Administrator

PRINTED ON RECYCLED PAPER

WHEN RECORDED MAIL TO:

DLA PIPER LLP (US)
550 SOUTH HOPE STREET, 23RD FL.
LOS ANGELES, CALIFORNIA 90071
ATTN: MARK L. NELSON, ESQ.

(SPACE ABOVE FOR RECORDER'S USE)

SUBORDINATION AGREEMENT

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

THIS SUBORDINATION AGREEMENT ("**Agreement**") is made as of August 19, 2009 by and between JHC-WOODBURY, L.P., a California limited partnership ("**Owner**"), the CITY OF IRVINE, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California, ("**Junior Lienholder**") in favor of the U.S. BANK NATIONAL ASSOCIATION, a national banking association ("**Senior Lienholder**").

RECITALS

A. Pursuant to that certain ground lease ("**Ground Lease**") dated as of October 7, 2008, between The Irvine Company, as ground lessor, and Owner, as ground lessee, ground lessor leased to Owner that certain real estate more particularly described on Exhibit "A" ("**Land**"). Owner's leasehold estate in the Land, together with all other right, title and interest of Owner in the Land, whether now owned or hereafter acquired, together with all improvement now or hereafter existing on the Land, and together with all personal property now or hereafter encumbered by the "**Senior Deed of Trust**" (as defined below), is collectively referred to herein as the "**Property**". A short form of the Ground Lease has been recorded in the Official Records of Orange County, California ("**Official Records**") on October 7, 2008 as Instrument No. 2008000467745.

B. The documents listed on Exhibit "B" shall be referred to collectively as the "**Junior Obligation Documents**".

C. As used herein, the term "**Junior Obligations**" means any and all indebtedness, claims, debts, liabilities or other obligations from Owner to Junior Lienholder under the Junior Obligation Documents, together with all costs and expenses, including attorneys' fees, of collection thereof, whether the same accrues or is incurred before or after the commencement of any bankruptcy case by or against Owner.

D. Senior Lienholder has made a loan to Owner up to the maximum sum of Fourteen Million Seven Hundred Fifty Thousand and No/100ths Dollars ($14,750,000.00) ("**Senior Loan**"), which loan is evidenced by (i) a Loan Agreement ("**Senior Loan Agreement**") dated as

of October 1, 2008 by and among Owner, Senior Lienholder, (ii) a promissory note ("**Senior Note A**") dated as of October 1, 2008 made by Owner in favor of Senior Lienholder in the maximum aggregate principal amount of $3,072,082, (iii) a promissory note ("**Senior Note B**; together with Senior Note A, the "**Senior Note**") dated as of October 1, 2008 made by Owner in favor of Senior Lienholder in the maximum aggregate principal amount of $11,677,918. The Senior Note is secured in part by a Deed of Trust, Assignment of Leases and Rents and Security Agreement ("**Senior Deed of Trust**") dated as of even date herewith made by Owner, as trustor, for the benefit of Senior Lienholder, which was recorded in the Official Records on October 7, 2008 as Instrument No.2008000467746.

E. The Senior Loan Agreement, Senior Note and Senior Deed of Trust collectively shall be referred to as the "**Senior Loan Documents.**"

F. As used herein, the term "**Senior Lienholder Indebtedness**" means any and all indebtedness, claims, debts, liabilities or other obligations from Owner to Senior Lienholder under the Senior Loan Documents, together with all interest accruing thereon and all costs and expenses, including attorneys' fees, of collection thereof, whether the same accrues or is incurred before or after the commencement of any bankruptcy case by or against Owner.

G. Pursuant to the Senior Deed of Trust and the other Senior Loan Documents, Owner is not entitled to further encumber the Property without the prior written consent of Senior Lienholder, which consent may be withheld in Senior Lienholder's sole discretion.

H. It is a condition precedent to Senior Lienholder's entry into the Senior Loan Agreement that the Senior Deed of Trust in favor of Senior Lienholder shall be and remain at all times a lien or charge upon the Property, prior and superior to the lien or charge of the Junior Deed of Trust and the other Junior Obligation Documents.

I. Senior Lienholder is willing to enter into the Senior Loan Agreement, provided that (1) the Senior Deed of Trust securing the Senior Note is a lien or charge upon the Property prior and superior to the lien or charge of the Junior Deed of Trust and Junior Obligation Documents, and (2) Junior Lienholder will specifically subordinate the lien or charge of the Junior Deed of Trust and Junior Obligation Documents to the lien or charge of the Senior Deed of Trust in favor of Senior Lienholder.

J. Junior Lienholder is willing to allow, subject to the terms and conditions of this Agreement, the Senior Deed of Trust securing the Senior Loan to constitute a lien or charge upon the Property which is prior and superior to the lien or charge of the Junior Deed of Trust and Junior Obligation Documents.

AGREEMENT

NOW, THEREFORE, based on the foregoing Recitals, incorporated into this Agreement by this reference, and in consideration of the mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and in order to induce Senior Lienholder to execute and deliver the Senior Loan Agreement and the other Senior Loan Documents, and to induce Senior Lienholder to make the loan above referred to, it is hereby declared, understood, and agreed as follows:

1. Subordination of the Junior Deed of Trust. The Senior Deed of Trust in favor of Senior Lienholder, and all amendments, modifications, extensions and renewals thereof (including those which increase the loan amount or interest rate, extend the maturity date, eliminate any interest reserve requirements, or change any of the terms and conditions of the Senior Loan Documents), shall unconditionally be and remain at all times a lien or charge on the Property prior and superior to the lien or charge of the Junior Deed of Trust and the Junior Obligation Documents. Junior Lienholder intentionally and unconditionally subordinates the liens or charges of the Junior Deed of Trust and the Junior Obligation Documents in favor of the lien or charge upon said land of the Senior Deed of Trust in favor of Senior Lienholder, and understands that in reliance upon and in consideration of subordination, specific loans and advances are being and will be made and, as part and parcel thereof, specific monetary and other obligations are being and will be entered into which would not be made or entered into but for said reliance upon this subordination. Notwithstanding anything to the contrary contained elsewhere herein, Senior Lender acknowledges and agrees that the Property is subject to all City of Irvine zoning laws, rules, regulations and ordinances, including, but not limited to, City Of Irvine Planning Commission Resolution 07-2854 and that nothing contained herein shall be deemed an agreement by the City of Irvine to subordinate any such laws, rules, regulations or ordinances to the lien of the Senior Deed of Trust.

2. Only Agreement Regarding Subordination. Senior Lienholder would not enter into the Senior Loan Agreement or the other Senior Loan Documents without this Agreement. This Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Junior Deed of Trust and the Junior Obligation Documents to the lien or charge of the Senior Deed of Trust and shall supersede and cancel, but only insofar as would affect the priority between said deeds of trust, any prior agreements as to such subordination, including, but not limited to, those provisions, if any, contained in the Junior Deed of Trust or the Junior Obligation Documents which provide for the subordination of the lien or charge thereof to another deed or deeds of trust or to another mortgage or mortgages.

3. Loan Disbursements. In making disbursements pursuant to any of the Senior Loan Documents, Senior Lienholder is under no obligation or duty to, nor has Senior Lienholder represented that it will, see to the application of such proceeds by the person or persons to whom Senior Lienholder disburses such proceeds, and any application or use of such proceeds for purposes other than those provided for in such Senior Loan Document(s) shall not defeat the subordination herein made in whole or in part.

4. Junior Lienholder Consent. Junior Lienholder has received and reviewed (or was given an opportunity to receive and review, and declined such opportunity) the Senior Loan Documents.

5. Junior Lienholder Covenants. Junior Lienholder declares, agrees, and acknowledges that:

5.1 Subordination of Indebtedness. The payment of all Junior Obligations are hereby subordinated and subjected to any and all Senior Lienholder Indebtedness, as set forth herein.

5.2 Permitted Payments. Owner may make payments under the Junior Obligation Documents, if required, as long as at the time of such payment: (i) no default under the Senior Lienholder Indebtedness exists and (ii) Junior Lienholder has received notice of such default. Until the Junior Lienholder receives a notice of default on a Senior Loan Document from the Senior Lienholder, the Junior Lienholder shall be entitled to retain for its own account all payments made under or pursuant to the Junior Obligation Documents.

5.3 Payments After Default on Senior Lienholder Indebtedness. The Owner agrees that, after it receives notice (or otherwise acquires knowledge of) a default on any of the Senior Loan Documents, Owner will not make any payments under or pursuant to the Junior Obligation Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorneys' fees, or any other sums secured by the Junior Deed of Trust) without the Senior Lienholder's prior written consent. The Junior Lienholder agrees that, after it receives a notice of default from the Senior Lienholder with written instructions directing the Junior Lienholder not to accept payments from the Owner on account of the Junior Obligation, Junior Lienholder will not accept any payments under or pursuant to the Junior Obligation Documents (including but not limited to principal, interest, additional interest, late payment charges, default interest, attorneys' fees, or any other sums secured by the Junior Deed of Trust) without first obtaining the Senior Lienholder's prior written consent, which shall not be unreasonably withheld or delayed. If the Junior Lienholder receives written notice from the Owner or Senior Lienholder that the default on the Senior Loan Documents which gave rise to the Junior Lienholder's obligation not to accept payments has been cured, waived, or otherwise suspended by the Senior Lienholder, the restrictions on payment to the Junior Lienholder in this Section 5.3 shall terminate, and the Senior Lienholder shall have no right to any subsequent payments made to the Junior Lienholder by the Owner prior to the Junior Lienholder's receipt of a new notice of default from the Senior Lienholder in accordance with the provisions of this Section 5.3.

5.4 Remitting Junior Obligation Payments to Senior Lienholder. If, after the Junior Lienholder receives a notice of default from the Senior Lienholder in accordance with Section 5.3 above, the Junior Lienholder receives any payments under the Junior Obligation Documents, the Junior Lienholder agrees that such payment or other distribution will be received and held in trust for the Senior Lienholder and unless the Senior Lienholder otherwise notifies the Junior Lienholder in writing, will be promptly remitted, in kind to the Senior Lienholder, properly endorsed to the Senior Lienholder to be applied to the principal of, interest on and other amounts due under the Senior Loan Documents in accordance with the provisions of the Senior Loan Documents. By executing this Agreement, the Owner specifically authorizes the Junior Lienholder to endorse and remit any such payments to the Senior Lienholder, and specifically waives any and all rights to have such payments returned to the Owner or credited against the Junior Obligations. Owner and Senior Lienholder acknowledge and agree that payments received by the Junior Lienholder and remitted to the Senior Lienholder under this Section 5.4 shall not be applied or otherwise credited against the Junior Obligations, nor shall the tender of such payment to the Senior Lienholder waive any default under the

Junior Obligation Documents which may arise from the inability of the Junior Lienholder to retain such payment or apply such payment to the Junior Obligations.

5.5 Other Prohibited Actions. Except as otherwise expressly agreed to herein, Junior Lienholder agrees that it will not, without Senior Lienholder's prior written consent (which consent shall be unreasonably withheld or delayed): (i) except to the extent permitted above, collect, enforce or receive payment upon, by setoff or in any other manner, all or any portion of the Junior Obligations now or hereafter existing; (ii) sell, assign, transfer, pledge or give a security interest in the Junior Obligations (except subject expressly to this Agreement and except as authorized in the City Loan Agreement and City Regulatory Agreement to transfer or assign City's interest to the Irvine Redevelopment Agency and the Irvine Community Land Trust); (iii) foreclose upon any Junior Deed of Trust; (iv) commence foreclosure or similar action against Owner with respect to the Junior Obligations; or (v) join in any petition for bankruptcy, assignment for the benefit of creditors or creditor's agreement involving the assets of Owner.

5.6 Repayment of Senior Lienholder Indebtedness. This Agreement shall remain in full force and effect until all Senior Lienholder Indebtedness is fully repaid in accordance with its terms and all of the terms of this Agreement have been complied with.

6. Bankruptcy Provisions. To the extent any payment under any Senior Loan Document (whether by or on behalf of Owner, as proceeds of security or enforcement of any right of set-off, or otherwise) is declared to be fraudulent or preferential, set aside or required to be paid to a trustee, receiver or other similar party under the Bankruptcy Code or any federal or state bankruptcy, insolvency, receivership or similar law, then if such payment is recovered by, or paid over to, such trustee, receiver or other similar party, the Senior Lienholder Indebtedness or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

7. Proceeds. In the event Senior Lienholder shall release, for the purposes of restoration of all or any part of the improvements now or hereafter located upon the Property ("**Improvements**"), its right, title and interest in and to the proceeds under policies of insurance thereon, and/or its right, title and interest in and to any awards, or its right, title and interest in and to other compensation made for any damages, losses or compensation for other rights by reason of a taking in eminent domain, Junior Lienholder shall simultaneously release (and hereby agrees that it shall be irrevocably and unconditionally deemed to have agreed to release) for such purpose all of Junior Lienholder's right, title and interest, if any, in and to all such insurance proceeds, awards or compensation. Junior Lienholder agrees that the balance of such proceeds remaining after such restoration, or all of such proceeds in the event Senior Lienholder elects, in accordance with California law, not to release any such proceeds for any such restoration, shall be applied to the payment of amounts due under the Senior Loan Documents until all such amounts have been paid in full, prior to being applied to the payment of any amounts due under the Junior Obligation Documents. If Senior Lienholder holds such proceeds, awards or compensation and/or monitors the disbursement thereof, Junior Lienholder agrees that Senior Lienholder shall also hold and monitor the disbursement of such proceeds, awards and compensation to which Junior Lienholder is or may be entitled. Nothing contained in this

Agreement shall be deemed to require Senior Lienholder, in any way whatsoever, to act for or on behalf of Junior Lienholder or to hold or monitor any proceeds, awards or compensation in trust for or on behalf of Junior Lienholder, and all or any of such sums so held or monitored may be commingled with any funds of Senior Lienholder.

8. Effect of Other Agreements. The relationship between Owner and Senior Lienholder under the Senior Loan Documents is, and shall at all times remain, solely that of borrower and lender. Based thereon, Junior Lienholder acknowledges and agrees that Senior Lienholder neither undertakes nor assumes any fiduciary responsibility or other responsibility or duty to Owner or Junior Lienholder to guarantee or assist in Owner's or Junior Lienholder's performance under any of the agreements between those parties and other third parties, including without limitation the Junior Obligation Documents, the Junior Note and the Junior Deed of Trust.

9. Counterparts. This Agreement may be executed in multiple counterparts and the signature page(s) and acknowledgment(s) assembled into one original document for recordation, and the validity hereof shall not be impaired by reason of such execution in multiple counterparts.

10. Governing Law. This Agreement is to be governed according to the laws of California.

11. Payment of Fees and Costs. In the event of action, suit, proceeding or arbitration to enforce any term of this Agreement, the prevailing party shall be entitled to recover from the non-prevailing party, as determined by the court or arbitrator, all of the prevailing party's reasonable costs and expenses, including without limitation attorneys' fees and expert witness fees, incurred by the prevailing party in connection therewith.

12. Acquisition of Lien(s) and/or Other Rights. If Junior Lienholder or any affiliate of Junior Lienholder shall acquire, by indemnification, subrogation or otherwise, any lien, estate, right or other interest in the Property, that lien, estate, right or other interest shall be subordinate to the Senior Deed of Trust and the other Senior Loan Documents as provided herein, and Junior Lienholder hereby waives, on behalf of itself and such affiliate, until all amounts owed under the Senior Loan Documents have been indefeasibly paid in full and all Senior Lienholder's obligations to make a loan under the Senior Loan Documents have terminated, the right to exercise any and all such rights it may acquire by indemnification, subrogation or otherwise.

13. Notices. Each notice, request, demand, consent, approval or other communication (hereinafter in this Section referred to collectively as "notices" and referred to singly as a "notice") which any party hereto is required or permitted to give to any other party pursuant to this Agreement shall be in writing and shall be deemed to have been duly and sufficiently given if: (a) personally delivered with proof of delivery thereof (any notice so delivered shall be deemed to have been received at the time so delivered); or (b) sent by Federal Express (or other similar national overnight courier) designating next morning delivery (any notice so delivered shall be deemed to have been received on the next business day following receipt by the courier); or (c) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any notice so sent shall

be deemed to have been received two (2) days after mailing in the United States), addressed to the respective parties as follows:

SENIOR LIENHOLDER:

U.S. Bank National Association
4100 Newport Place
Suite 900
Newport Beach, California 92660
Attn: Loan Administration (Woodbury)

with a copy to:

DLA Piper LLP (US)
550 South Hope Street
23rd Floor
Los Angeles, California 90071
Attn: Mark L. Nelson, Esq.

JUNIOR LIENHOLDER:

City of Irvine
One Civic Center Plaza
Irvine, California 92623-9575
Attn: Housing Manager and Finance Director

with a copy to:

Rutan & Tucker LLP
611 Anton Boulevard
14th Floor
Costa Mesa, California 92626
Attn: Philip D. Kohn, Esq.

OWNER:

JHC-Woodbury, L.P.
c/o Jamboree Housing Corporation
17701 Cowan Avenue
Suite 200
Irvine, California 92614
Attn: Executive Director

Any party may, by notice given pursuant to this Section, change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses for its notices, but notice of a change of address shall only be effective upon receipt.

14. Amendment. This Agreement shall not be amended, supplemented or otherwise modified without the prior written consent of Owner, Senior Lienholder and Junior Lienholder.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

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

"SENIOR LIENHOLDER"

U.S. BANK NATIONAL ASSOCIATION,
a national banking association

By: _____
Name: _____
Title: _____

"JUNIOR LIENHOLDER"

CITY OF IRVINE,
a California municipal corporation

By: _____
Name: Sean Joyce
Title: City Manager

ATTEST:

By: _____
Name: CARL S PETERSEN FOR SHARIE APODACA
City Clerk

[Signatures Continued on Next Page]

"OWNER"

JHC-WOODBURY, L.P.,
a California limited partnership

By: JHC-Woodbury LLC,
a California limited liability company,
its General Partner

By: Jamboree Housing Corporation,
a California nonprofit public benefit
corporation,
its Manager

By: _____
Laura Archuleta,
President

EXHIBIT "A"

Legal Description

THAT CERTAIN PARCEL OF LAND SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, BEING ALL OF PARCEL B OF LOT LINE ADJUSTMENT NO. 454074-LL RECORDED ON 06/19/08 AS INSTRUMENT NO. 2008000295120 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

COMMENCING AT A POINT ON THE SOUTHWESTERLY LINE OF LOT 5 AS SHOWN ON TRACT NO. 16755 FILED IN BOOK 866, PAGES 12 THROUGH 21, INCLUSIVE, OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID SOUTHWESTERLY LINE BEING COINCIDENT WITH THE NORTHEASTERLY LINES OF PARCELS 6 AND 7 OF LOT LINE ADJUSTMENT NO. 407895-LL RECORDED AS INSTRUMENT NO. 2006000731852 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID POINT BEING THE MOST EASTERLY CORNER OF SAID PARCEL 7;

THENCE ALONG SAID SOUTHWESTERLY LINE OF LOT 5 NORTH 49°20'43" WEST, A DISTANCE OF 30.00 FEET TO THE TRUE POINT OF BEGINNING;

THENCE LEAVING SAID SOUTHWESTERLY LINE, SOUTH 40°39'17" WEST A DISTANCE OF 209.54 FEET;

THENCE SOUTH 49°20'43" EAST A DISTANCE OF 18.00 FEET;

THENCE SOUTH 40°39'17" WEST A DISTANCE OF 149.96 FEET TO THE BEGINNING OF A CURVE CONCAVE NORTHERLY, HAVING A RADIUS OF 29.00 FEET;

THENCE ALONG SAID CURVE WESTERLY 45.55 FEET THROUGH A CENTRAL ANGLE OF 90°00'00";

THENCE NON-TANGENT FROM SAID CURVE SOUTH 40°39'17" WEST A DISTANCE OF 4.50 FEET;

THENCE NORTH 49°20'43" WEST A DISTANCE OF 93.66 FEET TO A POINT ON THE SOUTHEASTERLY RIGHT-OF-WAY LINE OF REGAL AS SHOWN ON SAID TRACT NO. 16755;

THENCE SOUTHWESTERLY ALONG SAID RIGHT-OF-WAY LINE SOUTH 40°39'17" WEST A DISTANCE OF 43.50 FEET TO A POINT IN THE WESTERLY CORNER OF SAID PARCEL 6;

THENCE SOUTHEASTERLY AND NORTHEASTERLY ALONG SAID PARCEL 6 LOT LINES THE FOLLOWING COURSES:

SOUTH 49°20'43" EAST A DISTANCE OF 507.00 FEET,

NORTH 40°37'58" EAST A DISTANCE OF 436.50 FEET TO THE MOST SOUTHERLY CORNER OF SAID LOT 5;

THENCE ALONG THE SOUTHWESTERLY LINE OF SAID LOT 5 NORTH 49°20'43" WEST A DISTANCE OF 402.17 FEET TO THE TRUE POINT OF BEGINNING.

EXHIBIT "B"

Junior Obligation Documents

1. Affordable Housing and Loan Agreement dated June 23, 2009, between Junior Lienholder and Owner ("City Loan Agreement"), as amended by that certain First Amendment to Affordable Housing Agreement dated as of August 10, 2009 ("First Amendment to City Loan Agreement"), by and between Junior Lienholder and Owner and the related Memorandum of Affordable Housing and Loan Agreement dated as of August 19, 2009, by and between Junior Lienholder and Owner which is to be recorded in the Official Records substantially concurrently herewith.

2. Promissory Note Secured By Leasehold Deed of Trust in the face principal amount of $275,000, dated as of August 19, 2009, executed by Owner in favor of Junior Lienholder ("**Junior Note**").

3. Leasehold Deed of Trust with Assignment of Rents (HOME Loan) dated as of August 19, 2009, executed by Owner, as trustor, for the benefit of Junior Lienholder, as Beneficiary, securing the Junior Note ("**Junior Deed of Trust**"), which is to be recorded substantially concurrently herewith in the Official Records (and all related Uniform Commercial Code financing statements).

4. First Amendment to Regulatory Agreement and Declaration of Covenants and Conditions ("**City Regulatory Agreement**") dated as of August 19, 2009, executed by Junior Lienholder and Owner, which is to be recorded substantially concurrently herewith in the Official Records.

ACKNOWLEDGMENT

State of California
County of Orange

On August 24, 2009 before me Carl S. Petersen, Notary Public,
(here insert name and title of the officer)
personally appeared Sean Joyce, who
proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Carl S Petersen

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

(Seal)

ACKNOWLEDGMENT

State of California
County of Orange

On August 19, 2009 before me, Emily Lazalde, Notary Public,
(here insert name and title of the officer)
personally appeared Laura Archuleta, who
proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he/~~she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Emily Lazalde

(Seal)

EMILY LAZALDE
Commission # 1838993
Notary Public - California
Orange County
My Comm. Expires Feb 28, 2013

ACKNOWLEDGMENT

State of California
County of _____

On _____, 2009 before me _____,
(here insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

ACKNOWLEDGMENT

State of California
County of _____

On _____, 2009 before me, _____,
(here insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____

(Seal)

www.ci.irvine.ca.us

City of Irvine, One Civic Center Plaza, P.O. Box 19575, Irvine, California 92623-9575 (949) 724-6000

September 8, 2009

Ed Luque
Title Officer
First American Title Insurance Company
10535 Foothill Blvd., Suite 282
Rancho Cucamonga, CA 91730

Subject: Order No. 3130595 (Woodbury Arbor Apartments)

Dear Mr. Luque:

Please find the enclosed Leasehold Deed of Trust, First Amendment to Regulatory Agreement, and Memorandum of Affordable Housing and Loan Agreement for the Woodbury Arbor affordable housing development in the City of Irvine. Recording instructions for these documents should have been sent to your attention from the City's legal counsel, Kerra Carlson, on August 21, 2009. The premium for the City's title insurance in the amount of $851.00 will be paid by the property owner, Jamboree Housing Corporation.

Please feel free to contact me at 949-724-7452 or by email at sholtz@ci.irvine.ca.us should you have any questions.

Sincerely,

Steve Holtz
Housing Administrator

PRINTED ON RECYCLED PAPER

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Manager

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 19 day of August, 2009, among JHC-WOODBURY, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary" or "City").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated October 7, 2008 ("Ground Lease"), by and between Trustor and The Irvine Company, LLC, a Delaware limited liability company ("TIC") ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured**. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Two Hundred Seventy-Five Dollars ($275,000), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); and (b) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated June 23, 2009, and the First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 (collectively, the "Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Participant's leasehold interest in the Site on October 7, 2008 as Instrument No. 2008000467747 in the Official Records of Orange County, California, and the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded on or about the date hereof (collectively, the "Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default**. To the extent permitted by applicable law, if Trustor shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period, or (e) if Trustor's Ground Lease for the Site terminates for any reason, Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE AFFORDABILITY RESTRICTIONS IN THE REGULATORY AGREEMENT.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases

to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. **Default**. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

In addition to Trustor's cure rights, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from Beneficiary to cure a monetary default of this Leasehold Deed of Trust and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Leasehold Deed of Trust; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Beneficiary shall accept any cure made by Union Bank of California, N.A. as if made by Trustor.

6. **Nonrecourse Obligation**. Trustor shall not have any personal liability under any of the other Loan Documents to pay the City Loan or any other indebtedness secured by this Leasehold Deed of Trust, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Trustor to pay the City Loan or other indebtedness secured by this Leasehold Deed of Trust shall be enforceable against Trustor only to the extent of Trustor's interest in the Site.

7. **Subordination.** Beneficiary agrees that it in the event Trustor enters into other financing arrangements to be secured by the Site, Beneficiary shall subordinate this Leasehold Deed of Trust to the lien of any and all such other financing on a form that is mutually acceptable to Beneficiary, in its reasonable discretion, and all other applicable lenders, provided the proceeds of the financing are used for the benefit of the Site (i.e., construction or permanent financing for Site improvements).

8. **Repair of Damage.** Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders,

Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

9. Permitted Encumbrances. Trustor may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary ("Permitted Encumbrances"). A Permitted Encumbrance recorded after any security interest recorded by Beneficiary, including this Leasehold Deed of Trust (and any amendments thereto), shall be subordinate to the Beneficiary's security interest unless Beneficiary consents in writing to the priority of the Permitted Encumbrance, which consent shall not be unreasonably withheld or denied in the event the Permitted Encumbrance will be in the form of either a construction or permanent loan, or both, underwritten by a reputable financial institution(s) or governmental entity(ies) that has a prior, known history of financing affordable housing projects similar to the Project.

10. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: Laura Archuleta
Laura Archuleta
Its: President

State of California)
County of Orange)

On August 19, 2009, before me, Emily Lazalde, (insert name and title of the officer)
Notary Public, personally appeared Laura Archuleta,
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Emily Lazalde (Seal)

EMILY LAZALDE
Commission # 1838993
Notary Public - California
Orange County
My Comm. Expires Feb 28, 2013

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Manager

(Space Above For Recorder's Use)

This First Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This FIRST AMENDMENT TO REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Amendment") is entered into as of this 19 day of August, 2009, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Declarant").

RECITALS

A. Declarant is the owner of a leasehold interest in that certain real property located in the City of Irvine, County of Orange, State of California, legally described in the legal description attached hereto as Exhibit "A" ("Site").

B. City and Declarant are parties to that certain Regulatory Agreement and Declaration of Covenants and Restrictions recorded on October 7, 2008, as Instrument No. 2008000467747 in the Official Records of Orange County, California ("Original Regulatory Agreement") concerning the construction and operation of a 90 unit affordable rental housing project on the Site. All references herein to "this Agreement" shall refer to the Original Regulatory Agreement as amended by this Amendment.

C. City and Declarant are parties to that certain Affordable Housing and Loan Agreement dated June 23, 2009, and that certain First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 (collectively, the "HOME Loan Agreement") which provides for City to loan additional funds to Declarant for the development of the affordable housing project on the Site. The HOME Loan Agreement is incorporated herein by reference and is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the HOME Loan Agreement and the Original Regulatory Agreement.

D. The sources of the funds loaned by City to Declarant under the HOME Loan Agreement are funds received by City from the United States Department of Housing and Urban Development ("HUD") under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*) (collectively, the "HOME Requirements").

E. The HOME Requirements require that City place certain covenants and restrictions on Declarant's development and operation of the Site. The parties desire to amend the Original Regulatory Agreement to, among other things, include the HOME Requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, Declarant and City hereby agree as follows:

1. Defaults. The following language is hereby added to Section 14.1 of the Original Regulatory Agreement: "In addition to Declarant's cure rights hereunder, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Union Bank of California, N.A. as if made by Declarant."

2. Notices. Section 15.7 of the Original Regulatory Agreement is hereby amended to provide that copies of notices to Declarant shall also be provided to Union Bank of California, N.A., at:

With a copy to: Union Bank of California, N.A.
200 Pringle Avenue, Suite 200
Walnut Creek, CA 94596
Attn: Asset Management

3. Additional Sections. The following new Sections 16-18 are hereby added to the Original Regulatory Agreement:

"16. HOME Requirements.

16.1 HOME Term. The covenants set forth in this Section 16 shall be applicable until the date that is twenty (20) years after the date City issues the certificate of occupancy for the last unit in the Project ("HOME Term").

16.2 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME

Requirements. In the case of any conflict between the HOME Requirements and this Agreement (including this Section 16), the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement (including this Section 16) and the applicable HOME Requirements. As used herein, the term "HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), including those summarized in Attachment No. 3 to the HOME Loan Agreement, which are incorporated herein by this reference.

16.3 Designation of HOME Units. The "HOME Units" are eleven (11) residential units on the Site that are to be rented to Eligible Tenants at affordable rent as set forth in Section 16.5. The HOME Units shall be comprised of 2 one-bedroom units, 5 two-bedroom units, and 4 three-bedroom units. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all residential units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size, features and amenities to the originally designated HOME Unit.

16.4 Eligible Tenants. The eleven HOME Units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

16.5 Affordable Rent for HOME Units. Notwithstanding any other provision of this Agreement to the contrary, during the HOME Term, the rent for each HOME Unit shall not exceed the lesser of the amount set forth in the definition of "Affordable Rent" in Section 1 of this Agreement or the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The HOME Requirements establish maximum rent limits at the lesser of (i) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (ii) a rent that does not exceed thirty percent (30%) of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for the number of bedrooms in the unit.

In addition, as to the HOME Units to be occupied by Eligible Tenants earning fifty percent (50%) or less of Median Income, the rent may not exceed thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of the Median Income, as determined by HUD, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions. However, if the rent determined under this paragraph is higher than the applicable rent under the preceding paragraph, then the maximum rent for the HOME Units shall be that calculated under the preceding paragraph.

If the Eligible Tenant is paying utilities and services, the rent for the HOME Units may not exceed the maximum rent minus the monthly allowance established by City for utilities and services.

16.6 Lease. The form of the lease between Declarant and each of the Eligible Tenants for the HOME Units shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (iv) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

16.7 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

16.8 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

16.9 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

17. Affordability Requirements Under Land Use Restrictions. Declarant acknowledges that the Site is subject to, and that it will comply with, the affordability requirements imposed under City's zoning laws, regulations and ordinances, including without limitation Planning Commission Resolution 07-2854, which are in addition to the affordability covenants imposed under this Agreement.

18. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion."

4. Full Force and Effect; Conflicts. Except as expressly set forth in this Amendment, all terms, conditions, and provisions of the Original Regulatory Agreement shall remain in full force and effect. If there is a conflict between the provisions of this Amendment and the provisions of the Original Regulatory Agreement, the provisions of this Amendment shall control.

5. Execution and Counterparts. This Amendment may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have entered into this Amendment as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____ for:
City Clerk

"DECLARANT"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

State of California)
County of Orange)

On August 24, 2009, before me, Carl S. Petersen, Notary Public,
(insert name and title of the officer)
Notary Public, personally appeared Sean Joyce,
who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

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

WITNESS my hand and official seal.

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

Signature Carl S Pet (Seal)

State of California)
County of Orange)

On August 19, 2009, before me, Emily Lazalde,
(insert name and title of the officer)
Notary Public, personally appeared Laura Archuleta,
who proved to me on the basis of satisfactory evidence to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Emily Lazalde (Seal)

EMILY LAZALDE
Commission # 1838993
Notary Public - California
Orange County
My Comm. Expires Feb 28, 2013

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Manager

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 19 day of August, 2009, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and JHC-WOODBURY, L.P., a California limited partnership ("Participant").

This Memorandum is made with reference to the following:

1. Participant is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about June 23, 2009, City and Participant entered into that certain Affordable Housing and Loan Agreement, as amended by that certain First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009 (collectively, the "Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Participant to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Participant and Participant's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Participant upon Participant's request after the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed, a document in recordable form removing this Memorandum from title to the Site.

IN WITNESS WHEREOF, City and Participant have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE,
a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
City Clerk

"PARTICIPANT"

JHC-WOODBURY, L.P.,
a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

State of California)
County of Orange)

On August 24, 2009, before me, Carl S. Petersen, Notary Public,
(insert name and title of the officer)
Notary Public, personally appeared Sean Joyce
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

CARL S. PETERSEN
Commission # 1604361
Notary Public - California
Orange County
My Comm. Expires Sep 4, 2009

Signature Carl S Pet (Seal)

State of California)
County of Orange)

On August 19, 2009, before me, Emily Lazalde,
(insert name and title of the officer)
Notary Public, personally appeared Laura Archuleta,
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity~~(ies)~~, and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Emily Lazalde (Seal)

EMILY LAZALDE
Commission # 1838993
Notary Public - California
Orange County
My Comm. Expires Feb 28, 2013

EXHIBIT "A" TO MEMORANDUM

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, described as follows:

That certain parcel of land situated in the City of Irvine, County of Orange, State of California, being all of Parcel B of Lot Line Adjustment No. 454074-LL recorded on 06/19/08 as Instrument No. 2008000295120 of Official Records, in the office of the County Recorder of said County.

Commencing at a point on the southwesterly Line of Lot 5 as shown on Tract No. 16755 filed in book 866, pages 12 through 21, inclusive, of Miscellaneous Maps, in the office of the County Recorder of said County, said southwesterly Line being coincident with the northeasterly Lines of Parcels 6 and 7 of Lot Line Adjustment No. 407895-LL recorded as Instrument No. 2006000731852 of Official Records, in the office of the County Recorder of said County, said point being the most easterly corner of said Parcel 7;
Thence along said southwesterly Line of Lot 5 North 49°20'43" West, a distance of 30.00 feet to the True Point of Beginning;
Thence leaving said southwesterly Line, South 40°39'17" West a distance of 209.54 feet;
Thence South 49°20'43" East a distance of 18.00 feet;
Thence South 40°39'17" West a distance of 149.96 feet to the beginning of a curve concave northerly, having a radius of 29.00 feet;
Thence along said curve westerly 45.55 feet through a central angle of 90°00'00";
Thence non-tangent from said curve South 40°39'17" West a distance of 4.50 feet;
Thence North 49°20'43" West a distance of 93.66 feet to a point on the southeasterly Right-of-Way Line of Regal as shown on said Tract No. 16755;
Thence southwesterly along said Right-of-Way Line South 40°39'17" West a distance of 43.50 feet to a point in the westerly corner of said Parcel 6;
Thence southeasterly and northeasterly along said Parcel 6 Lot Lines the following courses:
South 49°20'43" East a distance of 507.00 feet,
North 40°37'58" East a distance of 436.50 feet to the most southerly corner of said Lot 5;
Thence along the southwesterly Line of said Lot 5 North 49°20'43" West a distance of 402.17 feet to the True Point of Beginning.

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$275,000 8/19, 2009

FOR VALUE RECEIVED, the undersigned, JHC-WOODBURY, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Two Hundred Seventy-Five Thousand Dollars ($275,000), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower dated June 23, 2009, and the First Amendment to Affordable Housing and Loan Agreement dated August 10, 2009, as may be further amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City, recorded on October 7, 2008 as Instrument No. 2008000467747 in the Official Records of Orange County, California, and the Amendment to Regulatory Agreement and Declaration of Covenants and Restrictions, as may be further amended from time to time (collectively, the "Regulatory Agreement").

(iii) The Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Two Hundred Seventy-Five Thousand Dollars ($275,000) ("City Loan"), which shall accrue simple interest at the rate of 1% per annum commencing on the date of this Note. The City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, but in no event later than the date that is fifty-seven

(57) years after the date of this Note. There shall be no penalty to Borrower for any prepayment of the City Loan. Borrower shall make annual payments to City in an amount equal to twenty-five percent (25%) of Project Cash Flow (as hereinafter defined) for the preceding calendar year. For purposes of this Section 2, the following definitions shall apply:

"***Gross Income***" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, and amounts received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"***Index***" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"***Operating Expenses***" shall mean all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any lender or any limited partner of Borrower; (II) all taxes and assessments (other than taxes based upon Borrower's income); (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees not to exceed the lesser of (A) $558 per unit per year (which limit increases by 3.0% per year) and (B) eight percent (8%) of the gross rental income received by Borrower in connection with its rental of units at the Project for the applicable calendar year; (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness of the $300,000 City CDBG loan and the $5,000,000 financing provided by The Irvine Company ("TIC") described in the Ground Lease as the "Landlord Financing") in accordance with the original loan documents evidencing such indebtedness or any refinancing of such indebtedness consented to by City and TIC under the Ground Lease (if such first position mortgage or deed of trust loan is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses to the extent such financing is not replaced by an Acquisition Loan (as defined in Section 15.1 of the Ground Lease)), (B) any Acquisition Loan, and (C) any loan consented to by City and by TIC pursuant to Section 15.1 of the Ground Lease; (V) payments into operating and replacement reserves anticipated in the Finance Budget attached to the Ground Lease, and otherwise required by a mortgagee or limited

partner in Borrower and approved as an Operating Expense by City in its reasonable discretion and by TIC pursuant to the Lease; (VI) any partnership management fee paid to a general partner in Borrower not to exceed $12,500 per calendar year (which limit increases annually by two and one-half percent (2.5%)) and any asset management fee paid to a limited partner in Borrower not to exceed $7,500 per calendar year (which limit increases annually by two and one-half percent (2.5%)); (VII) a social services fee payable to the general partner of Borrower in the amount of $37,500 per calendar year (which limit increases annually commencing the second calendar year by two and one-half percent (2.5%)); (VIII) payments of a developer fee not to exceed One Million Eight Hundred Thousand Dollars ($1,800,000) in the aggregate, to the extent such developer fee is not paid from capital contributions to Borrower or from financing proceeds; (IX) the repayment of loans made by the partners of Borrower in accordance with Sections 3.9 or 3.11 of the First Amended and Restated Limited Partnership Agreement dated October 7, 2008, between Borrower, Jamboree Housing Corporation and Union Bank of California) ("Partnership Agreement") or otherwise, to the extent such loans do not accrue interest (except for loans pursuant to Sections 3.9 or 3.11 of the Partnership Agreement) and such loan amounts did not exceed the positive difference, if any, between Operating Expenses during the calendar year in which the loan was made minus Gross Income during the calendar year in which the loan was made; and (X) the Minimum Rent payable under the Ground Lease. As used herein, the term "Ground Lease" shall mean the Ground Lease dated October 7, 2008, between Borrower, as lessee, and TIC, as lessor, for the ground lease of the Site to Borrower.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above or the proceeds of any partner loans described in subsection (IX) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the $300,000 City CDBG loan and the $5,000,000 financing provided by TIC described in the Ground Lease as the "Landlord Financing" and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City and TIC have approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"***Project Cash Flow***" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Tenant's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Tenant is or was entitled to an exemption under Section 2.14(g) of the California Revenue and Taxation Code and such exemption was not obtained due to a failure on the part of Tenant to use commercially reasonable efforts to obtain the exemption.

3. **Records**. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. **Reports**. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. **Audit**. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. **Default**. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure

such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City Loan immediately due and payable.

In addition to Borrower's cure rights, Union Bank of California, N.A. shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Union Bank of California, N.A. shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Union Bank of California, N.A. as if made by Borrower.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the

benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if Borrower shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) unless otherwise approved in writing by City's Contract Officer, refinance any lien or encumbrance which has priority over the Leasehold Deed of Trust for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee; and (ii) after the completion of construction of the Project, does not exceed ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) default on any of its obligations set forth in the Loan Documents and fail to cure the default within the applicable cure period; or (e) if Borrower's Ground Lease for the Site terminates for any reason, City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Grants Coordinator
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq.
To Borrower:	JHC-WOODBURY, L.P. c/o JAMBOREE HOUSING CORPORATION 2081 Business Center Drive, Suite 110 Irvine, CA 92612 Attn: Laura Archuleta
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq.
With a copy to:	Union Bank of California, N.A. 200 Pringle Avenue, Suite 200 Walnut Creek, CA 94596 Attn: Asset Management

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications

shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

14. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site.

[signatures on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

JHC-WOODBURY, L.P., a California limited partnership

By: JHC-Woodbury, LLC, a California limited liability company,
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Manager

By: _____
Laura Archuleta
Its: President

Woodbury Arbor Affordable Housing Project Documents

1. Promissory Note (original document), this document must be kept in a secure location – we are required to return it to the borrower when the loan is fully repaid ✓
2. Schedule of Performance, Exhibit A to the 'First Amendment to Affordable Housing and Loan Agreement' ✓
3. Rent Schedule, Exhibit B to the 'First Amendment to Affordable Housing and Loan Agreement' ✓
4. Intercreditor Agreement (original), please take the flagged signature page (signed by the Irvine Company) and insert this page into the City Clerk's copy of this same agreement which should already have all of the other original signatures. ✓
5. Subordination Agreement (copy), the original was sent for execution to US Bank and then recordation ✓
6. Leasehold Deed of Trust (copy), the original was sent to First American Title for recordation ✓
7. First Amendment to Regulatory Agreement (copy), the original was sent to First American Title for recordation ✓
8. Memorandum of Affordable Housing and Loan Agreement (copy), the original was sent to First American Title for recordation ✓

Supporting Documents from Table 1

Documents 24–26

Project Name: Doria Apartments Phase I

Year: 2010

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	6835
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	10/4/2010
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	
CONTRACT NAME: As stated in 1st paragraph of contract	JAMBOREE HOUSING CORPORATION
CONTRACT SUBJECT: As stated in Description of Services section of contract	AFFORDABLE HOUSING AND LOAN AGREEMENT; HOME FUNDS; STONEGATE

AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

JAMBOREE HOUSING CORPORATION,
a California nonprofit public benefit corporation

TABLE OF CONTENTS

Page

1. DEFINITIONS 2

2. CITY LOAN 7
   - 2.1 Amount and Source of City Loan 7
   - 2.2 Permissible Use of City Loan; Eligible Loan Expenses 7
   - 2.3 City Loan Funding Conditions 7
   - 2.4 Disbursement of City Loan 9
   - 2.5 CDBG Funds and HOME Grant Funds Disbursed First 9
   - 2.6 Repayment of City Loan; Leasehold Deed of Trust 9
   - 2.7 Execution and Delivery of Documents 9

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT 10
   - 3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company 10
   - 3.2 Scope of Development 10
   - 3.3 Development Approvals and Permits 10
   - 3.4 Construction Contract; Wage Rate 11
   - 3.5 Third Party Contracts 11
   - 3.6 No Debarred, Suspended, or Ineligible Parties 12
   - 3.7 Construction Meeting 12
   - 3.8 Schedule of Performance 12
   - 3.9 Rights of Inspection 12
   - 3.10 Insurance 13
   - 3.11 Financing the Project 14

4. USE OF THE SITE; PROGRAM ACTIVITIES 15
   - 4.1 General 15
   - 4.2 Ground Lease 15
   - 4.3 Program Activities 16
   - 4.4 Management 16
   - 4.5 Drug Free Covenant 16
   - 4.6 Program Defaults 16
   - 4.7 Occupants of Housing Facilities 17
   - 4.8 Monitoring 17
   - 4.9 Compliance with Laws and Regulations and HOME Requirements 17
   - 4.10 Program Income 18
   - 4.11 Relocation 18
   - 4.12 Affordability Covenants 18
   - 4.13 Indemnification 18
   - 4.14 Extended Use Agreement 18
   - 4.15 Release from Covenants and Partial Reconveyances for Portion of the Site 19

Page

5. RECORDS AND REPORTS 19
   5.1 Records 19
   5.2 Reports 20

6. TERMINATION 21
   6.1 Termination 21
   6.2 Obligations Survive Termination 21

7. DEFAULTS AND REMEDIES 21
   7.1 Defaults-General 21
   7.2 Remedies Upon Default 23
   7.3 Institution of Legal Actions 24
   7.4 Applicable Law and Venue 24
   7.5 Rights and Remedies are Cumulative 24
   7.6 Attorney's Fees 24

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 24

9. GENERAL PROVISIONS 25
   9.1 Notices, Demands, and Communications Between the Parties 25
   9.2 Nonliability of City Officials and Employees 26
   9.4 Inspection of Books and Records 27
   9.5 Interpretation 27
   9.6 Entire Agreement, Waivers and Amendments 27
   9.7 Severability 27
   9.8 Prohibition Against Assignment and Transfer by Developer 27
   9.9 Prohibition Against Assignment and Transfer by City 29
   9.10 Third Party Beneficiaries 29
   9.11 Authority to Execute Agreement 29
   9.12 Contract Administration and Approvals 29
   9.13 Covenants to Run with the Land 29
   9.14 Time of the Essence 30
   9.15 Counterparts 30
   9.16 Exhibits 30

EXHIBITS

1 Legal Description of Site
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 Promissory Note Secured by Leasehold Deed of Trust
6 Leasehold Deed of Trust with Assignment of Rents
7 Regulatory Agreement and Declaration of Covenants and Restrictions
8 Memorandum of Affordable Housing and Loan Agreement

AFFORDABLE HOUSING AND LOAN AGREEMENT

(Home Funds)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 4th day of October, 2010, by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation ("**Developer**").

RECITALS

A. City participates in the HOME Investment Partnerships Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. On or about April 27, 2010, as part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer the amount of the City Loan (defined below).

B. Developer has entered into an option agreement to lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 ("**Site**"). The Site is comprised of approximately 6.08 acres, which will be the location of the 134-unit project approved by Planning Commission Resolution No. 07-2821, referenced in Recital C below. Developer plans to cause to be developed a 60-unit affordable residential rental project and related improvements on a portion of the Site ("**Project**"), which is one phase of the Stonegate Community Development. The Site is owned by the Irvine Company, LLC, a Delaware limited liability company ("**Irvine Company**").

C. On or about April 5, 2007, the City's Planning Commission adopted Resolution Nos. 07-2820, 07-2821, and 07-2822, which, in general, approved master plan applications for the development of three (3) multi-story residential apartment communities ("**Stonegate Community Development**"), generally located along the north side of Irvine Boulevard between Sand Canyon Avenue and Groveland in the community village of Stonegate (Planning Area 9B). Specific for purposes of this Agreement, Planning Commission Resolution No. 07-2821 approved the master plan for the development of 134 residential apartment units, lot 700 of Vesting Tentative Tract 16927, totaling 6.08 acres, which residential apartment units are to be affordable so that Irvine Company may fulfill its obligations pursuant to the Master Affordable Housing Plan for the Northern Sphere and satisfy affordable housing obligations under Chapter 2-3 of the Irvine Zoning Ordinance. The Project herein is known as "Phase 1" of the 134-unit project approved by Planning Commission Resolution No. 07-2821. It is anticipated that a subdivision map (referred to herein as the "**Parcel Map**") will be recorded subdividing the Site such that the portion of the Site upon which the 60-unit Project will be located will be subdivided into a separate legal parcel ("**Project Parcel**"). Pursuant to the terms and conditions of this Agreement, upon the recordation of the Parcel Map, the portion of the Site that is not included within the Project Parcel will, upon request of Developer, be released from this

Agreement and the documents attached hereto as exhibits, including a release from the Regulatory Agreement and partial reconveyance of the Leasehold Deed of Trust.

D. City desires to assist with certain costs attributable to eleven (11) of the Project units referred to herein as the "**HOME Units**" by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in the amount not to exceed the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) ("**City Loan**"), on the terms set forth herein, and (b) providing financial assistance to the Irvine Community Land Trust ("**Land Trust**") in the form of a grant of HOME Funds in the amount not to exceed the sum of Two Hundred Eighty-Eight Thousand Seven Hundred Twenty-Seven Dollars ($288,727.00) ("**HOME Grant Funds**"). The Land Trust and Developer are each members of the general partner of the limited partnership entity formed to acquire the leasehold in the Site and develop the Project. The Land Trust will be required to use the HOME Grant Funds for certain costs associated with the HOME Units pursuant to a separate agreement.

E. The Project will be subject to certain affordability covenants requiring that the HOME Units be rented to income eligible households at an affordable rent.

F. The acquisition of the Site and development and operation of the Project thereon pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall have the meaning ascribed in the Regulatory Agreement.

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/developer for disbursements of HOME Funds.

"CDBG Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the CDBG Grant Funds for the Project.

"CDBG Grant Funds" shall mean the Community Development Block Grant funds in the amount of $464,164.00 that it is anticipated will be provided for the Project, by City to the Land Trust in the form of a grant under the CDBG Grant Agreement, and by the Land Trust to the Partnership in the form of a loan under the Land Trust Loan Agreement

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan of HOME Funds in the amount not to exceed the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) to be provided by City to Developer for the Eligible Loan Expenses, as more fully explained in Section 2 of this Agreement.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City Loan to City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Loan.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager of City to administer this Agreement.

"County Loan Funds" shall mean the permanent loan amount not to exceed $2,708,404.00, as specified in the Commitment Letter, dated March 23, 2010, from OC Community Resources, a department of the County, to Jamboree.

"Developer" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation, having its offices at 17701 Cowan Avenue, Suite 200, Irvine, CA 92614. The term "Developer" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with Section 9.8 of this Agreement.

"Developer Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Developer Representative" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Laura Archuleta is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"Effective Date" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"Eligible Loan Expenses" shall mean the prorated costs of the taxes and assessments applicable to the Site for CFD No. 07-1 and Assessment District No. 07-22 that are required to be paid under the Ground Lease as of the closing of the Construction Escrow and other acquisition and development costs approved by City that are payable at, or incurred as of, the closing of the Construction Escrow and attributable to the 11 HOME Units

"Eligible Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income does not exceed the limit permitted for the particular HOME Unit as set forth in the Unit Mix.

"Escrow Holder" shall mean Chicago Title Company, the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing the City Loan to Developer.

"Funding Conditions Satisfaction Date" shall mean the date on which all of the Funding Conditions are actually satisfied.

"Ground Lease" shall mean the binding lease agreement to be entered into between Developer (or the Partnership), as lessee, and Irvine Company, as lessor, for the lease of the Site to the Partnership, consistent with the terms of Section 3.1 of this Agreement, and approved by City.

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the HOME Grant Funds.

"HOME Grant Funds" shall mean the HOME Funds in the amount of $288,727.00 that it is anticipated will be provided for the HOME Units, by City to the Land Trust in the form of a grant under the HOME Grant Agreement, and by the Land Trust to the Partnership in the form of a loan under the Land Trust Loan Agreement.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference. Developer is a community housing development organization ("CHDO") under 24 C.F.R. § 92.2. In the event City is permitted under the HOME Requirements and by HUD to designate the City Loan proceeds as part of the 15% HOME allocation that City is required to invest in housing developed, sponsored or owned by a CHDO, the HOME Requirements shall include all requirements applicable to CHDOs.

"HOME Units" shall mean eleven (11) units in the Project comprised of 3 one-bedroom units, 5 two-bedroom units, and 3 three-bedroom units, which shall be income restricted in accordance with the Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 60 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

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

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit corporation.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Land Trust Loan Agreement" shall mean the agreement to be entered into between Land Trust and the Partnership and approved by City providing for Land Trust to loan to the Partnership an amount not to exceed the sum of $1,602,505.00 for acquisition and development costs of the Project.

"Land Use Affordable Housing Regulatory Agreements" shall mean the two agreements to be entered into between City and Irvine Company in such form as approved by City, which will be recorded against fee title to the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site.

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City Note.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements. Upon request by Developer, City shall provide to Developer the amount of the Median Income.

"Memorandum" shall mean the Memorandum of Affordable Housing and Loan Agreement substantially in the form attached hereto as Attachment No. 8.

"Option to Lease" shall mean that certain Option to Lease by and between Developer and Irvine Company, dated May 28, 2008, as amended on November 30, 2009, that sets forth the terms and conditions for Developer to exercise an option to purchase a leasehold interest in the Site.

"Parcel Map" shall have the meaning ascribed in Recital C of this Agreement.

"Partnership" shall mean Stonegate Housing Partners, L.P., a California limited partnership. The managing general partner of the Partnership is Stonegate Housing, LLC, a California limited liability company, and the managing member of Stonegate Housing, LLC is Jamboree. It is anticipated that prior to any disbursements of the City Loan, the Partnership will enter into the Ground Lease as the lessee, Developer will assign this Agreement to the Partnership pursuant to a written assignment and assumption agreement reasonably approved by City, and the Partnership will be the party to enter into all of the agreements attached as exhibits hereto. Upon such an assignment, Jamboree will be released of all executory Developer obligations under this Agreement.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement and the Regulatory Agreement, all activities assisted with the City Loan, and all other obligations under this Agreement and the Regulatory Agreement that Developer is required to perform.

"Project" shall mean the acquisition of the leasehold interest in the Site and the grading of the Site and the development on the Site of a 60-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 60 units shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units and shall be restricted to occupancy by Eligible Tenants in accordance with the Unit Mix and Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for Developer's development of the Project set forth in Attachment No. 4 to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Project Parcel" shall have the meaning ascribed in Recital C of this Agreement.

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Redevelopment Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Redevelopment Agency Grant Agreement" shall mean the agreement to be entered into between the Redevelopment Agency and Land Trust for the Redevelopment Agency to provide a grant of housing set-aside funds to Land Trust in an amount not to exceed the sum of $2,000,000.00, a portion of which will be used for the Project.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions substantially in the form attached hereto as Attachment No. 7.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1.

"Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

- 5 two-bedroom units and 3 three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

- 3 one-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

"US Bank Loan Funds" shall mean the construction and permanent loan amount not to exceed $10,153,821.00, as specified in the Commitment Letter, dated March 17, 2010, from US Bank to Developer.

2. CITY LOAN.

2.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible Loan Expenses in the form of a loan not to exceed the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) ("**City Loan**"). The source of the City Loan is HOME Funds.

2.2 Permissible Use of City Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City Loan proceeds only for the Eligible Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* Chicago Title Company or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City Title Policy**"), with liability in the amount of the City Loan, showing the leasehold interest in the Site vested in Developer, insuring in favor of City the Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by City in its sole and absolute discretion. Developer shall pay the premium for the City Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.10 of this Agreement.

(d) *Plans and Permits.* Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financing.* City shall have approved Developer's evidence of financing in accordance with Section 3.11.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Ground Lease.* Developer or Partnership shall have entered into the Ground Lease with Irvine Company and the Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance of either party thereunder and the fulfillment of the Ground Lease and Developer's possession of the Site is absolute and not terminable and not subject to any unsatisfied conditions). If Partnership is the party to the Ground Lease, Developer shall have assigned this Agreement to the Partnership.

(g) *Other Agreements.* The Land Trust Loan Agreement, the Redevelopment Agency Grant Agreement, the CDBG Grant Agreement, and the HOME Grant Agreement shall have been executed and all conditions to the initial disbursement of funds under said agreement shall have been satisfied, and no default by the Partnership shall exist under the Land Trust Loan Agreement.

(h) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(i) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(j) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(k) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Loan and City shall have received sufficient HOME Funds from HUD to fund the City Loan.

(l) *Land Use Regulatory Agreements.* City and Irvine Company shall have approved the form of and executed the Land Use Affordable Housing Regulatory Agreements and the agreements shall have been recorded against the Site and senior to all liens securing any financing.

In the event that any of the Funding Conditions are not satisfied on or before October 20, 2010, or such later deadline as may be mutually approved in writing by City and Developer in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

In connection with clause (k) above, Developer acknowledges and agrees that City's obligation to provide the City Loan to Developer under this Agreement shall be subject to the availability of HOME Funds and if, for any reason, City does not receive sufficient HOME Funds from HUD, City shall have no obligation to provide the City Loan to Developer or to fund the City Loan from any other source of funds.

2.4 Disbursement of City Loan. Provided Developer is not in default of this Agreement, the City Loan shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the City Loan proceeds to the Eligible Loan Expenses. In the event the Eligible Loan Expenses are not incurred by Developer within fifteen (15) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer return the City Loan proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Loan proceeds were improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements.

2.5 CDBG Funds and HOME Grant Funds Disbursed First. Notwithstanding any other provision of this Agreement to the contrary, no disbursements of the City Loan shall be made until such time that all of the CDBG Grant Funds and HOME Grant Funds have been disbursed by City to the Land Trust and by the Land Trust to the Partnership for the Project. Nothing herein is intended to preclude the concurrent disbursement of the CDBG Funds, HOME Grant Funds and the City Loan.

2.6 Repayment of City Loan; Leasehold Deed of Trust. Developer's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Site. Developer's obligation to repay the City Loan will be secured by the Leasehold Deed of Trust. The Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the Leasehold Deed of Trust.

2.7 Execution and Delivery of Documents. No later than two days after the Effective Date, or such later date as approved by City, Developer shall deliver to City the following documents to be held by City in trust until the Funding Conditions Satisfaction Date or deposited into the Construction Escrow with the approval of City: (a) the City Note, executed by Developer; (b) the Leasehold Deed of Trust, executed and acknowledged by Developer; (c) the Regulatory Agreement, executed and acknowledged by Developer; and (d) the Memorandum, executed and acknowledged by Developer. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds to Developer, City shall execute the Regulatory Agreement and Memorandum and shall cause the Regulatory

Agreement, the Memorandum, and the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California. In the event the Funding Conditions are not satisfied and this Agreement is terminated pursuant to Section 2.3, City shall return to Developer the documents delivered by Developer to City pursuant to this Section. Notwithstanding any provisions in this Section to the contrary, the Land Use Affordable Housing Regulatory Agreements shall have been executed and recorded, or delivered to Escrow Holder and recorded the day prior to the close of Construction Escrow, prior to City having any obligation to disburse to Developer any of the City Loan funds.

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT.

3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company. Developer represents to City that Developer has entered into an agreement with Irvine Company that provides for Irvine Company to grant to Developer an option to lease the Site for the development and operation of an affordable housing rental project ("**Option to Lease**"). Developer shall keep City informed of the status of the Option to Lease, including any amendment thereto or termination thereof, and Developer shall promptly notify City in writing of the anticipated date of execution of the Ground Lease once the Developer and Irvine Company have determined said date. From and after the Effective Date of this Agreement, Developer on behalf of Partnership shall exercise diligent efforts to finalize the terms and enter into the Ground Lease with Irvine Company for the lease of the Site no later than the date specified in the Option to Lease. The Ground Lease (a) shall have a term of no less than fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, (b) shall permit the Site to be developed and operated in accordance with the terms set forth in this Agreement (which by definition includes the Attachments), and shall otherwise be consistent with this Agreement, such that compliance with this Agreement will not cause a default under the Ground Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Developer, (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Developer under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Site in accordance with the Ground Lease, and (e) shall provide that modifications to the Ground Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of City. City shall have the right to approve the form of the Ground Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Ground Lease by Developer and Irvine Company, Developer shall deliver a copy of the executed Ground Lease to City.

3.2 Scope of Development. Developer shall develop the Project on the Site in strict accordance with the plans and drawings approved by City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Site, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Site and the Project other than building permits. Prior to

commencement of development of any other improvements to the Site, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract; Wage Rate. Developer acknowledges that the requirements of Section 3.5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and requirements. Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with the construction contract and posted for the Project.

3.5 Third Party Contracts . If Developer enters into any agreements ("Third Party Contracts") with contractor(s) for the construction of the Project ("Other Contacting Party"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Parry, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Site for purposes of this Agreement and evaluating Developer's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Developer shall include or cause to be included in the construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City. If Developer believes that any of the HOME Requirements are not applicable to a Third Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion, but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or

omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third Party Contracts.

3.6 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements and any other laws, rules and regulations. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.7 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this Section may be satisfied by a regular weekly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.8 Schedule of Performance. Subject to the force majeure provisions of Section 9.3, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive business days, except when due to causes beyond the control and without the fault of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City. During the course of construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.9 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Site during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.9 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.10 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.10 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the Regulatory Agreement.

Developer agrees that the provisions of this Section 3.10 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. No later than the Insurance Approval Date, Developer shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be

waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is five (5) days after the Effective Date, or the date that Developer (or Partnership) and Irvine Company execute the Ground Lease. City's approval of Developer's insurance is a Funding Condition.

3.11 Financing the Project.

3.11.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to Section 2, Developer shall be responsible for all costs of developing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses payable to existing occupants of the Site; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; costs for any necessary public improvements; and legal fees. From the date of this Agreement until the date the Project is completed, Developer shall use its best efforts, individually and collectively with the Land Trust, to apply for and obtain, in accordance with all applicable laws and procedures, additional public financing for the Project, including without limitation CDBG and HOME funds, but excluding Low and Moderate Income Housing Funds or any other funds from the Irvine Redevelopment Agency.

3.11.2 Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City and the mortgage or encumbrance (deed of trust) complies with one of the following: (a) a deed of trust(s) that secures the US Bank Loan Funds; or (b) a deed of trust(s) that secures the County Loan Funds, with such deed of trust and other loan documents consistent with the County of Orange Commitment Letter and other terms Developer provided to City prior to the date of this Agreement; or (c) a deed of trust securing financing for the development and operation of the Project for which the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("**Permitted Encumbrances**"). City agrees that notwithstanding the County Commitment Letter, the percentage of Project Cash Flow (as that term is defined in the City Note) that will be paid to the County for the repayment of the County Loan Funds once the $1,602,505.00 loan from the Land Trust Loan to Developer is repaid will be 40% and not 25%.

3.11.3 Evidence of Financial Capability. No later than two (2) days after the Effective Date, Developer shall submit to City evidence reasonably satisfactory to City that Developer has the financial capability necessary to develop the Project pursuant to this

Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.11.4 Subordination. The City Manger of City and the Community Development Director or their respective designees each shall have the authority on behalf of City to inter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the Leasehold Deed of Trust to the priority lien(s) (deeds of trust) securing the US Bank Loan Funds and the County Loan Fund by subordination agreements approved in form by City in its reasonable discretion. City shall also subordinate the Regulatory Agreement to the US Bank Loan Funds provided the Land Use Affordable Housing Regulatory Agreements are executed and recorded the day before the closing of the Construction Escrow. The Land Use Affordable Housing Regulatory Agreements shall be senior to all liens (deeds of trust) securing financing for the Project and shall continue to apply to the Project and the Site in the event of a foreclosure (or deed in lieu thereof) by any lienholder.

4. USE OF THE SITE; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the Regulatory Agreement, consistent with the HOME Requirements. The Regulatory Agreement contains provisions requiring the units on the Site be maintained as affordable rental units for a period of fifty-five (55) years.

4.2 Ground Lease. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Developer shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that

affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its reasonable discretion. Developer shall provide to City notice of any defaults or notices of default under the Ground Lease.

4.3 Program Activities. Developer shall operate the Program and perform all Program Services in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Developer shall operate the Program and perform the Program Services in compliance with the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein. In addition to the quarterly reports referred to in Section 5.2, Developer shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Developer shall cause the Program Services to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Developer shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.6 or knowingly allows such conduct to occur at the Site or by Developer Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Developer immediately replace such manager or supervisor of the Program.

4.5 Drug Free Covenant. Developer shall use best efforts to maintain a drug free environment on the Site. Developer covenants to City that Developer shall use its best efforts to ensure that Developer, Developer Personnel and all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

4.6 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City or the Redevelopment Agency, reflect adversely upon City or the Redevelopment Agency or their respective funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Site, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.8 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.9 Compliance with Laws and Regulations and HOME Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Developer provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Loan is funds received from HUD pursuant to the federal government's HOME program, Developer is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire

apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 4.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

4.10 Program Income. Developer shall submit to City quarterly reports as set forth in Section 5.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.11 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If relocation is required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.11.

4.12 Affordability Covenants. Developer acknowledges and agrees that the rental units on the Site will be required to be maintained as affordable rental units in accordance with the Regulatory Agreement.

4.13 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.14 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which

will be recorded against the Site. City acknowledges that, in the event of a foreclosure of its interest under the Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

4.15 Release from Covenants and Partial Reconveyances for Portion of the Site. Upon the final approval pursuant to law and recording in the Official Records for Orange County, California, of the Parcel Map, City shall, upon the request by Developer, release the portion of the Site that is not included within the Project Parcel from this Agreement, the Regulatory Agreement, and the Memorandum, and partially reconvey the Leasehold Deed of Trust, with the form of said release(s) and partial reconveyance to be as reasonably approved by Developer and City and their respective legal counsel. The Project Parcel shall remain subject to this Agreement and all documents that are attached as exhibits hereto, and the Parties shall execute and record any instruments that may be necessary or proper to ensure that the Agreement and said exhibits attached hereto remain in place after the recording of Parcel Map. As of the date of this Agreement, the subdivision map that has been designated as the Parcel Map is City of Irvine Tentative Parcel Map No. 2010-128.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the HOME Requirements, records demonstrating the eligibility of the activities constituting the Eligible Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements, to identify and account for the use of the City Loan proceeds and expenditures of Eligible Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Quarterly Reports. No later than fifteen (15) days after the end of each Quarter, Developer shall submit to City the following quarterly reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter, progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income.* A report on the program income generated for the Quarter, if any, as more fully explained in Section 4.10 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with HOME Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(i) *Lack of Funding*. If, for any reason beyond the control of City, the HOME Funds required by City to fund the Eligible Loan Expenses are not received by City or are withdrawn from City by HUD, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Developer. This subdivision (i) shall not be applicable after the date the City has disbursed to Developer the funds for the City Loan, whether the funds provided by City are HOME Funds or, at City's election and in its sole discretion, another source of funds.

(ii) *Default*. If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(iii) *Failure to Receive Environmental Clearance*. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(iv) *Termination for Convenience*. This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature cannot be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the

nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse affect on the Site, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.6.

(g) Any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect and to the extent capable of being cured are not cured within the cure period set forth in subparagraph (c) above.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default (other than by Land Trust) of the Land Trust Loan Agreement after expiration of any notice and cure periods in the Land Trust Loan Agreement.

(k) Developer shall default under the Ground Lease and such default is not cured within any grace and cure period expressly provided in the Ground Lease.

(l) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Site, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(i) Wholly or partially suspend or terminate this Agreement.

(ii) Withhold further awards for the Project, including further disbursements of the City Loan.

(iii) Require Developer to repay the City Loan funds.

(iv) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, Irvine Company(or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Developer.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

7.4 Applicable Law and Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Site and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse affect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation.* There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Site or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Site and Project. .

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, certified or first class mail, postage prepaid, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com

To Developer: Jamboree Housing Corporation
17701 Cowan Avenue, Suite 200
Irvine, CA 92614
Attn: Laura Archuleta
Fax: (949) 263-0647
Email: larchuleta@jamboreehousing.com

With a copy to: Rutan & Tucker, LLP
611 Anton Blvd. Suite 1400
Costa Mesa, CA 92626
Attn: Patrick D. McCalla, Esq.
Fax: (714) 546-9035
Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to this Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Developer under the loan documents at the address set forth in the Rider.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall

not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Director of Community Development for the City of Irvine or designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Prohibition Against Assignment and Transfer by Developer. The qualifications and identity of Developer are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Developer and entered into this Agreement with Developer. Accordingly, except as expressly set forth herein, Developer shall

not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership, or transfer or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. If this Agreement is assigned to the Partnership, the term "significant change in ownership" shall mean any change by virtue of which Jamboree Housing Corporation does not continue to be the managing member of the general partner of Partnership.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 9.8:

(a) a leasehold interest in a residential unit to an Eligible Tenant for Affordable Rent, in accordance with the Regulatory Agreement and pursuant to a lease form approved by City in accordance with the Regulatory Agreement; or

(b) any Permitted Encumbrance; or

(c) the assignment of this Agreement to the Partnership if the Partnership is the lessee under the Ground Lease.

Upon the assignment of this Agreement from Developer to the Partnership, the following also shall not require City approval (except as specifically provided below) for the purpose of this Section 9.8:

(a) a transfer of the Partnership's leasehold interest in the Site and the Project to Jamboree, provided Jamboree assumes from the Partnership this Agreement and all of the agreements attached as exhibits hereto;

(b) the removal of the general partner of the Partnership for any default under the Partnership's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project; or

(c) a transfer of the limited partnership interest in the Partnership from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Developer's approval to the Redevelopment Agency, or (b) with the approval of Developer, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the Land Trust.

9.10 Third Party Beneficiaries. The Redevelopment Agency is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 9.10, no person or entity other than City, Developer, and the Redevelopment Agency, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Loan, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Site until the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed ("**Completion Date**"). Accordingly, the provisions of this Section 9.13 shall be applicable until the Completion Date.

This Agreement is designed to create equitable servitudes and covenants running with the Site, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and

assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

City shall execute, acknowledge, and deliver to Developer upon Developer's request after the Completion Date, a document in recordable form removing the Memorandum from title to the Site. The removal of the Memorandum from title shall not result in a termination of this Agreement as between Developer and City but any party thereafter owning or acquiring Developer's interest in the Site shall not because of such ownership or acquisition incur any obligation under this Agreement, but such party shall be subject to any other recorded agreement, including without limitation the Regulatory Agreement.

The parties acknowledge that the Memorandum, Regulatory Agreement, and Leasehold Deed of Trust recorded against the Site will encumber Developer's leasehold interest in the Site and not the fee interest in the Site.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Exhibits. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Summary of Legal Requirements
4	Project Budget
5	Promissory Note Secured by Leasehold Deed of Trust
6	Leasehold Deed of Trust with Assignment of Rents
7	Regulatory Agreement and Declaration of Covenants and Restrictions
8	Memorandum of Affordable Housing and Loan Agreement

[Signatures on next page]

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

JAMBOREE HOUSING CORPORATION, a California nonprofit public benefit corporation

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

LOT 18 OF TRACT NO. 17086 AS SHOWN ON A MAP FILED IN BOOK 890, PAGES 1 TO 20, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 580-154-02

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.10 (§ 3.10).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is 5 days after the Effective Date, or the date that Developer (or Partnership) and Irvine Company execute the Lease.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.11.3).	No later than 2 days after the Effective Date.
3.	Developer executes and delivers to City the City Note, Leasehold Deed of Trust, Regulatory Agreement and Memorandum (§ 2.7).	No later than 2 days after the Effective Date, or such later date as approved by City.
4.	Funding Conditions are satisfied (§ 2.3).	No later than October 20, 2010.
5.	City executes Regulatory Agreement and Memorandum and causes Regulatory Agreement, Memorandum and Leasehold Deed of Trust to be recorded (§ 2.7).	Within 10 days after the date all of the Funding Conditions are satisfied. Recording shall occur concurrently with the close of the Construction Escrow provided the Funding Conditions are satisfied.
6.	City disburses City Loan to Developer (§ 2.4).	Upon the closing of the Construction Escrow provided the Funding Conditions are satisfied and the CDBG Grant Funds have been disbursed or are being disbursed concurrently.
7.	Developer commences or causes the commencement of the grading of the Site (§ 3.8).	No later than October 30, 2010.
8.	Developer commences or causes the commencement of construction of the vertical	No later than November 5, 2010.

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
	improvements for the Project (§ 3.8).	
9.	Developer completes construction of the Project (§ 3.8).	No later than April 30, 2012.
10.	Developer causes affordable housing Program to be operated on the Site.	For a period of 55 years in accordance with the Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. **Use of the HOME Funds**. The City Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Developer.

2. **Affordability**. The units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the Regulatory Agreement,[2] whichever is more restrictive. If the units do not meet the affordability requirements of the HOME Requirements for the specified time period, Developer shall repay the City Loan to City promptly upon demand by City. In such event, Developer shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1**. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Site, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

c. **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794.** This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. **Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*.** This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. **Executive Order 11246, as amended**. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned

business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. **Nondiscrimination.** Developer shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. **Environmental.**

a. **Air and Water.** Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. **Flood Disaster Protection Act of 1973.** Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. **Lead-Based Paint.** Developer shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. al.*

d. **Historic Preservation.** Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance.** In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance, "neither a recipient nor any Developer in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any Developer in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Grant. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient

may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. **Uniform Administrative Requirements**. Developer shall comply with applicable uniform administrative requirements as described in 24 C.F.R. § 92.205.

6. **Other Program Requirements**. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92.

7. **Project Requirements**. Developer shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

8. **Property Standards**. Developer shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

9. **Records and Reports**. Developer shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

10. **Conflict of Interest.** Developer will comply with 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

11. Affirmative Marketing. If the City Loan will be used for housing containing 5 or more assisted units, Developer shall establish for City's review and approval a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Developer shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Developer must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Developer to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Developer to affirmatively market units and records to assess the results of those actions; and

e. a description of how Developer will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

12. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Developer shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

13. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Developer shall comply with all debarment and suspension certifications.

14. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Developer's obligation to comply with the HOME Requirements.

15. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Developer shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City Loan funds are disbursed are not incurred by Developer within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer immediately return the City Loan proceeds to City.

16. Monitoring. Not less than once per year, City shall review Developer's activities and operations under the Agreement and Developer's compliance with the HOME Requirements.

Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

17. Tenant Participation Plan. Developer shall provide to City for approval the form of the lease agreement to be used for the rental units, which lease must be fair and provide for a grievance procedure. In addition, Developer shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

18. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

19. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

20. Procurement. If applicable, Developer will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

21. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Developer shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Developer shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Developer shall comply with the provisions of 24 C.F.R. § 92.354. Developer shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Developer shall comply with the

requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Developer shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Developer shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Developer shall comply and cause Developer Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section l(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) **Apprentices.** Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) **Trainees.** Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant ',to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) **Equal employment opportunity.** The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. **Compliance with Copeland Act requirements.** The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. **Subcontracts.** The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. **Contract termination; debarment.** A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. **Compliance with Davis-Bacon and Related Act Requirements.** All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. **Disputes concerning labor standards.** Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) **Certification of Eligibility.** By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. **Complaints, Proceedings, or Testimony by Employees.** No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. **Contract Work Hours and Safety Standards Act.** The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) **Overtime requirements.** No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) **Violation; liability for unpaid wages; liquidated damages.** In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) **Withholding for unpaid wages and liquidated damages.** HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) **Subcontracts.** The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. **Health and Safety.** The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

ATTACHMENT NO. 4

PROJECT BUDGET

Stonegate

Uses of Funds

Version: Investor Projections v1
Revised: September 28, 2010

	TOTAL	100.00% TOTAL RESIDENTIAL	0.00% TOTAL COMMERCIAL	DEPRECIABLE NON-DEPREC	DEPRECIABLE RESIDENTIAL	DEPRECIABLE NON-RES	EXPENSE	AMORTIZE	SEE NOTE BELOW TAX CREDIT ELIGIBLE CONST/ REHAB	TAX CREDIT ELIGIBLE ACQUIS.
Structures	5,665,786	5,665,786	0	0	5,665,786	0		0	4,980,139	
Site Work	2,231,543	2,231,543	0		2,231,543	0			1,961,492	
Furnishings included in contract	120,200	120,200	0		120,200	0			105,654	
Contractor Gen'l Req, Overhead and Profit	893,060	893,060	0	0	893,060	0			784,986	
Letter of Credit + Insurance	174,994	174,994	0		174,994	0			153,817	
Construction Contingency	726,847	726,847	0	0	726,847	0			638,887	
Local Permits/Fees	620,093	620,093	0	100,000	520,093				457,154	
Local Development Impact Fees	739,835	739,835	0	400,104	339,731				298,618	
Environmental	8,600	8,600	0		8,600	0			7,559	
Testing & Inspections	30,000	30,000	0		30,000	0			26,370	
Architecture	463,189	463,189	0		463,189	0			407,136	
Civil Engineering/Geotech/Landscape Arch.	411,872	411,872	0		411,872	0			362,029	
Appraisal	15,000	15,000	0	0	15,000				13,185	
Market Study	13,800	13,800	0					13,800	0	
Construction Loan Expenses	66,350	66,350	0		66,350	0			58,321	
Construction Loan Fees	76,154	76,154	0		76,154	0	0		66,938	
Construction Period Interest	583,475	583,475	0		350,085	0	233,390		307,719	
Construction Period Interest - ICLT (accrued)	18,900	18,900	0		12,600	0	6,300		11,075	
Construction Period Interest - City of Irvine (accrued)	6,400	6,400	0		4,267	0	2,133		3,750	
Title/Recording/Escrow - Construction	20,000	20,000	0		20,000	0			17,580	0
Title/Recording/Escrow - Permanent	35,000	35,000	0					35,000		
Permanent Loan Fees	16,870	16,870	0					16,870		
Real Estate Taxes During Construction	160,478	160,478	0		160,478	0	0		141,058	0
Insurance During Construction	206,000	206,000	0		206,000	0	0		181,071	0
Soft Cost Contingency	184,552	184,552	0		184,552	0			162,218	
TCAC Application/Monitoring Fee	125,568	125,568	0					125,568		
Legal:Construction Closing	48,960	48,960	0		48,960	0			43,035	0
Permanent Closing	8,160	8,160	0					8,160		
Syndication	44,880	44,880	0	44,880						0
Syndication Financial Consulting	25,000	25,000	0	25,000						
Audit/Cost Certification	25,000	25,000	0		12,500		12,500	0	10,987	
Furnishings	80,000	80,000	0		80,000	0			70,319	
CFD 07-01 Capitalized Payments	1,835,962	1,835,962	0	1,835,962						
Assessment District 07-22 Capitalized Payments	612,362	612,362	0	612,362						
Operating Reserve	144,658	144,658	0	144,658						
Marketing Account	65,000	65,000	0				65,000			
Signage & Internet wiring installation	75,000	75,000	0		75,000	0			65,924	
Construction management (3rd party)	114,500	114,500	0		114,500	0			100,644	
Additional scope	79,205	79,205	0	79,205	0					
Miscellaneous Admin Expenses	47,740	47,740	0		47,740				41,963	
Developer Fee	1,400,000	1,400,000	0		1,400,000	0			1,230,579	0
TOTAL DEVELOPMENT COSTS	**18,220,993**	**18,220,993**	**0**	**3,242,171**	**14,480,100**	**0**	**319,323**	**199,398**	**12,710,206**	**0**

NOTE: Eligible basis is reduced by the pro rata share of costs associated with the community room. The community room's pro rata share is 12.1%, which represents the hard cost to construct the community room as a percentage of the total structures cost.

ATTACHMENT NO. 5

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$397,495.00 October 4, 2010

FOR VALUE RECEIVED, the undersigned, STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note"). All terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement, with all Attachments thereto, by and between City and Borrower dated October 4, 2010, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City dated on or about the date hereof and recorded against the Site in the Official Records of Orange County, California, as may be amended from time to time ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

(iv) The Memorandum of Affordable Housing and Loan Agreement ("Memorandum") that shall be executed by Borrower and City on or about the date of this Note, and recorded in the Official Records of Orange County, California, and may be amended from time to time, and as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) ("City Loan"), which shall accrue simple interest at the rate of 1% per annum commencing on the date of this Note. The City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. **Term of Note; Repayment of Loan Amount**. Except as provided below, the entire City Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years from the date of this Note, but in no event later than the date that is sixty (60) days prior to the expiration of the term of the Ground Lease. There shall be no penalty to Borrower for any prepayment of the City Loan. Commencing upon the earlier of (i) the date that is thirty (30) years after the date of this Note, or (ii) the date that the loan provided by the Irvine Community Land Trust to Borrower for the Project in the approximate amount of $1,602,505.00 is paid in full, Borrower shall make annual payments to City in an amount equal to ten percent (10%) of Project Cash Flow for the preceding calendar year. If the City Loan has not been paid in full as of the date the loan to be obtained by Borrower from the County Orange in the approximate amount of $2,708,404 is paid in full, the percentage of Project Cash Flow payable to City shall increase from 10% to 25%.

3. **Records**. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. **Reports**. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. **Audit**. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than five percent (5%) for the

applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City Loan immediately due and payable.

In addition to Borrower's cure rights, Irvine Company(or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Borrower,, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Borrower.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and

such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if: (a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City's Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of City, or Borrower shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) Borrower's Ground Lease for the Site terminates for any reason, then City, at its option, may declare the entire indebtedness evidenced

hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, certified or first class mail, postage prepaid, addressed to:

To City:
City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator
Fax: 949-724-7458
Email: sholtz@ci.irvine.ca.us

With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Borrower:	Jamboree Housing Corporation 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Note, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Borrower under the loan documents at the address set forth in the Rider.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site. The foregoing shall not apply to the extent Borrower no longer retains in interest in the Site. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the Leasehold Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the Leasehold Deed of Trust or from enforcing any of its rights or remedies in law or in equity

against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the Loan Documents.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

STONEGATE HOUSING PARTNERS,
California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President
and Chief Financial Officer

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

"Acquisition Loan" shall mean a deed of trust or mortgage securing a loan the proceeds of which are to acquire Borrower's interest in the Site following the foreclosure of any first-position Approved Mortgage, provided that (A) the principal amount of the Acquisition Loan is not more than the initial maximum aggregate principal amounts of the first position deed of trust or mortgage loan and the Subordinate Financing (increased annually by the annual increase in the Index), (B) the requirements of the Ground Lease are satisfied and (C) the foreclosure transferee to whom the Acquisition Loan is made or by whom it is assumed is not the Lender who foreclosed the first-position Approved Mortgage or an affiliate of such Lender or the Borrower, or an affiliate of the Borrower.

"Approved Mortgage" shall have the meaning ascribed in Section 15.1 of the Ground Lease.

"Assessments" shall mean any and all special assessments, levies and charges on the Site made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Site and payable by Borrower.

"Gross Income" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts (less broker's fees, normal closing costs, and amounts paid to Mortgagees in connection with obtaining an Approved Mortgage, such as loan fees) received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"Ground Lease" shall mean the ground lease for the Site between Borrower and Irvine Company.

"Index" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"Irvine Company" shall mean Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Lender" shall mean an institutional lender, which shall include a state or nationally chartered bank or savings and loan association, pension fund, real estate investment trust, insurance company or international trading company with assets in excess of $200,000,000, or a mortgage banking company with assets in excess of $100,000,000, or any of the following lenders:

Bank of America, N.A.
California Housing Finance Agency

City of Irvine
Irvine Community Land Trust
County of Orange
State of California, or a political subdivision thereof
Wells Fargo Bank, N.A.
Citibank
California Federal Bank
US Bank National Association
Federal Home Loan Bank
Fannie Mae
Federal Home Loan Mortgage Corporation
U.S. Department of Housing and Urban Development (including Federal Housing Administration)
Government National Mortgage Association
Washington Mutual
Union Bank of California, N.A.

"Mortgagee" shall mean any Lender that has made a loan to Borrower and who holds a lien upon any portion of the Site as security for such loan.

"Operating Expenses" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any Mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees not to exceed $480.00 per unit per year (which limit increases by 3.0% per year); (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City and by Irvine Company pursuant to the Ground Lease and any other party with approval rights (if such first position mortgage or deed of trust loan is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses to the extent such financing is not replaced by an Acquisition Loan (B) any Acquisition Loan, subject to the limitations in the Ground Lease, and (C) any loan consented to

by City and Irvine Company and any other party with approval rights to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Site to the extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City and Irvine Company and any other party with approval rights have approved the amount and terms of such loan in the exercise of their reasonable discretion; and (d) any deed of trust or mortgage securing a loan the proceeds of which are used to repair, restore, maintain, improve or alter the improvements on the Site, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the Ground Lease and (ii) Irvine Company and City (and any other party with approval rights) have approved the amount and terms of such loan in the exercise of their reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City and Irvine Company in their reasonable discretion; (VI) any partnership management fee paid to a general partner in Borrower not to exceed $10,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)) and any asset management fee paid to a limited partner in Borrower not to exceed $5,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)); (VII) a social services fee payable to the general partner of Borrower (or an affiliate of the general partner of Borrower) in the amount of $750.00 per unit per calendar year (which limit increases annually commencing the second calendar year by two and one-half percent (2.5%)); (VIII) payments of a developer fee not to exceed One Million Four Hundred Thousand Dollars ($1,400,000.00) in the aggregate, to the extent such developer fee is not paid from capital contributions to Borrower or from financing proceeds; and (IX) the repayment of operating deficit loans made by the general partner of Borrower pursuant to that certain Operating Deficit Agreement by and between Jamboree Housing Corporation and Irvine Company dated of or about even date of this Note, to the extent that (i) such loans do not accrue any interest, (ii) are used to pay expenses for items described in subsections (I), (II), or (III) above, and (iii) such loan amounts do not exceed the positive difference, if any, between Operating Expenses during the calendar year in which the loan was made minus Gross Income during the calendar year in which the loan was made; and (X) the minimum rent payable under the Ground Lease.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, or the proceeds of any partner loans described in subsection (IV) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any Mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City and Irvine Company and any other party with approval rights have approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Borrower (or any successor under the Ground Lease) is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"Subordinate Financing" shall have the meaning ascribed in the Ground Lease

"Taxes" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Site or any part or parts thereof, or upon Borrower's leasehold interest in the Site, Borrower's ownership rights in the improvements and fixtures on the Site, and Borrower's rights pursuant to the Ground Lease (and excluding any and all limited partnership interests in Borrower), or upon Irvine Company's fee simple ownership of the Site, Irvine Company's rights pursuant to the Ground Lease, and Irvine Company's reversionary rights in and to the Site upon termination or expiration of the Ground Lease.

ATTACHMENT NO. 6

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 4th day of October, 2010, among STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated of or about even date as this Leasehold Deed of Trust ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured**. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) Trustor's performance of the obligations and all amounts that become due under this Leasehold Deed of Trust; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated October 4, 2010 ("Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Developer's leasehold interest in the Site on or about the date hereof, in the Official Records of Orange County, California ("Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default**. To the extent permitted by applicable law, if: (a) Trustor shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than this Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary's Contract Officer); (b) Trustor shall refinance any lien or encumbrance on terms not reasonably approved by Beneficiary or, unless otherwise approved in writing by Beneficiary's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary; (c) Trustor shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of Beneficiary, or Trustor shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) if Trustor's Ground Lease for the Site terminates for any reason, then Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE REGULATORY AGREEMENT.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith

commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

In addition to Trustor's cure rights, the Irvine Company, a Delaware limited liability company (or its entity formed and existing as the equity investor receiving the tax credits), ("Irvine Company"), for so long as such entity is a limited partner investor in Trustor, shall have ten (10) days after receipt of a default notice from Beneficiary to cure a monetary default secured by this Leasehold Deed of Trust and thirty (30) days after receipt of a default notice to cure any non-monetary default of this Leasehold Deed of Trust; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Beneficiary shall accept any cure made by Irvine Company as if made by Trustor.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Leasehold Deed of Trust, Beneficiary shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Trustor under the loan documents at the address set forth in the Rider.

6. Actions Affecting Property. Trustor shall give Beneficiary and Trustee prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Site, the security hereof or the rights or powers of Beneficiary or Trustee. Trustor shall appear in and contest any such action or proceeding and shall pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding.

7. Beneficiary Expenditures. If any action or proceeding is commenced that would materially affect Beneficiary's interest in the Site or if Trustor fails to comply with any provision of this Leasehold Deed of Trust or any Loan Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Leasehold Deed of Trust or the Loan Documents, Beneficiary on Trustor's behalf may (but shall not be obligated to) take any action that Beneficiary deems appropriate, including but not

limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Site and paying all costs for insuring, maintaining and preserving the Site. All such expenses will become a part of the indebtedness secured by this Leasehold Deed of Trust and, at Beneficiary's option, will (i) be payable upon demand, (ii) be added to the balance of the City Note and be payable on the same terms as the original amount provided thereunder, or (iii) be treated as a balloon payment which will be due and payable upon the maturity date of the City Note. This Leasehold Deed of Trust shall secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Beneficiary may be entitled upon a default. Notwithstanding the foregoing, Trustor shall have the right to contest in good faith and with reasonable diligence the amount or validity of any lien or claim of lien so long as Trustor shall provide Beneficiary, at Trustor's sole cost and expense, with such bond or other security as Beneficiary may reasonably require to insure payment thereof and prevent any sale, foreclosure or forfeiture of all or any part of the Site.

8. **Nonrecourse Obligation**. The repayment of the City Loan and any other indebtedness secured by this Leasehold Deed of Trust shall be nonrecourse to Borrower, on the terms, and subject to the conditions, set forth in paragraph 16 of the City Note.

7. **Repair of Damage.** Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders, Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

8. **Incorporation of Fictitious Leasehold Deed of Trust**. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

STONEGATE HOUSING PARTNERS,
California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

LOT 18 OF TRACT NO. 17086 AS SHOWN ON A MAP FILED IN BOOK 890, PAGES 1 TO 20, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 580-154-02

ATTACHMENT NO. 7

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this 4th day of October, 2010 ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Site**").

B. City and are parties to that certain Affordable Housing and Loan Agreement dated October 4, 2010 ("**Loan Agreement**"), which provides for Declarant to develop a 60-unit affordable residential rental project and related improvements ("**Project**") on the Site. The Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) ("**City Loan**") to assist Declarant with the acquisition costs of eleven (11) of the Project units referred to herein as the "**HOME Units.**" The Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

C. Pursuant to a separate agreement, City is providing a grant of funds to the Irvine Community Land Trust in the amount not to exceed the sum of Two Hundred Eighty-Eight Thousand Seven Hundred Twenty-Seven Dollars ($288,727.00) ("**HOME Grant**"), to be used

for certain acquisition costs attributable to the HOME Units. The Irvine Community Land Trust is a member of the general partner of Declarant.

D. The source of the funds for the City Loan and the HOME Grant is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

E. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the imposition of affordability covenants requiring that the HOME Units be rented to households of certain income levels at affordable rent.

F. It is the intent of the City and Declarant that Declarant's leasehold interest in the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Affordable Rent" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252, which are summarized in Section 4.6 of this Agreement.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Declarant in the amount not to exceed the sum of Three Hundred Ninety-Seven Thousand Four Hundred Ninety-Five Dollars ($397,495.00) for certain costs attributable to the HOME Units.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager to administer this Agreement.

"Declarant" shall mean Stonegate Housing Partners, L.P., a California limited partnership, and its permitted successors and assigns in and to the Site.

"Declarant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Declarant or any other person under Declarant's supervision and direction, including the contractors and subcontractors constructing the Project. Declarant is responsible for the full compliance of all Declarant Personnel with this Agreement and the Loan Agreement, including without limitation all labor standards applicable to the Project.

"Eligible Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income does not exceed the amount permitted for the HOME Unit pursuant to the Unit Mix.

"Ground Lease" shall mean the Ground Lease between Declarant, as lessee, and the Irvine Company, as lessor, for the ground lease of the Site to Declarant.

"HOME Grant" shall have the meaning ascribed in Recital C of this Agreement.

"HOME Requirements" shall collectively refer to the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 to the Loan Agreement which is incorporated herein by this reference.

"HOME Term" shall mean period commencing on the Regulatory Agreement Effective Date and continuing for a period of twenty (20) years following the date that all Residential Units in the Project have received all required occupancy permits from the City.

"HOME Units" shall mean the eleven (11) units in the Project comprised of 3 one-bedroom units, 5 two-bedroom units, and 3 three-bedroom units, which are restricted to occupancy by Eligible Tenants in accordance with the Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 60 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

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

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company. Irvine Company is the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation. Jamboree is the managing member of the managing general partner of Declarant.

"Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Note" shall mean that certain Promissory Note Secured by Deed of Trust, evidencing Declarant's obligation to repay the City Loan.

"Partnership Agreement" shall mean the Limited Partnership Agreement of Stonegate Housing Partners, LP.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City Loan and HOME Grant, and all other obligations under this Agreement that Declarant is required to perform.

"Program Default" shall have the meaning ascribed in Section 6.4 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Site, the grading of the Site and the development on the Site of a 60-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property Manager" shall have the meaning ascribed in Section 9.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 9.3 of this Agreement.

"Redevelopment Agency" and "RDA" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Residential Units" shall mean the sixty (60) residential units to be developed on the Site. The Residential Units will be comprised of one-bedroom, two-bedroom, and three-bedroom units in accordance with the Unit Mix.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

"Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

(a) 5 two-bedroom units and 3 three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

(b) 3 one-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

This Unit Mix shall constitute the City's affordability requirements for the HOME Units with respect to the City Loan provided to Declarant and the City HOME Grant provided to the Irvine Community Land Trust and in turn provided to Declarant for the HOME Units. Nothing in this Unit Mix or Agreement shall be deemed to preclude Declarant from reserving more residential units in the Project to very low income households earning 50% or less of the Medium Income, adjusted for family size, if Declarant otherwise agrees to do so either unilaterally or with a third party, so long as any other agreement does not otherwise conflict with the terms and conditions of this Agreement or provisions of applicable federal, state, and local law.

2. **Development of the Project**. Declarant shall commence and complete development of the Project on the Site within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. **Term**. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the later of (a) the date that is twenty (20) years following the date that all Residential Units in the Project have received all required occupancy permits from the City, or (b) the date the City Loan and all amounts due under the Loan Agreement, City Note and Leasehold Deed have been paid in full ("**Affordability Term**").

4. **Use; Affordability Covenants**. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as an affordable residential rental complex with the HOME Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent in compliance with the Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each HOME Unit shall provide that it is to be used as the principal residence of the HOME Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its HOME Unit or its right of occupancy. Declarant shall institute a program to ensure that the HOME Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each HOME Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each HOME Unit shall include a provision limiting the number of persons permitted to occupy each HOME Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a HOME Unit, Declarant shall obtain an Income Computation

and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a HOME Unit by an Eligible Tenant, and on each anniversary date thereafter, or if preferred by Declarant and approved in writing by City, within sixty (60) days prior to January 1 of each year, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the HOME Unit. Subject to Section 5.2 during the HOME Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a HOME Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Residential Unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the Unit Mix as quickly as possible.

4.6 Affordable Rent. The rent for each HOME Unit shall not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits at the lesser of (a) the fair market rent for existing housing for comparable

units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The Home Requirements also require that affordable units occupied by Eligible Tenants whose income does not exceed 50% of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed 30% of the family's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible Tenant pays as a contribution toward rent not more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

If the Eligible Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orangey County Housing Authority for utilities and services.

It shall constitute a default for Declarant to charge or accept rent amounts in excess of the Affordable Rent. In the event that Declarant charges or receives such higher rental amounts, in addition to any other remedy City shall have, Declarant shall be required to pay to City the entire amount of rent received in excess of the amount permitted pursuant to this Agreement.

4.7 Leasing HOME Units. The HOME Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting HOME Units, except to the extent that the HOME Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall give priority in renting HOME Units to Eligible Tenants who constitute displaced persons entitled to a preference pursuant to California Health and Safety Code Section 33411.3 or successor statute. Declarant shall maintain a list of persons who have applied for a HOME Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a HOME Unit, Declarant shall rent available HOME Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease HOME Units that become available as quickly as possible. Declarant shall market the HOME Units to the citizens of the City of Irvine on a nonexclusive basis.

4.8 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the HOME Units. Once approved, no material changes shall be made to the form of the lease agreement without City's prior written reasonable approval. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable HOME Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement.

5. HOME Requirements. The covenants set forth in this Section 5 shall be applicable during the HOME Term and shall apply notwithstanding any other provision herein to the contrary.

5.1 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the applicable HOME Requirements.

5.2 Recertification. In accordance with 24 C.F.R. §92.252(i), in the event a recertification demonstrates that a household's income exceeds the income allowed for Eligible Tenant status, such household will no longer qualify as an Eligible Tenant and will be required to pay as rent an amount equal to the lesser of the amount payable by the tenant under State or local law or 30% of the family's adjusted income, except that if the HOME Unit has been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the tenant must pay rent governed by Section 42.

5.3 Lease. The form of the lease between Declarant and each of the Eligible Tenants for the HOME Units shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an

agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (iv) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

5.4 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the HOME Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

5.5 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

5.7 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Operation of Program.

6.1 Standard of Performance. Declarant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the HOME Requirements. In addition, Declarant shall operate the Program and

perform the Program Activities in compliance with the HOME Requirements. Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Declarant shall cause the Program Activities to be performed by Declarant or Declarant Personnel under Declarant's direct supervision, and shall ensure that all Declarant Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Declarant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Declarant shall be responsible for all costs related to the Program.

6.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 6.4 or knowingly allows such conduct to occur at the Site or by Declarant Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Declarant immediately replace or cause Lessee to replace such manager or supervisor of the Program.

6.3 Drug Free Covenant. Declarant shall use best efforts to maintain a drug free environment on the Site. Declarant covenants to City that Declarant shall use its best efforts to ensure that Declarant Personnel and all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

6.4 Program Defaults. If Declarant shall or permit Declarant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 6.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City or the Redevelopment Agency, reflect adversely upon City or the Redevelopment Agency or their respective funding programs or upon Declarant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Declarant and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Declarant agrees to thereafter promptly implement the resolution. The failure of Declarant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

6.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Declarant shall cause Lessee to include in its occupancy or lease agreements with the tenants of the HOME Units a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Site, shall be grounds for immediate termination of the tenant's

right to reside within the HOME Unit and City shall have the right to require that Declarant enforce such provision.

7. **No Discrimination**. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

8. **Maintenance of Site**. For the entire Affordability Term, Declarant shall maintain or cause to be maintained the Site and all improvements on the Site in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 8, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to charge a fee to Declarant 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

9. **Management**.

9.1 Property Manager. Declarant shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Declarant may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 9.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Declarant shall conduct due diligence and background evaluation of any

potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Declarant prior to submitting the name and qualifications of such proposed property manager to City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by one qualified Property Manager. The replacement of the Property Manager by Declarant and/or the selection by Declarant of any new or different Property Manager shall also be subject to the foregoing requirements.

9.2 On-Site Residential Manager. The Property Manager, or an employee or agent of Property Manager, shall reside full-time in a Residential Unit, and said Residential Unit shall be the Property Manager's only residence.

9.3 Property Management Plan. Prior to the completion of the Project, Declarant shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Declarant and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

9.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a 365 day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 19;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Declarant is obligated and shall use its best 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. Declarant shall include provisions of the foregoing requirements and requirements of this Agreement within any contract between Declarant and its Property Manager for the Site.

10. Code Enforcement. Declarant acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Declarant and/or an individual tenant. If such notice is provided by City or its representative(s) to Declarant, then Declarant (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Declarant shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11. Reserves.

11.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Declarant shall annually set aside an amount of not less than Two Hundred Fifty Dollars ($250.00) per Residential Unit (or such increased amount as reasonably agreed upon by City and Declarant from time to time) into a separate interest-bearing trust account ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which are

normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Declarant's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Declarant, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section. Any capital replacement reserve requirements of any other lenders that are not an affiliate (as defined in Section 20.3 below) of Jamboree, third parties, or the Irvine Company, shall be deemed to satisfy the Capital Replacement Reserve funding requirements under this Section upon approval by City in its reasonable discretion.

11.2 Operating Reserve. Declarant shall establish an interest bearing account to be known as the "**Operating Reserve Account**." Commencing upon the closing of the permanent financing for the Project, Declarant shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Site ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Declarant may draw upon the funds in the Operating Reserve Account only when the amount of Affordable Rent received by Declarant is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to 50% of the Target Balance amount, Declarant shall deposit Project Cash Flow in the priority specified in Section 6.3(a)of the Partnership Agreement in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Declarant to pay Operating Expenses or in the event of a default by Declarant under the Loan Agreement or this Agreement that would provide for the acceleration of the City Loan, then City may, after delivery of notice to Declarant and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City Loan or use such funds for the continued operation of the Project. Nothing in this Section 11.2 shall modify or be deemed to modify any payment obligation of Declarant pursuant to the Loan Agreement or any attachments thereto entered into by and between Declarant and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the Promissory Note evidencing the City Loan. Upon the Project achieving an annual debt service coverage ratio of 1.15 or greater for three consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

12. Records. Declarant shall maintain complete and accurate records pertaining to the HOME Units for a period of four (4) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the HOME Units.

13. Right to Inspect. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

14. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided by a public agency, such as the City of Redevelopment Agency, under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

15. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

16. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 16.

16.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the

periodic increases in the minimum amount of total insurance coverage set forth above. City and Redevelopment Agency, and their officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City and Redevelopment Agency shall be loss payees under such policy or policies and such insurance shall contain a replacement cost endorsement.

16.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage. City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 16.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by certified mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

17. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Site and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

18. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Declarant shall promptly give City notice of any defaults and default notices issued under the Lease.

19. Defaults and Remedies.

19.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Declarant's cure rights hereunder, Irvine Company, for so long as Irvine Company is a limited partner investor in Declarant, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Declarant.

19.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

19.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

20. Miscellaneous.

20.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

20.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

20.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be the managing member of the general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 20.3:

(a) A transfer of Declarant's leasehold interest in the Site and the Project to Jamboree;

(b) The removal of the general partner of the partnership for Declarant for any default under the partnership's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project;

(c) A transfer of the limited partnership interest in Declarant from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project;

(d) A leasehold interest in a HOME Unit to an Eligible Tenant for Affordable Rent, in accordance with this Agreement and pursuant to a lease form approved by City in accordance with this Agreement; or

(e) Any Permitted Encumbrance.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, Declarant shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

20.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may: (a) in its sole and absolute discretion assign or transfer all or any part of its interest in this Agreement without Declarant's approval to the Redevelopment Agency or the Irvine Community City.

20.5 Compliance with Laws and Regulations. Declarant shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Declarant acknowledges and agrees that it shall be and remain, and shall cause the Declarant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Declarant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Declarant or Declarant Personnel of any applicable local, state and/or federal law.

20.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

20.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

20.8. Third Party Beneficiaries. The Redevelopment Agency and the Irvine Community Land Trust are each intended third party beneficiaries of this Agreement and shall have the right, but not the obligation, to enforce its terms including the rights and benefits that City has under this Agreement. Except as provided herein, no person or entity other than City, Declarant, Redevelopment Agency, and the Irvine Community Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

20.9. Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, certified or first class mail, postage prepaid, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Declarant:	Stonegate Housing Partners, L.P. c/o Jamboree Housing Corporation 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine

Company (or its limited partner assignee) a copy of any written notice given to Declarant under the loan documents at the address set forth in the Rider.

20.10 Covenants Run with the Land. This Agreement shall be binding on Declarant's successors in interest in the Site until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Site, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Declarant, its successors and assigns and successors in interest; and may be enforced by Declarant and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Declarant's leasehold interest in the Site and not the fee interest.

20.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements will be recorded against the Site, imposing income restrictions on the tenants of the Residential Units and limiting the amount of rent that may be charged, which agreements include the Land Use Affordable Housing Regulatory Agreement between City and Irvine Company implementing the land use controls applicable to the Site, and the Regulatory Agreement and Declaration of Covenants and Restrictions between Declarant and the Irvine Community Land Trust to which City is an intended third party beneficiary. Declarant shall comply with the most restrictive terms of such agreements. Delcarant acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible Tenants to Declarant may be less than the Affordable Rent amounts set forth in this Agreement.

20.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DECLARANT"

STONEGATE HOUSING PARTNERS, California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

LOT 18 OF TRACT NO. 17086 AS SHOWN ON A MAP FILED IN BOOK 890, PAGES 1 TO 20, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 580-154-02

ATTACHMENT NO. 8

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

[Attached]

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 4th day of October, 2010, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about October 4, 2010, City and Developer entered into that certain Affordable Housing and Loan Agreement ("Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits

and City has verified that all improvements required to be constructed in connection with the Project have been completed, a document in recordable form removing this Memorandum from title to the Site.

7. This Memorandum shall encumber Developer's leasehold interest in the Site and not the fee interest.

IN WITNESS WHEREOF, City and Developer have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce
Its: City Manager

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

STONEGATE HOUSING PARTNERS, California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A" TO MEMORANDUM

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

LOT 18 OF TRACT NO. 17086 AS SHOWN ON A MAP FILED IN BOOK 890, PAGES 1 TO 20, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 580-154-02

ADDENDUM TO STONEGATE PROJECT AGREEMENTS

This ADDENDUM TO STONEGATE PROJECT AGREEMENTS ("**Addendum**") is dated this 14th day of October, 2010, and entered into by and among the CITY OF IRVINE, a California municipal corporation ("**City**"), the IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic ("**Agency**"), the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("**Land Trust**"), and STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("**Developer**").

RECITALS

A. This Addendum is made with reference to the following agreements entered into on or about October 4, 2010 (collectively, the "**Project Agreements**"):

i. the Redevelopment Housing Fund Grant Agreement ("**RDA Agreement**") between Agency and Land Trust for a $2,000,000.00 grant ("**RDA Funds**") to be provided by Agency to Land Trust, a portion of which is to be used for the Stonegate project;

ii. the Community Development Block Agreement ("**CDBG Agreement**") between City and Land Trust for a $464,164.00 grant ("**CDBG Funds**") to be provided by City to Land Trust;

iii. the HOME Grant Agreement ("**HOME Grant Agreement**") between City and Land Trust for a $288,727.00 grant ("**HOME Grant Funds**") to be provided by City to Land Trust;

iv. the Affordable Housing and Loan Agreement ("**HOME Loan Agreement**") between City and Jamboree Housing Corporation, whose interest was assigned to Developer, which agreement relates to a $397,495.00 loan ("**HOME Loan Funds**") to be provided by City to Developer; and

v. the Affordable Housing and Loan Agreement ("**Land Trust Loan Agreement**") between Land Trust and Developer for a $1,602,505.00 loan to be provided by Land Trust to Developer.

B. As of the date of this Addendum, the environmental clearance has not been obtained for, and City has not received from HUD, the HOME and CDBG funds to be provided under the Project Agreements.

C. The parties desire to enter into this Addendum to, among other things, extend the date for the satisfaction of the funding conditions under the Project Agreements and to provide that if the HOME and CDBG funds to be provided under the Project Agreements are not received by City, Land Trust will backfill the shortage with additional RDA Funds received by Land Trust under the RDA Agreement, on the terms set forth herein.

AGREEMENT

NOW THERFORE, City, Agency, Land Trust and Developer hereby agree as follows:

1. Defined Terms. All capitalized terms not defined herein shall have the meaning ascribed in the Project Agreements.

2. Extension of Dates to Satisfy Funding Conditions. The parties agree to extend the dates to satisfy the Funding Conditions in the Project Agreements as follows:

(i) RDA Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the RDA Agreement is hereby extended to December 1, 2010.

(ii) CDBG Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the CDBG Grant Agreement is hereby extended to December 1, 2010.

(iii) HOME Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the HOME Grant Agreement is hereby extended to December 1, 2010.

(iv) HOME Loan Agreement. City and Developer hereby agree that the date to satisfy the Funding Conditions in the HOME Loan Agreement is hereby extended to December 1, 2010.

(v) Land Trust Loan Agreement. Land Trust and Developer hereby agree that the date to satisfy the Funding Conditions in the Land Trust Loan Agreement is hereby extended to December 1, 2010.

3. Substitution RDA Funds Provided if Federal Funds not Received. Pursuant to the RDA Grant Agreement, Land Trust is receiving a grant of RDA Funds from the Agency in the amount of $2,000,000.00, all of which is available to the Project if City does not receive from HUD any or all of the $464,164.00 CDBG Funds under the CDBG Agreement, the $288,727.00 HOME Grant Funds under the HOME Grant Agreement, or the $397,495.00 HOME Loan Funds under the HOME Loan Agreement (collectively, the "**Federal Funds**"), such that the cumulative total of RDA Funds and Federal Funds provided to the Project pursuant to the Project Agreements will equal $2,000,000.00. In connection therewith, if City does not receive the Federal Funds, and provided all of the Funding Conditions in the Project Agreements other than those related to the receipt of such Federal Funds from HUD are satisfied, the Federal Funds not received by City shall be replaced with RDA Funds, as follows:

(i) The RDA Funds that Land Trust is permitted to use for the Stonegate Project under the RDA Grant Agreement will increase by an amount equal to the Federal Funds not received by City.

(ii) The Federal Funds to be provided by Land Trust to Developer under the Land Trust Loan Agreement as part of the $1,602,505.00 will be replaced with RDA Funds to the extent the Federal Funds are not received by City.

(iii) As to the Federal Funds that constitute HOME funds to be provided by City to Developer under the HOME Loan Agreement, if such funds are not received by City, (a) the HOME Loan Agreement will be terminated; and (b) the amount of the loan the Land Trust is providing to Developer under the Land Trust Loan Agreement will increase by the sum of $397,495.00 and the source of such additional funds will be RDA Funds; (c) the terms for Developer's repayment of such increased loan amount shall be the same as the repayment terms for the HOME loan under the HOME Loan Agreement; and (d) the terms for repayment of the existing $1,602,505.00 Land Trust loan will remain the same.

(iv) The parties will amend the Project Agreements as necessary to effectuate the foregoing.

4. Eligible Loan and Grant Expenses. The Project expenses incurred by Developer that are eligible for payment out of the proceeds of the $2,000,000.00 funding to be provided under the Project Agreements are as follows ("**Eligible Expenses**"): (i) a developer fee payable to Developer in the amount of $350,000.00; (ii) the assessments applicable to the Site under Assessment District No. 07-22 that are required to be paid under the Lease in the approximate amount of $620,000.00; and (iii) development costs of the Project as set forth in the Project Budget. The CDBG Funds shall be applied toward payment of the assessments referred to in clause (ii) of the preceding sentence. The HOME Grant Funds and HOME Loan Funds shall be applied toward Eligible Expenses attributable to the 11 HOME Units. Provided City receives the Federal Funds, all of the funds shall be applied toward costs incurred after HUD approves the request for release of funds and related certifications. The Project Agreements are hereby deemed amended to effectuate the foregoing.

5. Execution and Recordation of Documents. Notwithstanding that the Funding Conditions have not been satisfied, the parties agree that the documents attached as exhibits to the Land Trust Loan Agreement and the HOME Loan Agreement that otherwise would be executed and recorded upon the satisfaction of the Funding Conditions (i.e., promissory notes, deeds of trust, regulatory agreements, etc.) shall be executed and recorded concurrently with the Construction Closing, with the understanding that if the Federal Funds are not received the documents will be amended to reflect the substitution of RDA Funds for the Federal Funds. The execution and recordation of such documents is for convenience purposes and does not in any way constitute a commitment of the Federal Funds.

6. Full Force and Effect; Conflicts. Except as expressly set forth in this Addendum, all terms, conditions, and provisions of the Project Agreements shall remain in full force and effect. If there is a conflict between the provisions of this Addendum and the provisions of the Project Agreements, the provisions of this Addendum shall control.

7. Execution in Counterparts. This Addendum may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

[Signatures on next page]

IN WITNESS WHEREOF, City, Agency, Land Trust and Developer have entered into this Addendum as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Acting Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"AGENCY"

IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic

By: _____
Name: Sean Joyce
Its: Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

"LAND TRUST"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: Mark Asturias
Name: Mark Astrias
Its: Executive Director

"DEVELOPER"

STONEGATE HOUSING PARTNERS, California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: Laura Archuleta
Laura Archuleta
Its: President

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	6832
CONTRACT TYPE:	BLOCK GRANT AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	10/4/2010
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	
CONTRACT NAME: As stated in 1st paragraph of contract	IRVINE COMMUNITY LAND TRUST
CONTRACT SUBJECT: As stated in Description of Services section of contract	COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT; STONEGATE

COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT

This COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT ("**Agreement**") is entered into as of this 4TH day of October, 2010, between the CITY OF IRVINE, a California municipal corporation ("**City**"), and the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("**Participant**").

RECITALS

A. Participant is a duly organized California nonprofit public benefit corporation, certified by the United States Internal Revenue Service as a public charity under Internal Revenue Code sections 501(c)(3) and 509(a)(3). Participant's specific purpose and formation is for the benefit of, and to carry out the purposes of, the City of Irvine ("**City**") by helping the City ensure that its residents are able to secure decent and affordable housing.

B. City participates in the Community Development Block Grant program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et seq.*) as amended from time to time, and the regulations promulgated thereunder (24 C.F.R. § 570 *et seq.*). Pursuant to the Community Development Block Grant program, City receives funds from HUD ("**CDBG Funds**") to be used for the support of community development activities that meet at least one of the three national objectives of the program of benefiting low and moderate income persons, preventing and eliminating slums and blight, and addressing a community development need having a particular urgency.

C. Jamboree Housing Corporation, a California nonprofit housing corporation ("**JHC**") holds an option to lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("**Property**"). The Property is owned by the Irvine Company, LLC, a Delaware limited liability company ("**Irvine Company**"). JHC has formed or is forming a limited partnership entity (defined below as the "**Lessee**") which will enter into the lease and develop a 60-unit affordable residential rental project and related improvements on the Property ("**Project**"), which is one phase of the Stonegate Community Development referred to in Recital D below.

D. On or about April 5, 2007, the City's Planning Commission adopted Resolution Nos. 07-2820, 07-2821, and 07-2822, which, in general, approved master plan applications for the development of three (3) multi-story residential apartment communities ("**Stonegate Community Development**"), generally located along the north side of Irvine Boulevard between Sand Canyon Avenue and Groveland in the community village of Stonegate (Planning Area 9B). Specific for purposes of this Agreement, Planning Commission Resolution No. 07-2821 approved the master plan for the development of 134 residential apartment units, lot 700 of Vesting Tentative Tract 16927, totaling 6.08 acres, which residential apartment units are to be affordable so that Irvine Company may fulfill its obligations pursuant to the Master Affordable Housing Plan for the Northern Sphere and satisfy affordable housing obligations under Chapter 2-3 of the Irvine Zoning Ordinance. The Project herein is known as "Phase 1" of the 134-unit project approved by Planning Commission Resolution No. 07-2821. It is anticipated that a subdivision map (referred to herein as the "**Parcel Map**") will be recorded subdividing the

Property such that the portion of the Property upon which the 60-unit Project will be located will be subdivided into a separate legal parcel ("**Project Parcel**"). Pursuant to the terms and conditions of this Agreement, upon the recordation of the Parcel Map, the portion of the Property that is not included within the Project Parcel will, upon request of Participant, be released from this Agreement.

E. On or about April 27, 2010, as part of the City's annual CDBG funding process, City approved an allocation of CDBG Funds to be provided to Participant in the form of a grant in the amount not to exceed the sum of $77,749.00 to be used by Participant for the Project, on the terms set forth herein. In addition, on September 14, 2010, City approved an additional allocation of CDBG Funds to be provided to Participant for the Project in the form of a grant in the amount not to exceed the sum of $386,415.00. On September 15, 2010, Participant's Board of Directors approved both the $77,749.00 and $386,415.00 (for a total of $464,164.00) allocation of CDBG Funds (collectively, the "**City Grant**") and authorized Participant to enter into this Agreement.

F. JHC and Participant have formed or are forming a limited partnership entity known as Stonegate Housing Partners, L.P. ("**Lessee**") that will exercise the option to lease the Property and develop the Project and operate the Program. Participant and JHC will be members of the managing general partner of Stonegate Housing Partners, L.P.

G. City's provision of the City Grant to Participant pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the purpose and provisions of the Community Development Block Grant program.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" for the following residential units shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance) by Eligible Tenants under Health & Safety Code Section 50053, or any successor statute thereto, and the implementing regulations in Title 25 of the California Code of Regulations, which are and shall be for the Affordability Term as follows:

- The Affordable Rent for the residential units designated to be occupied by Eligible Tenants earning 50% or less of Median Income is 30% times 50% of Median Income adjusted for family size appropriate to the Residential Unit.

- The Affordable Rent for the 16 two-bedroom residential units and 11 three-bedroom residential units designated to be occupied by Eligible Tenants earning

60% or less of the Median Income is 30% times 60% of Median Income adjusted for family size appropriate for the Residential Unit.

The Affordable Rent for the residential unit designated to be occupied by an Eligible Tenant earning 120% or less of the Median Income is the greater of either: (i) 30% times 110% of the Median Income adjusted for family size appropriate for the Residential Unit, or (ii) 30% of gross income of the household.

As used herein, "adjusted for family size appropriate to the Residential Unit" shall mean a household of 2 persons in the case of a one-bedroom unit, a household of 3 persons in the case of a two-bedroom unit, and a household of 4.5 persons in the case of a three-bedroom unit.

"Affordable Rent" for the 2 one-bedroom units, 8 two-bedroom units, and 4 three-bedroom units occupied by households earning 60% or less of the Median Income, adjusted for family size, shall mean annual rent that does not exceed the limits set forth in Section 42(g)(2)(A) of the United States Internal Revenue Code for that income level.

"Affordability Term" shall have the same meaning as it does in the Regulatory Agreement attached to the Land Trust Loan Agreement. Said Regulatory Agreement serves as the "Regulatory Agreement" defined below.

"Agreement" shall mean this Community Development Block Grant Agreement between City and Participant, including all exhibits and other documents attached hereto.

"CDBG Funds" shall mean the funds allocated to City by HUD under the Community Development Block Grant program.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et seq.*) as amended from time to time, and the implementing regulations set forth in 24 C.F.R. § 570 *et seq.* as amended from time to time, and the requirements set forth and referred to in Exhibit "D" attached to this Agreement.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623.

"City Grant" shall mean the grant of CDBG Funds referred to in Recital E of this Agreement to be provided by City to Participant for the Eligible Project Expenses, as more fully explained in Section 2 of this Agreement.

"Contract Officer" shall mean City's Housing Administrator or such other person as may be designated by the City Manager of City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Grant.

"Effective Date" shall mean the date this Agreement is executed by the parties, which date shall be inserted into the preamble to this Agreement.

"Eligible Project Expenses" shall mean the taxes and assessments applicable to the Property for CFD No. 07-1 and Assessment District No. 07-22 that are required to be paid under the Lease as of the closing of the Construction Escrow.

"Eligible Tenant" shall mean persons and families occupying a rental unit on the Property whose income does not exceed the limit permitted for the particular unit as set forth in the Unit Mix.

"Escrow Holder" shall mean Chicago Title Company, the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.2 of this Agreement that must be satisfied prior to City providing the City Grant to Participant.

"HOME Grant Agreement" shall mean the agreement to be entered into between City and Participant providing for City to grant to Participant an amount not to exceed the sum of $288,727.00 for certain Project expenses.

"HOME Loan Agreement" shall mean the agreement to be entered into between City and JHC providing for City to loan to JHC an amount not to exceed the sum of $397,495.00 for certain Project expenses. JHC will assign its interest in the HOME Loan Agreement to Lessee.

"JHC" shall mean Jamboree Housing Corporation, a California nonprofit housing corporation, and its successors and assigns.

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Property.

"Land Trust Loan Agreement" shall mean the agreement to be entered into between Participant and Lessee and approved by City providing for Participant to loan to Lessee an amount not to exceed the sum of $1,602,505.00 for the development of the Project.

"Land Use Affordable Housing Regulatory Agreements" shall mean the two agreements to be entered into between City and Irvine Company in such form as approved by City, which will be recorded against fee title to the Property and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Property.

"Lease" shall mean the binding lease agreement to be entered into between Lessee, as lessee, and Irvine Company, as lessor, for the lease of the Property to Lessee, consistent with the terms of Section 3.1 of this Agreement, and approved by the City.

"Lessee" shall mean the limited partnership entity known as "Stonegate Housing Partners, L.P.," formed by JHC and Participant to be the lessee under the Lease and to develop the Project and operate the Program, and its successors and assigns. JHC and Participant must at all times be members of the general partner of Lessee. As to the HOME Loan Agreement and any other agreement entered into by JHC relating to the Project, which agreements are to be assigned to Lessee, the term "Lessee" shall also be deemed to refer to JHC during the period that JHC is obligated under said agreements.

"Median Income" shall mean the Orange County area median income, as periodically published by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations, or successor regulation. Upon request by Participant, City shall provide to Participant the amount of the Median Income.

"Notice to Proceed" shall mean the written notice from City to the Participant Representative notifying Participant that the Funding Conditions have been satisfied such that Participant can commence the activities under this Agreement for the development of the Project. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to provide any City Grant proceeds for any Eligible Project Expenses incurred prior to City's issuance of the Notice to Proceed.

"Parcel Map" shall have the meaning ascribed in Recital D of this Agreement.

"Participant" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation, and its successors and assigns. City agrees that it shall accept performance under this Agreement by the Lessee to the same extent as if performance was tendered by Participant.

"Participant Personnel" shall mean (a) any employee, volunteer, contractor, subcontractor, or agent of Participant or any other person under Participant's supervision and direction, including the contractors and subcontractors constructing the Project, and (b) the Lessee. Participant is responsible for the full compliance of all Participant Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Participant Representative" shall mean Mark Asturias, Executive Director, who is designated by Participant to represent Participant in the administration of this Agreement.

"Performance Reports" shall mean the quarterly reports to be submitted by Participant to City on the status of the development of the Project and on the operation of the Program, as more fully explained in Section 8.2.1(a) of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Services.

"Program Services" shall collectively refer to the following activities and tasks to be performed by Participant under this Agreement: (a) the operation of the Program in accordance with the description set forth in this Agreement and the Regulatory Agreement; and (b) all activities, services, tasks, and operations related to the Program described in this Agreement and the Regulatory Agreement, including without limitation those set forth in Section 4.1 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Property and the grading of the Property and the development on the Property of a 60-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 60 units shall be comprised of one-bedroom units, two-bedroom units, and three-bedroom units, and shall be restricted to occupancy by Eligible Tenants in accordance with the Unit Mix and Regulatory Agreement. In

the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the development of the Project set forth in Exhibit"B" to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Project Parcel" shall have the meaning ascribed in Recital D of this Agreement.

"Property" shall mean that certain real property located at in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A."

"Quarter" shall mean any of the three (3) month periods during a City fiscal year commencing July 1, October 1, January 1, or April 1.

"Redevelopment Agency" shall mean the Irvine Redevelopment Agency, a public body, corporate and politic, organized and existing under the California Community Redevelopment Law (Health & Safety Code § 33000 *et seq.*).

"Redevelopment Agency Grant Agreement" shall mean the agreement to be entered into between the Redevelopment Agency and Participant for the Redevelopment Agency to provide a grant of housing set-aside funds to Participant in an amount not to exceed the sum of $2,000,000.00, a portion of which will be used for the Project.

"Regulatory Agreement" shall have the meaning ascribed in Section 5.2 of this Agreement.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Exhibit "C" and incorporated herein by reference, setting out the dates and/or time periods by which certain obligations and tasks must be performed and completed.

"Third Party Contracts" shall have the meaning ascribed in Section 5.1 of this Agreement.

"Unit Mix" shall mean the household income levels permitted for each unit on the Property, as follows:

- 10 one-bedroom units, 6 two-bedroom units, and 2 three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

- 16 two-bedroom units and 11 three-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

- 2 one-bedroom units, 8 two-bedroom units, and 4 three-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

- 1 three-bedroom unit shall be occupied by the on-site residential manager, whose household must be earning 120% or less of the Median Income, adjusted for family size.

2. CITY GRANT.

2.1 Grant of Funds; Eligible Project Expenses. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement, City shall provide the City Grant to Participant to be applied towards the costs of the Eligible Project Expenses. The City Grant proceeds may be used only for the Eligible Project Expenses that are actually and reasonably incurred and approved by City, and for no other purpose.

2.2 City Grant Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any City Grant proceeds until such time that all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Insurance.* Participant shall have provided to City evidence of the insurance required under Section 9.1 of this Agreement.

(b) *Plans and Permits.* Participant or Lessee shall have obtained grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(c) *Evidence of Financing.* City shall have approved Lessee's evidence of financing in accordance with Section 2.4 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Lessee.

(d) *Lease.* Lessee shall have entered into the Lease with Irvine Company and the Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Lease or the performance of either party thereunder and the fulfillment of the Lease and Lessee's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(e) *Other Agreements.* The Land Trust Loan Agreement, the Redevelopment Agency Grant Agreement, the HOME Loan Agreement, and the HOME Grant Agreement shall have been executed, there shall be no event of default under any of said agreements or the occurrence of any event which would constitute a default with the passage of time or the giving of notice, and all conditions to the initial disbursement of funds under said agreements shall have been satisfied. The Regulatory Agreement shall have been approved by City, executed by Participant and Lessee, and delivered to City (or to Escrow Holder if approved by City) and is ready to be recorded against the Property.

(f) *Assignment.* JHC shall have assigned its interest in the HOME Loan Agreement to Lessee.

(g) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(h) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(i) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Participant in this Agreement remain true and correct in all material respects.

(j) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Grant and City shall have received sufficient CDBG Funds from HUD to fund the City Grant.

(a) *Land Use Regulatory Agreements.* City and Lessee shall have approved the form of and executed the Land Use Affordable Housing Regulatory Agreements and the agreements shall have been recorded, or shall be ready to be recorded, against the Property and senior to all liens securing any financing.

In the event that any of the Funding Conditions are not satisfied on or before October 20, 2010, or such later deadline as may be mutually approved in writing by City and Participant in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Participant.

In connection with clause (j) above, Participant acknowledges and agrees that City's obligation to provide the City Grant to Participant under this Agreement shall be subject to the availability of CDBG Funds and if, for any reason, City does not receive sufficient CDBG Funds from HUD, City shall have no obligation to provide the City Grant to Participant or to fund the City Grant from any other source of funds.

2.3 Disbursement of City Grant. Provided Participant is not in default of this Agreement, the City Grant shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the City Grant proceeds to the Eligible Project Expenses. In the event the Eligible Project Expenses are not incurred by Participant within fifteen (15) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Participant return the City Grant proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Grant proceeds were improper or made for expenditures not eligible for payment, Participant shall immediately repay to City the amounts of such disbursements

2.4 Evidence of Financial Capability. No later than five (5) days after the date the Land Trust Loan Agreement is executed by Participant and Lessee, Participant shall submit to City evidence reasonably satisfactory to City that Lessee has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Lessee for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Participant to City shall be certified by Lessee to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Lessee has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Lessee and its general contractor for all of the improvements required to be constructed by Lessee hereunder, certified by Lessee to be a true and correct copy thereof.

3. ACQUISITION OF LEASE AND DEVELOPMENT OF PROJECT.

3.1 Acquisition of Leasehold Interest in Property. The Property is currently owned by Irvine Company. Lessee's execution of a ground lease with Irvine Company on the terms set forth herein ("**Lease**") is a Funding Condition. The Lease (a) shall have a term of no less than fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, (b) shall permit the Property to be developed and operated in accordance with the terms set forth in this Agreement and the Regulatory Agreement, and shall otherwise be consistent with this Agreement and the Regulatory Agreement, such that compliance with this Agreement and the Regulatory Agreement will not cause a default under the Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Lease in the event of a default by Lessee, (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Lessee under the Lease by foreclosure or other enforcement proceeding and to thereafter assign the Lease to a new tenant to operate the Property in accordance with the Lease, and (e) shall provide that modifications to the Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of City. City shall have the right to approve the form of the Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Lease by Lessee and Irvine Company, Participant shall deliver or cause Lessee to deliver a copy of the executed Lease to City.

3.2 Scope of Work. Participant shall develop or cause to be developed the Project on the Property in strict accordance with the plans and drawings approved by City and in

accordance with all applicable law, rules and regulations, including those set forth in Exhibit "D" to this Agreement. If Participant or Lessee desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Participant shall be responsible for all construction and installation and for obtaining or causing Lessee to obtain all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Property, Participant shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Participant shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract. Participant acknowledges that the requirements of Section 5.1 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Participant shall ensure compliance with all such provisions and requirements. Participant shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project, which, if authorized by law, may be satisfied by Participant incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with the construction contract and posted for the Project.

3.5 No Debarred, Suspended, or Ineligible Parties. Participant shall not permit Lessee to employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving CDBG Funds pursuant to the CDBG Requirements and any other laws, rules and regulations. Participant shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.6 Construction Meeting. Participant shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Participant, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws.

3.7 Schedule of Performance. Participant shall submit or cause Lessee to submit all required plans and drawings, commence and complete construction of the Project, and satisfy or cause Lessee to satisfy all other obligations and conditions of this Agreement within the times established in the Schedule of Performance and this Agreement. Once construction of the Project is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned for more than ten (10) consecutive business days. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Participant and City. During the course of construction, Participant shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.8 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement,

including, but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Participant shall cooperate with, and shall cause Lessee, the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.8 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Participant. City has no obligation to Participant to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.9 Project Costs. Except to the extent City has specifically agreed to provide the City Grant pursuant to Section 2, Participant and/or Lessee shall be responsible for all costs related to the Project.

3.10 Release from Covenants for Portion of the Property. Upon the final approval pursuant to law and recording in the Official Records for Orange County, California, of the Parcel Map, City shall, upon the request by Participant, release the portion of the Property that is not included within the Project Parcel from this Agreement and the Regulatory Agreement, with the form of said release(s) to be as reasonably approved by Participant and City and their respective legal counsel. The Project Parcel shall remain subject to this Agreement and all documents that are attached as exhibits hereto, and the parties shall execute and record any instruments that may be necessary or proper to ensure that this Agreement and said exhibits remain in place after the recording of Parcel Map. As of the date of this Agreement, the subdivision map that has been designated as the Parcel Map is City of Irvine Tentative Parcel Map No. 2010-128.

4. OPERATION OF PROGRAM; USE OF PROPERTY.

4.1 Obligation to Operate Program; Program Description. Commencing from the date the City Grant is first spent for the Property and continuing for a period of fifty-five (55) years following the date all of the units in the Project have received occupancy permits, Participant shall operate the Program and perform the Program Services on a continuous basis and shall use the Property for no other purpose. The Program shall consist of the operation of a 60-unit affordable housing rental project, with the units rented to Eligible Tenants at an Affordable Rent in accordance with the Unit Mix, on the terms set forth in this Agreement and the Regulatory Agreement.

4.2 Change in Use of Property. The parties agrees that the provisions of 24 C.F.R. 570.505 allowing a change in the use of the Property upon payment of certain amounts to City are not applicable and that the Property shall be subject to the affordability covenants in the Regulatory Agreement for the term set forth therein.

4.3 Standard of Performance. Participant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Services, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Participant shall operate the Program and perform the Program Services in compliance with the CDBG Requirements and in a manner that meets the CDBG national objective(s) under which the City Grant was awarded to Participant. In addition to the quarterly reports referred to in Section 8.2, Participant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Participant shall cause the Program Services to be performed by Participant or Participant Personnel under Participant's direct supervision, and shall ensure that all Participant Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Participant shall secure or cause Lessee to secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Participant shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.6 or knowingly allows such conduct to occur at the Property or by Participant Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Participant immediately replace or cause Lessee to replace such manager or supervisor of the Program.

4.5 Drug Free Covenant. Participant shall use best efforts to maintain or cause Lessee to maintain a drug free environment on the Property. Participant covenants to City that Participant shall use its best efforts to ensure that Participant Personnel and all persons working or residing on the Property shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Property.

4.6 Program Defaults. If the Participant shall or permit Participant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to Redevelopment Agency or City, reflect adversely upon City or the Redevelopment Agency or their respective funding programs or upon Participant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

City and Participant agree to meet and confer within ten (10) days of the request of the City to determine a resolution reasonably acceptable to the City and the Participant agrees to thereafter promptly implement the resolution. The failure of the Participant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Participant shall cause Lessee to include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Participant enforce such provision.

5. AGREEMENTS WITH THIRD PARTIES.

5.1 General. If Participant enters into any agreements ("Third Party Contracts") with contractor(s) for the construction of the Project ("Other Contacting Party"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Participant shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Parry, and all applicable legal requirements, including the CDBG Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Participant to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Participant shall include in its construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City . If Participant believes that any of the CDBG Requirements are not applicable to a Third Party Contract, it is Participant's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Participant's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Participant's failure to comply with this obligation. In connection therewith, any statement made by City to Participant as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Participant and as a statement of City's opinion, but shall not be relied upon by Participant or excuse Participant from Participant's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Participant acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Participant's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Participant's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Participant shall comply with all terms of Third Party Contracts.

5.2 Lessee Regulatory Agreement. Prior to the commencement of construction of the Project and as a condition to the disbursement of any City Grant Funds, Participant shall enter

into with Lessee and record against the Property or deliver to City for recordation a regulatory agreement in such form as approved by the City Manager or his designee and the City Attorney ("**Regulatory Agreement**"). The Regulatory Agreement shall constitute a Third Party Contract and shall be subject to the provisions of this Agreement, including the requirements of Third Party Contracts set forth in Section 5.1. In addition, the Regulatory Agreement shall contain provisions that it cannot be terminated or modified without the prior written consent of City. The Regulatory Agreement also shall require that the units be rented to Eligible Tenants at an Affordable Rent in accordance with the Unit Mix.

6. PROGRAM INCOME.

Participant shall submit to City quarterly reports as set forth in Section 8.2 on all program income as defined 24 C.F.R. 570.500(a) generated by activities carried out with CDBG Funds, if any. The program income shall, at City's election, either (a) be returned to City, or (b) retained by Participant and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income or Participant shall, if required by City, enter into a separate agreement governing the use of the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

7. ADDITIONAL COVENANTS OF PARTICIPANT.

7.1 Compliance with Laws and Regulations and CDBG Requirements. Participant shall carry out or cause to be carried out the design, construction and operation of the Project, and operate or cause to be operated the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the CDBG Requirements and the legal requirements set forth in Exhibit "D" attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Participant provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Grant is funds received from HUD pursuant to the federal government's Community Development Block Grant program, Participant is required to comply with all applicable CDBG Requirements. In the case of any conflict between the CDBG Requirements and this Agreement, the CDBG Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the CDBG Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the CDBG Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Participant acknowledges and agrees that it shall be and remain, and shall cause the Participant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the CDBG Requirements. Participant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Participant or Participant Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Participant or Participant Personnel; and/or (c) failure by Participant or Participant Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Participant shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 7.1, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

7.2 Maintenance. Participant shall maintain or cause to be maintained all improvements on the Property in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with any approved plans for the Project, and all other applicable laws, rules, ordinances, orders, and regulations, including without limitation the City of Irvine Municipal Code, and all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. In addition, Participant shall make or cause to be made all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate or cause to be eliminated all graffiti and debris and replace or cause to be replaced dead and diseased plants and landscaping with comparable materials. In the event that Participant breaches any of the covenants contained in this Section 7.2 and such default continues for a period of fifteen (15) days after written or verbal notice from City (with respect to landscaping, graffiti, debris, waste material, or general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default and to protect, maintain, and preserve the improvements and landscaped areas on the Property. Participant shall, immediately upon demand therefor by City, pay to City an amount equal to the expenditures arising from such acts and work of protection, maintenance, and preservation by City and/or costs of such cure, including a ten percent (10%) administrative charge.

7.3 Obligation to Repair. If the improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Participant or Lessee, Participant shall promptly proceed to obtain or cause Lessee to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence or cause Lessee to commence the repair or replacement of the improvements so that the Program can continue to be operated, and Participant shall complete or cause Lessee to complete the same as soon as possible thereafter.

7.4 Relocation. Participant, at its sole cost and expense, shall be responsible for providing or causing Lessee to provide any relocation assistance and paying or causing Lessee to pay all relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by law. Participant shall indemnify, defend, and hold harmless City and the Redevelopment Agency from and against any and all claims, liabilities, damages or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 7.4. To the best of Participant's knowledge, there are no occupants or tenants of the Property.

7.5 Liens. Participant shall cause Lessee to pay and promptly discharge all Impositions, liens, encumbrances and charges upon the Property, or any part thereof or interest therein. As used herein, the term "**Impositions**" shall mean all (a) real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges and all other governmental charges and any interest or costs or penalties with respect thereto and charges for any agreement maintained for the benefit of the Property, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which at any time may be assessed, levied or imposed upon the Project, or the rent or income received therefrom, or any use or occupancy thereof, and (b) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Participant or the Property. In addition, Participant shall cause Lessee to timely make all payments on all loans secured by the Property or other debts which could give rise to a security interest in the Property.

8. RECORDS AND REPORTS.

8.1 Records.

8.1.1 Records to be Maintained. Participant shall keep and maintain or cause Lessee to keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement, including the development of the Project and operation of the Program, records demonstrating that the Program meets one of the CDBG program's national objectives, records demonstrating the eligibility of the activities constituting the Eligible Project Expenses, records demonstrating compliance with this Agreement and CDBG Requirements, data demonstrating client eligibility for services provided including the name, income level, family size of each client and other information for determining eligibility and a record of the services provided to each client, and such other records as may be reasonably required by City to enable City to evaluate the development of the Project and operation of the Program and Participant's compliance with the CDBG Requirements, and to identify and account for the use of the City Grant proceeds and expenditures of Eligible Project Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's record keeping and reporting requirements under the CDBG Requirements, including without limitation the records specified in 24 C.F.R. 570.506 as they pertain to the activities under this Agreement. Books and records pertaining to the Eligible Project Expenses shall be kept and prepared in accordance with generally accepted accounting principles or as otherwise required by City.

8.1.2 Retention. Participant shall retain or cause Lessee to retain the books and records required to be maintained under this Agreement for a period of five (5) years following the date the Property use restriction in Section 4.1 of this Agreement is no longer applicable;

provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Participant shall retain or cause Lessee to retain the books and records until completion of the action and resolution of all issues which arise from it.

8.1.3 Location of Records. The books and records required to be maintained under this Agreement shall be kept at the Property or at the office of Lessee or Participant or such other location as approved by City.

8.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Agreement at all times during normal business hours.

8.1.5 Audits. Participant shall perform and cause Lessee to perform all audits of their respective books and records required by the CDBG Requirements or City or HUD and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

8.2 Reports.

8.2.1 Quarterly Reports. No later than fifteen (15) days after the end of each Quarter, Participant shall submit or cause Lessee to submit to City the following quarterly reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the status of the Project improvements and a summary of the Program Services undertaken by Participant under this Agreement for the previous Quarter ("**Performance Report**"). The Performance Report shall, at a minimum, describe the Program Services performed, the status of the Project, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Participant to meet any obligations if any were not met, favorable developments which enabled Participant to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results that planned, and any additional pertinent information related to contract performance.

(b) *Client Characteristics.* A report on the number of clients served through the Program in the previous Quarter and on the characteristics of those clients with respect to gender, race/ethnicity, age, and family income, and any other basis for determining eligibility for participation in the Program.

(c) *Program Income.* A report on the program income generated for the Quarter, if any, as more fully explained in Section 6 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Participant is permitted to retain program income.

8.2.2 Other Reports. In addition to the reports referenced in Section 8.2.1, Participant shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the activities under this Agreement, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with CDBG Requirements, as City may reasonably require from time to time.

9. INSURANCE AND INDEMNITY.

9.1 Insurance. Participant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policy of insurance:

Commercial General Liability Insurance. A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

Participant shall cause Lessee to procure and maintain, at Lessee's sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance*. A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance*. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk*. Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from the general contractor for the Project in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance*. Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and

agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Participant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 9.1 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Participant shall cause Lessee to maintain the insurance set forth in the Regulatory Agreement.

Participant agrees that the provisions of this Section 9.1 shall not be construed as limiting in any way the extent to which Participant may be held responsible for the payment of damages to any persons or property resulting from Participant's activities or the activities of any person or persons for which Participant is otherwise responsible or for Participant's indemnity obligations set forth in Section 9.2 herein. No later than the Insurance Approval Date, Participant shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is five (5) days after the Effective Date, or the date that Lessee and Irvine Company execute the Lease. City's approval of the insurance required hereunder is a Funding Condition.

9.2 Indemnification. Participant shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all liability, expense or damage of any kind or nature, and for, from and against any suits, claims or demands, including legal fees and expenses, on account of or arising out of this Agreement or otherwise in connection with the Property, Project or Program, except to the extent of such loss as may be caused by the sole negligence or willful misconduct of an Indemnitee. Upon receiving knowledge of any suit, claim or demand asserted by a third party that City believes is covered by this indemnity, City shall give Participant notice of the matter and an opportunity to defend it, at Participant's sole cost and expense, with legal counsel satisfactory to City.

10. REPRESENTATIONS AND WARRANTIES OF PARTICIPANT.

Participant makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Participant of this Agreement (i) are within the powers of Participant and upon its execution will constitute a legal, valid and binding obligation of Participant enforceable in accordance with its terms, and (ii) to Participant's knowledge, will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Participant is a party or by which Participant, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge

or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Participant's knowledge, all reports, papers, data and information given to City with respect to Participant and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Participant is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(d) *Pending Litigation.* There is not now pending, or to Participant's knowledge threatened, against or affecting Participant any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Participant.

(e) *Compliance.* Participant has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

11. DEFAULTS AND REMEDIES.

11.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse affect on the Property, and if corrective action is instituted by Participant within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 13.10, Participant does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 13.10, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.6.

(g) Any of the warranties or representations made by Participant herein are or become false, incorrect or misleading in any material respect and to the extent capable of being cured are not cured within the cure period set forth in subparagraph (c) above.

(h) Participant commits any act of bankruptcy or if any relief under the Bankruptcy Act is sought by or against Participant, or if a receiver is appointed to take charge of the assets or affairs of Participant, or if Participant should make an assignment for the benefit of creditors, or if Participant should become insolvent, or upon any liquidation or termination of Participant; provided, however, that if any such proceeding is brought involuntarily against Participant, Participant shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Participant, or the recording of any abstract of judgment against Participant, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Participant, or the entry of a judgment, order or decree against Participant, any or all of which would have a material and adverse effect upon Participant's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) Participant, JHC or Lessee shall default under any agreements, permits, development documents, construction contracts, bond agreements, or any other instrument executed in connection with the development of the Project or operation of the Project, including without limitation the construction contract, the Redevelopment Agency Grant Agreement, the HOME Loan Agreement, the HOME Grant Agreement, the Land Trust Loan Agreement or the Lease, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

(k) Participant, JHC or Lessee shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Participant has incurred any debt or other liability to City, the Redevelopment Agency, or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

11.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) City may take one or more of the following actions:

(a) Wholly or partially suspend or terminate this Agreement.

(b) Withhold further awards for the Project, including further disbursements of the City Grant.

(c) Require Participant to repay the City Grant funds.

(d) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Grant proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City Grant proceeds pending correction of the default by Participant.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it deprive the non-defaulting 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.

11.3 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

11.4 Applicable Law Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

11.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

11.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other

reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

12. TERMINATION.

In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(a) *Lack of Funding.* If, for any reason, the CDBG Funds required by City to fund the Eligible Project Expenses are not received by City or are withdrawn from City, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding. If a reduction in funding is required, City will provide Participant with a modified Project Budget. This subdivision (a) shall not be applicable after the date City has disbursed to Participant the funds for the City Grant, whether the funds provided by City are CDBG Funds or, at City's election and in its sole discretion, another source of funds.

(b) *Default.* If a default shall occur (other than a default of City), City may terminate this Agreement in whole or in part.

(c) *Failure to Receive Environmental Clearance.* In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(d) *Termination for Convenience.* This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

Notwithstanding the expiration or earlier termination of this Agreement, the following obligations of Participant shall survive the termination of this Agreement: (a) Participant's indemnity obligations; (b) the obligation to cause audits to be performed relating to Participant's activities and costs under this Agreement; (c) the obligation to repay to City any City Grant proceeds improperly disbursed to Participant or used for ineligible expenditures or otherwise required to be repaid under this Agreement; and (d) any other obligations which cannot by their nature be performed until after the expiration or termination of this Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

13. GENERAL PROVISIONS.

13.1 Notices. All notices required to be delivered under this Agreement to City or Participant shall be delivered to the respective parties at the address set forth next to the party's signature to this Agreement or to such other address as the parties may hereafter designate by written notice to the other party.

13.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under this Agreement.

13.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 13.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Participant; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Participant; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 13.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

13.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Participant pertaining to the Property and the Project as pertinent to the purposes of this Agreement.

13.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

13.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Grant. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant.

13.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted

by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

13.8 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to City. It is because of those qualifications and identity that City has entered into this Agreement with Participant. Accordingly, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any change in ownership or assign, transfer or convey all or any part of this Agreement or any rights hereunder or in the Property, Lessee or in the Project without City's prior written approval. In considering whether it will grant approval, City shall consider factors such as (a) whether the completion of the Project is jeopardized; (b) the financial credit, strength, and capability of the proposed transferee to perform Participant's obligations hereunder, including the operation of the Program on the Property; and (c) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects and programs. In the absence of specific written agreement by City, no transfer by Participant of all or any portion of its interest in the Property shall be deemed to relieve it or any successor party from the obligation to complete the Project or any other obligations under this Agreement. No assignment shall be approved if Participant is in default (or a default notice has been issued) of this Agreement. Participant shall be responsible for all costs incurred by City in connection with any request for approval of an assignment. Notwithstanding any provisions in this Section to the contrary, Participant shall have the right to transfer or convey all or any part of this Agreement or any rights hereunder or in the Property or in the Project, without City's prior written approval, to Lessee, JHC, an affiliate of JHC, or a limited partnership in which JHC is the general partner for the development and operation of the Project, so long as the purpose of said transfer or conveyance complies with and facilitates the terms and conditions of the Land Trust Loan Agreement. As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by JHC.

13.9 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Participant Representative shall be the person designated by Participant to administer this Agreement on behalf of Participant.

The City Manager or his designee shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein. The Participant Executive Director or his designee shall have the authority to consent to any matter requiring Participant approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of Participant as specified herein.

13.10 Covenants to Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. This Agreement shall be binding upon the parties hereto and their respective heirs, representatives, transferees,

successors, and assigns and all persons having any right, title or interest in the Property. All conditions, covenants, and restrictions contained in this Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by, City and its successors and assigns, against Participant, its successors and assigns, to or of the Property or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided hereinabove both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all rights and remedies, including maintaining an action at law or suit in equity or other proper proceedings to obtain damages or enforce the curing of such breach of agreement or covenant.

13.11 Monitoring. City shall monitor and evaluate Participant's performance under this Agreement to determine compliance with this Agreement and the CDBG Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide or cause to be provided to City the reasonable right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder.

13.12 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (a) such party is duly organized and existing, (b) they are duly authorized to execute and deliver this Agreement on behalf of said party, and (c) by so executing this Agreement, such party is formally bound to the provisions of this Agreement.

13.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

13.14 Exhibits. This Agreement incorporates by reference the following four (4) Exhibits attached hereto:

Exhibit A	Legal description of Property
Exhibit B	Project Budget
Exhibit C	Schedule of Performance
Exhibit D	Summary of Legal Requirements

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement to be effective as of the date set forth above.

Address:

City of Irvine
Community Development Department
Housing Division
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce, City Manager

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip Kohn, City Attorney

Address:

Irvine Community Land Trust
c/o City of Irvine
PO Box 19575
Irvine, CA 92623-9575
Attn: Executive Director

"PARTICIPANT"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: _____
Mary Ann Gaido, President

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

That certain real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 18 OF TRACT NO. 17086 AS SHOWN ON A MAP FILED IN BOOK 890, PAGES 1 TO 20, INCLUSIVE OF MISCELLANEOUS MAPS, RECORDS OF ORANGE COUNTY, CALIFORNIA.

APN: 580-154-02

EXHIBIT "B"

PROJECT BUDGET

Stonegate

Uses of Funds

Version: Investor Projections v1
Revised: September 28, 2010

	TOTAL	100.00% TOTAL RESIDENTIAL	0.00% TOTAL COMMERCIAL	DEPRECIABLE NON-DEPREC	DEPRECIABLE RESIDENTIAL	DEPRECIABLE NON-RES	EXPENSE	AMORTIZE	SEE NOTE BELOW TAX CREDIT ELIGIBLE CONST/ REHAB	TAX CREDIT ELIGIBLE ACQUIS.
Structures	5,665,786	5,665,786	0	0	5,665,786	0		0	4,980,139	
Site Work	2,231,543	2,231,543	0		2,231,543	0			1,961,492	
Furnishings included in contract	120,200	120,200	0		120,200	0			105,654	
Contractor Gen'l Req, Overhead and Profit	893,060	893,060	0	0	893,060	0			784,986	
Letter of Credit + Insurance	174,994	174,994	0		174,994	0			153,817	
Construction Contingency	726,847	726,847	0	0	726,847	0			638,887	
Local Permits/Fees	620,093	620,093	0	100,000	520,093				457,154	
Local Development Impact Fees	739,835	739,835	0	400,104	339,731				298,618	
Environmental	8,600	8,600	0		8,600	0			7,559	
Testing & Inspections	30,000	30,000	0		30,000	0			26,370	
Architecture	463,189	463,189	0		463,189	0			407,136	
Civil Engineering/Geotech/Landscape Arch.	411,872	411,872	0		411,872	0			362,029	
Appraisal	15,000	15,000	0	0	15,000				13,185	
Market Study	13,800	13,800	0					13,800	0	
Construction Loan Expenses	66,350	66,350	0		66,350	0			58,321	
Construction Loan Fees	76,154	76,154	0		76,154	0	0		66,938	
Construction Period Interest	583,475	583,475	0		350,085	0	233,390		307,719	
Construction Period Interest - ICLT (accrued)	18,900	18,900	0		12,600	0	6,300		11,075	
Construction Period Interest - City of Irvine (accrued)	6,400	6,400	0		4,267	0	2,133		3,750	
Title/Recording/Escrow - Construction	20,000	20,000	0		20,000	0			17,580	0
Title/Recording/Escrow - Permanent	35,000	35,000	0					35,000		
Permanent Loan Fees	16,870	16,870	0					16,870		
Real Estate Taxes During Construction	160,478	160,478	0		160,478	0	0		141,058	0
Insurance During Construction	206,000	206,000	0		206,000	0	0		181,071	0
Soft Cost Contingency	184,552	184,552	0		184,552	0			162,218	
TCAC Application/Monitoring Fee	125,568	125,568	0					125,568		
Legal:Construction Closing	48,960	48,960	0		48,960	0			43,035	0
Permanent Closing	8,160	8,160	0					8,160		
Syndication	44,880	44,880	0	44,880						
Syndication Financial Consulting	25,000	25,000	0	25,000						0
Audit/Cost Certification	25,000	25,000	0		12,500		12,500	0	10,987	
Furnishings	80,000	80,000	0		80,000	0			70,319	
CFD 07-01 Capitalized Payments	1,835,962	1,835,962	0	1,835,962						
Assessment District 07-22 Capitalized Payments	612,362	612,362	0	612,362						
Operating Reserve	144,658	144,658	0	144,658						
Marketing Account	65,000	65,000	0				65,000			
Signage & Internet wiring installation	75,000	75,000	0		75,000	0			65,924	
Construction management (3rd party)	114,500	114,500	0		114,500	0			100,644	
Additional scope	79,205	79,205	0	79,205	0					
Miscellaneous Admin Expenses	47,740	47,740	0		47,740				41,963	
Developer Fee	1,400,000	1,400,000	0		1,400,000	0			1,230,579	0
TOTAL DEVELOPMENT COSTS	**16,220,993**	**16,220,993**	**0**	**3,242,171**	**14,460,100**	**0**	**319,323**	**199,396**	**12,710,206**	**0**

NOTE: Eligible basis is reduced by the pro rata share of costs associated with the community room. The community room's pro rata share is 12.1%, which represents the hard cost to construct the community room as a percentage of the total structures cost.

EXHIBIT "C"

SCHEDULE OF PERFORMANCE

	TASK	TIME FOR PERFORMANCE
1.	Participant submits evidence of insurance to City (§ 9.1).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is 5 days after the Effective Date, or the date that Lessee and Irvine Company execute the Lease.
2.	Participant submits evidence of Lessee's financial capability to develop the Project to City (§ 2.4).	No later than 5 days after the execution of the Land Trust Loan Agreement by Participant and Lessee.
3.	Funding Conditions satisfied, including without limitation the execution of the Lease and City's approval of evidence of financial capability (§2.2).	No later than October 20, 2010.
4.	Participant commences or causes the commencement of the grading of the Property (§3.7).	No later than October 30, 2010.
5.	Participant commences or causes the commencement of construction of the vertical improvements for the Project (§3.7).	No later than November 5, 2010.
6.	Participant completes or causes the completion of construction of the Project (§3.7).	No later than April 30, 2012.
7.	Participant causes affordable housing Program to be operated on Property (§§ 4, 5.2).	For a period of 55 years in accordance with the Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of items of performance in the Schedule is not intended to supersede or modify any more complete description in the text; in the event of any conflict or inconsistency between this Schedule and text of the Agreement, the text of the Agreement shall govern. Times of performance under this Agreement may be extended by mutual written

agreement of City and Participant. The Contract Officer of City shall have the authority on behalf of City to approve extensions of time.

EXHIBIT "D"

SUMMARY OF LEGAL REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Participant shall comply, and shall cause all Participant Personnel to comply, with the following regulations and requirements.[1]

1. Equal Opportunity and Nondiscrimination.

a. Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Participant shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Participant shall enforce such covenant and shall not itself so discriminate.

b. Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234. The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*. This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. Executive Order 11246, as amended. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Participant requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Participant must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Participant will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

2. **Environmental**.

a. **Air and Water**. Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. **Flood Disaster Protection Act of 1973**. Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. **Lead-Based Paint**. Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 570.608, including 24 C.F.R. Part 35, *et. al.*

d. **Historic Preservation**. Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance**. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance, "neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Participant. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Grant. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

3. **Uniform Administrative Requirements**. Participant shall comply with the applicable uniform administrative requirements described in 24 C.F.R. § 570.502.

4. **Other Program Requirements**. Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 C.F.R. § 570 except for City's environmental responsibilities under 24 C.F.R. § 570.604 and City's responsibility for initiating the review process under the provisions of 24 C.F.R. Part 52.

5. **Reversion of Assets**. Upon the completion of the Project or the date the Project is required to be completed, or sooner termination of the Agreement, Participant shall transfer to City (a) any and all unexpended CDBG Funds, (b) any accounts receivable attributable to the use of CDBG Funds. In all cases in which equipment acquired, in whole or in part, with funds under this Agreement is sold, the proceeds shall be program income (prorated to reflect the extent to that funds received under this Agreement were used to acquire the equipment). Equipment not needed by Participant for activities under this Agreement shall at the election of City either be (a) transferred to City for the CDBG program, or (b) retained by Participant after compensating City an amount equal

to the current fair market value of the equipment less the percentage of non-CDBG funds used to acquire the equipment.

6. Relocation. City shall not be responsible for relocating any occupants from the Property in connection with the Program or Project. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601 *et seq.*, as amended, and implementing regulations, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to the provision of relocation assistance.

7. Allowable Costs and Audits. Participant shall comply with and administer the Project and Program in accordance with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable. If Participant is a governmental or quasi-governmental agency, the applicable sections of 24 CFR Part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," and OMB Circular A-87 shall apply. Participant shall have an annual audit conducted in accordance with OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

8. Records and Reports. Participant shall provide to City and shall cause each of its contractors, subcontractors and subrecipients to provide to City all records and reports relating to the Project and Program that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements, including but not limited to those described in the Agreement and 24 CFR 570.506.

9. Religious Organizations. If Participant is a religious organization as defined by the CDBG Requirements, Participant shall comply with all conditions prescribed by HUD for the use of CDBG funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. § 570.200(j).

10. Conflict of Interest. Participant will comply with 24 C.F.R. 84.42, 85.36 and 570.611 regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Participant shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Participant shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Participant, or any designated public agency.

11. Political Activity (24 CFR 570.207(a)(3)). Participant is prohibited from using CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration.

12. Anti-Lobbying Certification. By its execution of the Agreement, Participant hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Participant shall execute a separate document that contains the certifications set forth above.

13. Drug-Free Workplace Requirements. Participant shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

14. Procurement. If applicable, Participant will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Participant shall comply with all existing and future City policies concerning the purchase of equipment.

15. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Participant shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u),

the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Participant shall comply with the provisions of 24 C.F.R. 570.603 and related requirements. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Participant shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Participant shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Participant shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Participant shall comply and cause Participant Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section l(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant ',to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) **Withholding for unpaid wages and liquidated damages.** HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) **Subcontracts.** The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. **Health and Safety.** The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

ADDENDUM TO STONEGATE PROJECT AGREEMENTS

This ADDENDUM TO STONEGATE PROJECT AGREEMENTS ("**Addendum**") is dated this 14th day of October, 2010, and entered into by and among the CITY OF IRVINE, a California municipal corporation ("**City**"), the IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic ("**Agency**"), the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("**Land Trust**"), and STONEGATE HOUSING PARTNERS, L.P., a California limited partnership ("**Developer**").

RECITALS

A. This Addendum is made with reference to the following agreements entered into on or about October 4, 2010 (collectively, the "**Project Agreements**"):

i. the Redevelopment Housing Fund Grant Agreement ("**RDA Agreement**") between Agency and Land Trust for a $2,000,000.00 grant ("**RDA Funds**") to be provided by Agency to Land Trust, a portion of which is to be used for the Stonegate project;

ii. the Community Development Block Agreement ("**CDBG Agreement**") between City and Land Trust for a $464,164.00 grant ("**CDBG Funds**") to be provided by City to Land Trust;

iii. the HOME Grant Agreement ("**HOME Grant Agreement**") between City and Land Trust for a $288,727.00 grant ("**HOME Grant Funds**") to be provided by City to Land Trust;

iv. the Affordable Housing and Loan Agreement ("**HOME Loan Agreement**") between City and Jamboree Housing Corporation, whose interest was assigned to Developer, which agreement relates to a $397,495.00 loan ("**HOME Loan Funds**") to be provided by City to Developer; and

v. the Affordable Housing and Loan Agreement ("**Land Trust Loan Agreement**") between Land Trust and Developer for a $1,602,505.00 loan to be provided by Land Trust to Developer.

B. As of the date of this Addendum, the environmental clearance has not been obtained for, and City has not received from HUD, the HOME and CDBG funds to be provided under the Project Agreements.

C. The parties desire to enter into this Addendum to, among other things, extend the date for the satisfaction of the funding conditions under the Project Agreements and to provide that if the HOME and CDBG funds to be provided under the Project Agreements are not received by City, Land Trust will backfill the shortage with additional RDA Funds received by Land Trust under the RDA Agreement, on the terms set forth herein.

AGREEMENT

NOW THERFORE, City, Agency, Land Trust and Developer hereby agree as follows:

1. Defined Terms. All capitalized terms not defined herein shall have the meaning ascribed in the Project Agreements.

2. Extension of Dates to Satisfy Funding Conditions. The parties agree to extend the dates to satisfy the Funding Conditions in the Project Agreements as follows:

(i) RDA Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the RDA Agreement is hereby extended to December 1, 2010.

(ii) CDBG Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the CDBG Grant Agreement is hereby extended to December 1, 2010.

(iii) HOME Grant Agreement. City and Land Trust hereby agree that the date to satisfy the Funding Conditions in the HOME Grant Agreement is hereby extended to December 1, 2010.

(iv) HOME Loan Agreement. City and Developer hereby agree that the date to satisfy the Funding Conditions in the HOME Loan Agreement is hereby extended to December 1, 2010.

(v) Land Trust Loan Agreement. Land Trust and Developer hereby agree that the date to satisfy the Funding Conditions in the Land Trust Loan Agreement is hereby extended to December 1, 2010.

3. Substitution RDA Funds Provided if Federal Funds not Received. Pursuant to the RDA Grant Agreement, Land Trust is receiving a grant of RDA Funds from the Agency in the amount of $2,000,000.00, all of which is available to the Project if City does not receive from HUD any or all of the $464,164.00 CDBG Funds under the CDBG Agreement, the $288,727.00 HOME Grant Funds under the HOME Grant Agreement, or the $397,495.00 HOME Loan Funds under the HOME Loan Agreement (collectively, the "**Federal Funds**"), such that the cumulative total of RDA Funds and Federal Funds provided to the Project pursuant to the Project Agreements will equal $2,000,000.00. In connection therewith, if City does not receive the Federal Funds, and provided all of the Funding Conditions in the Project Agreements other than those related to the receipt of such Federal Funds from HUD are satisfied, the Federal Funds not received by City shall be replaced with RDA Funds, as follows:

(i) The RDA Funds that Land Trust is permitted to use for the Stonegate Project under the RDA Grant Agreement will increase by an amount equal to the Federal Funds not received by City.

(ii) The Federal Funds to be provided by Land Trust to Developer under the Land Trust Loan Agreement as part of the $1,602,505.00 will be replaced with RDA Funds to the extent the Federal Funds are not received by City.

(iii) As to the Federal Funds that constitute HOME funds to be provided by City to Developer under the HOME Loan Agreement, if such funds are not received by City, (a) the HOME Loan Agreement will be terminated; and (b) the amount of the loan the Land Trust is providing to Developer under the Land Trust Loan Agreement will increase by the sum of $397,495.00 and the source of such additional funds will be RDA Funds; (c) the terms for Developer's repayment of such increased loan amount shall be the same as the repayment terms for the HOME loan under the HOME Loan Agreement; and (d) the terms for repayment of the existing $1,602,505.00 Land Trust loan will remain the same.

(iv) The parties will amend the Project Agreements as necessary to effectuate the foregoing.

4. Eligible Loan and Grant Expenses. The Project expenses incurred by Developer that are eligible for payment out of the proceeds of the $2,000,000.00 funding to be provided under the Project Agreements are as follows ("**Eligible Expenses**"): (i) a developer fee payable to Developer in the amount of $350,000.00; (ii) the assessments applicable to the Site under Assessment District No. 07-22 that are required to be paid under the Lease in the approximate amount of $620,000.00; and (iii) development costs of the Project as set forth in the Project Budget. The CDBG Funds shall be applied toward payment of the assessments referred to in clause (ii) of the preceding sentence. The HOME Grant Funds and HOME Loan Funds shall be applied toward Eligible Expenses attributable to the 11 HOME Units. Provided City receives the Federal Funds, all of the funds shall be applied toward costs incurred after HUD approves the request for release of funds and related certifications. The Project Agreements are hereby deemed amended to effectuate the foregoing.

5. Execution and Recordation of Documents. Notwithstanding that the Funding Conditions have not been satisfied, the parties agree that the documents attached as exhibits to the Land Trust Loan Agreement and the HOME Loan Agreement that otherwise would be executed and recorded upon the satisfaction of the Funding Conditions (i.e., promissory notes, deeds of trust, regulatory agreements, etc.) shall be executed and recorded concurrently with the Construction Closing, with the understanding that if the Federal Funds are not received the documents will be amended to reflect the substitution of RDA Funds for the Federal Funds. The execution and recordation of such documents is for convenience purposes and does not in any way constitute a commitment of the Federal Funds.

6. Full Force and Effect; Conflicts. Except as expressly set forth in this Addendum, all terms, conditions, and provisions of the Project Agreements shall remain in full force and effect. If there is a conflict between the provisions of this Addendum and the provisions of the Project Agreements, the provisions of this Addendum shall control.

7. Execution in Counterparts. This Addendum may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

[Signatures on next page]

IN WITNESS WHEREOF, City, Agency, Land Trust and Developer have entered into this Addendum as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Acting Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"AGENCY"

IRVINE REDEVELOPMENT AGENCY, a public body, corporate and politic

By: _____
Name: Sean Joyce
Its: Executive Director

ATTEST:

_____
Agency Secretary

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Agency Counsel

"LAND TRUST"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: Mark Asturias
Name: Mark Astrias
Its: Executive Director

"DEVELOPER"

STONEGATE HOUSING PARTNERS, California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: Laura Archuleta
Laura Archuleta
Its: President

FIRST AMENDMENT TO GROUND LEASE

This First Amendment to Ground Lease ("**Amendment**") is executed as of February 10, 2011 by THE IRVINE COMPANY LLC, a Delaware limited liability company ("**Landlord**"), and STONEGATE HOUSING PARTNERS, LP, a California limited partnership ("**Tenant**").

RECITALS

A. Landlord and Tenant entered into that certain Ground Lease (the "**Lease**") dated October 4, 2010, concerning real property in the City of Irvine, California. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Lease.

B. Pursuant to Section 1.2 of the Ground Lease, Landlord and Tenant agreed that upon completion of the Subdivision, the Leased Land would include Parcel 1 only. The Subdivision was completed on November 2, 2010 with the recording of Parcel Map No. 2010-128.

C. The parties desire to amend the Ground Lease to further memorialize the modification of the Leased Land resulting from the Subdivision.

NOW, THEREFORE, Landlord and Tenant agree as follows:

1. Description of Leased Land: The land description attached to the Lease as Exhibit A is deleted and replaced with the description attached to this Amendment as Exhibit A. All references in the Lease to the "Leased Land" refer solely to the land described in Exhibit A attached to this Amendment and exclude the Reverting Parcel.

2. Further Assurances: Landlord and Tenant covenant and agree on behalf of themselves, their successors and assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish and deliver such other instruments, documents and statements, and to take such other reasonable action, as may be required by applicable law or necessary or useful to effectively carry out the purposes of this Amendment.

3. Incorporation of Recitals: The above Recitals are incorporated by this reference into the body of this Amendment.

4. Modification: Except as expressly modified herein, the provisions of the Lease remain unchanged. Landlord and Tenant acknowledge that this Amendment does not affect the rights and responsibilities of Landlord and Tenant in that certain Shared Use Agreement and Grant of Reciprocal Easements dated October 19, 2010, by and between Landlord (as the owner of the Reverting Parcel) and Tenant, recorded on December 17, 2010 as Instrument No. 2010000682621 in the Official Records of Orange County, California.

5. Binding: This Amendment shall be binding upon and inure to the benefit of the respective assigns (to the extent assignable), successors and legal representatives of each of the parties.

6. Counterparts: This Amendment may be executed in any number of counterparts, each of which is an original, but all of which shall constitute one instrument. Digitally transmitted signatures, including without limitation signatures transmitted by facsimile, are as effective as originals.

7. Authority: Each person executing this Amendment on behalf of a party represents and warrants that such person is duly and validly authorized to do so on behalf of the entity it purports to bind. Each party represents that it has the authority to enter into this Amendment and perform all of its obligations hereunder.

[*Signatures follow*]

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first written above.

LANDLORD:

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: Kenneth A. McCarren
Kenneth A. McCarren
Senior Vice President
IAC, Inc., authorized signatory

By: _____
Kevin A. Baldridge
Executive Vice President
IAC, Inc., authorized signatory

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first written above.

TENANT:

STONEGATE HOUSING PARTNERS, LP,
a California limited partnership

By: Stonegate Housing LLC,
a California limited liability company,
its Managing General Partner

By: Jamboree Housing Corporation,
a California nonprofit public
benefit corporation,
its Managing Member

By: _____
Marcy Torres
Executive Vice President and Chief Financial Officer

EXHIBIT "A"

LEGAL DESCRIPTION OF LEASED LAND

THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 OF PARCEL MAP NO. 2010-128 RECORDED ON NOVEMBER 2, 2010, IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM A PORTION THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

MORTGAGEE CONSENT

Reference is made to that certain Ground Lease ("**Lease**") dated October 4, 2010, between THE IRVINE COMPANY LLC, a Delaware limited liability company ("**Landlord**"), and STONEGATE HOUSING PARTNERS, LP, a California limited partnership ("**Tenant**").

The undersigned (i) acknowledge receipt of the First Amendment to Ground Lease to which this Consent is attached (the "**Amendment**") and (ii) consent to the execution and delivery of the Amendment and to the recordation in the public records of a memorandum reflecting the terms of the Amendment.

U.S. BANK NATIONAL ASSOCIATION,
a national banking association

By: _____
Name: Waheed Karim
Title: Vice President

CITY OF IRVINE,
a California municipal corporation

By: _____
Name: Eric Tolles
Title: Acting Director of Community Development

IRVINE COMMUNITY LAND TRUST
a California nonprofit public benefit corporation

By: _____
Name: Mark Asturias
Title: Executive Director

This Document was electronically recorded by
Chicago Title Commercial

Recorded in Official Records, Orange County
Tom Daly, Clerk-Recorder

24.00
2011000146126 12:42pm 03/21/11
37 402 A17 7
0.00 0.00 0.00 0.00 18.00 0.00 0.00 0.00

CHICAGO TITLE COMPANY

When Recorded, Return To:

Jamboree Housing Corporation
17701 Cowan Avenue, Suite 200
Irvine, CA 92614
Attn: Laura Archuleta

Mail Tax Statements To:

Jamboree Housing Corporation
17701 Cowan Avenue, Suite 200
Irvine, CA 92614
Attn: Laura Archuleta

Space above this line for Recorder s use only

FIRST AMENDMENT TO GROUND LEASE

(Short Form - Memorandum)

This First Amendment to Ground Lease (Short Form Memorandum) ("***Memorandum***") dated February 10, 2011, is by and between THE IRVINE COMPANY LLC, a Delaware limited liability company, with its principal office located at 110 Innovation Drive, Irvine, CA 92617, Attention: Kenneth McCarren ("***Landlord***"), and STONEGATE HOUSING PARTNERS, LP, a California limited partnership, with its principal office located at 17701 Cowan Avenue, Suite 200, Irvine, CA 92614 ("***Tenant***").

W I T N E S S E T H:

1. Landlord and Tenant entered into that certain Ground Lease (the "***Lease***") dated October 4, 2010, concerning real property in the City of Irvine, California. Capitalized terms not otherwise defined herein shall have the meaning assigned to such terms in the Lease.

2. Pursuant to that certain First Amendment to Ground Lease dated of even date herewith (the "***First Amendment***"), the land description attached to the Lease as Exhibit A was deleted and replaced with the description attached to this Memorandum as Exhibit A. All references in the Lease to the "Leased Land" refer solely to the land described in Exhibit A attached to this Memorandum and exclude the Reverting Parcel.

3. Except as expressly modified in the First Amendment, the provisions of the Lease remain unchanged. Landlord and Tenant acknowledge that the First Amendment does not affect the rights and responsibilities of Landlord and Tenant in that certain Shared Use Agreement and Grant of Reciprocal Easements dated October 19, 2010, by and between Landlord (as the owner of the Reverting Parcel) and Tenant, recorded on December 17, 2010 as Instrument No. 2010000682621 in the Official Records of Orange County, California.

This document is being recorded as an accommodation only and Chicago Title Company assumes no responsibility for correctness or validity thereof.

4. This Memorandum is prepared for the purpose of recordation, and it in no way modifies the provisions of the First Amendment. Should there be any inconsistency between the terms of this instrument and the First Amendment, the terms of the First Amendment shall prevail. The First Amendment is made upon the terms, conditions and covenants and provisions set forth at length in the First Amendment, each and all of which terms, conditions, covenants and provisions are incorporated in this Memorandum with the same force and effect as if set out at length in this Memorandum. This Memorandum may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

[SIGNATURES ON FOLLOWING PAGE]

[SIGNATURE PAGE TO FIRST AMENDMENT TO GROUND LEASE (SHORT FORM - MEMORANDUM)]

IN WITNESS WHEREOF, each of the parties hereto has executed this instrument as of the date first above written.

LANDLORD:

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: _____
Kevin A. Baldridge
Executive Vice President
IAC, Inc., authorized signatory

By: _____
Kenneth A. McCarren
Senior Vice President
IAC, Inc., authorized signatory

TENANT:

STONEGATE HOUSING PARTNERS, LP,
a California limited partnership

By: Stonegate Housing LLC,
a California limited liability company,
its general partner

By: Jamboree Housing Corporation,
a California nonprofit public benefit corporation,
its managing member

By: _____
Marcy Torres
Executive Vice President & CFO

[SIGNATURE PAGE TO FIRST AMENDMENT TO GROUND LEASE (SHORT FORM - MEMORANDUM)]

IN WITNESS WHEREOF, each of the parties hereto has executed this instrument as of the date first above written.

LANDLORD:

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: _____
Kevin A. Baldridge
Executive Vice President
IAC, Inc., authorized signatory

By: _____
Kenneth A. McCarren
Senior Vice President
IAC, Inc., authorized signatory

TENANT:

STONEGATE HOUSING PARTNERS, LP,
a California limited partnership

By: Stonegate Housing LLC,
a California limited liability company,
its general partner

By: Jamboree Housing Corporation,
a California nonprofit public benefit corporation,
its managing member

By: Marcy Torres
Marcy Torres
Executive Vice President & CFO

ACKNOWLEDGMENT

State of California
County of Orange)

On March 17, 2011 before me, Yolanda Dines, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

YOLANDA M. DINES
Commission # 1918912
Notary Public - California
Orange County
My Comm. Expires Dec 25, 2014

Signature Yolanda Dines (Seal)

ACKNOWLEDGMENTS

State of California)
County of Orange)

On February 14, 2011, before me, Susan R. Hanchin, Notary Public,
(here insert name and title of the officer)
personally appeared Marcy V. Torres,
who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument, and acknowledged to me that ~~he~~/she/~~they~~ executed the same in ~~his~~/her/~~their~~ authorized capacity(~~ies~~), and that by ~~his~~/her/~~their~~ signature~~(s)~~ on the instrument the person~~(s)~~, or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Susan R. Hanchin

SUSAN R. HANCHIN
Commission # 1754968
Notary Public - California
Orange County
My Comm. Expires Jul 2, 2011

(seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____

(seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF LEASED LAND

THE LAND REFERRED TO HEREIN IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 OF PARCEL MAP NO. 2010-128 RECORDED ON NOVEMBER 2, 2010, IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF ORANGE COUNTY, CALIFORNIA.

EXCEPTING FROM A PORTION THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

Supporting Documents from Table 1

Documents 27–30

Project Name: Doria Apartments Phase II

Year: 2012

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	7547
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	11/30/2012
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	NOT TO EXCEED 506810.00
CONTRACT NAME: As stated in 1st paragraph of contract	STONEGATE HOUSING PARTNERS II, LP
CONTRACT SUBJECT: As stated in Description of Services section of contract	AFFORDABLE HOUSING AND LOAN AGREEMENT (HOME FUNDS); CROSS REFERENCE CONTRACT 7546

ORIGINAL

AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

STONEGATE HOUSING PARTNERS II, L.P.,
a California limited partnership

TABLE OF CONTENTS

Page

1. DEFINITIONS 3

2. CITY LOAN 10
   - 2.1 Amount and Source of City Loan 10
   - 2.2 Permissible Use of City Loan; Eligible Loan Expenses 10
   - 2.3 City Loan Funding Conditions 10
   - 2.4 Disbursement of City Loan 11
   - 2.5 CDBG Grant Funds and HOME Grant Funds Disbursed First 12
   - 2.6 Repayment of City Loan; Leasehold Deed of Trust 12
   - 2.7 Execution and Delivery of Documents 12

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT 12
   - 3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company 12
   - 3.2 Scope of Development 13
   - 3.3 Development Approvals and Permits 13
   - 3.4 Construction Contract; Wage Rate 13
   - 3.5 Third Party Contracts 13
   - 3.6 No Debarred, Suspended, or Ineligible Parties 14
   - 3.7 Construction Meeting 14
   - 3.8 Schedule of Performance 15
   - 3.9 Rights of Inspection 15
   - 3.10 Insurance 16
   - 3.11 Financing the Project 17

4. USE OF THE SITE; PROGRAM ACTIVITIES 18
   - 4.1 General 18
   - 4.2 Ground Lease 18
   - 4.3 Program Activities 19
   - 4.4 Management 19
   - 4.5 Drug Free Covenant 19
   - 4.6 Program Defaults 19
   - 4.7 Occupants of Housing Facilities 20
   - 4.8 Monitoring 20
   - 4.9 Compliance with Laws and Regulations and HOME Requirements 20
   - 4.10 Program Income 21
   - 4.11 Relocation 21
   - 4.12 Affordability Covenants 21
   - 4.13 Indemnification 21
   - 4.14 Extended Use Agreement 22

5. RECORDS AND REPORTS 22
   - 5.1 Records 22

Page

5.2 Reports 23

6. TERMINATION 23
6.1 Termination 23
6.2 Obligations Survive Termination 24

7. DEFAULTS AND REMEDIES 24
7.1 Defaults-General 24
7.2 Remedies Upon Default 25
7.3 Institution of Legal Actions 26
7.4 Applicable Law and Venue 26
7.5 Rights and Remedies are Cumulative 26
7.6 Attorney's Fees 27

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 27

9. GENERAL PROVISIONS 28
9.1 Notices, Demands, and Communications Between the Parties 28
9.2 Nonliability of City Officials and Employees 29
9.4 Inspection of Books and Records 29
9.5 Interpretation 29
9.6 Entire Agreement, Waivers and Amendments 30
9.7 Severability 30
9.8 Prohibition Against Assignment and Transfer by Developer 30
9.9 Prohibition Against Assignment and Transfer by City 31
9.10 Third Party Beneficiaries 31
9.11 Authority to Execute Agreement 31
9.12 Contract Administration and Approvals 32
9.13 Covenants to Run with the Land 32
9.14 Time of the Essence 33
9.15 Counterparts 33
9.16 Attachments 33

EXHIBITS

1 Legal Description of Site
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 Promissory Note Secured by Leasehold Deed of Trust
6 Leasehold Deed of Trust with Assignment of Rents
7 Regulatory Agreement and Declaration of Covenants and Restrictions
8 Memorandum of Affordable Housing and Loan Agreement

AFFORDABLE HOUSING AND LOAN AGREEMENT

(Home Funds)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 30 day of November, 2012, by and between the CITY OF IRVINE, a California municipal corporation (the "**City**"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Developer**")

RECITALS

A. City participates in the HOME Investment Partnership Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. On or about June 13, 2011, as part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer in the amount of the City HOME Loan (defined below).

B. Pursuant to the federal Community Development Block Grant ("**CDBG**") program, the City received funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*) and the regulations promulgated thereunder (24 C.F.R. § 570, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**CDBG Funds**") to be used for the production and preservation of affordable housing within the City of Irvine. On or about June 13, 2011, as part of the City's annual CDBG funding process, the City approved an allocation of CDBG Funds to Developer in the amount of the City CDBG Loan (defined below).

C. Developer has entered into an option agreement to lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference ("**Site**"). The Site is comprised of approximately 2.704 acres, which will be the location of the second phase of a 134-unit project approved by Planning Commission Resolution No. 07-2821, referenced in Recital D below. Developer plans to cause to be developed a 74-unit affordable residential rental project and related improvements on a portion of the Site ("**Project**"), which is the second phase of the Stonegate Community Development. The Irvine Company, LLC, a Delaware limited liability company ("**Irvine Company**"), is the owner of fee title to the Site.

D. On or about April 5, 2007, the City's Planning Commission adopted Resolution Nos. 07-2820, 07-2821, and 07-2822, which, in general, approved master plan applications for the development of three (3) multi-story residential apartment communities ("**Stonegate Community Development**"), generally located along the north side of Irvine Boulevard between Sand Canyon Avenue and Groveland in the community village of Stonegate (Planning Area 9B). Specific for purposes of this Agreement, Planning Commission Resolution No. 07-2821 approved the master plan (as extended) for the development of 134 residential apartment units, lot 700 of Vesting Tentative Tract 16927, totaling 6.08 acres, which residential apartment

units are to be affordable so that Irvine Company may fulfill its obligations pursuant to the Master Affordable Housing Plan for the Northern Sphere and satisfy affordable housing obligations under Chapter 2-3 of the Irvine Zoning Ordinance (the "**Master Project**"). An affiliate of Developer developed "Phase 1" of the Master Project, and Developer now intends to develop "Phase 2" of the Master Project.

E. City desires to assist with certain costs attributable to eleven (11) of the Project units referred to herein as the "**HOME Units**" by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in the amount not to exceed the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) ("**City HOME Loan**"), on the terms set forth herein, and (b) providing financial assistance to the Irvine Community Land Trust ("**Land Trust**") in the form of a grant of HOME Funds in the amount not to exceed the sum of Four Hundred Thousand Five Hundred Seventy-Two Dollars ($400,572.00) ("**HOME Grant Funds**"). The Land Trust and Developer are each members of the general partner of the limited partnership entity formed to acquire the leasehold in the Site and develop the Project. The Land Trust will be required to use the HOME Grant Funds for certain costs associated with the HOME Units pursuant to a separate loan agreement (the "**Land Trust HOME Loan Agreement**").

F. City desires to assist with certain soft costs attributable to the Project by (a) providing financial assistance to Developer in the form of a loan of CDBG Funds in the amount not to exceed the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("**City CDBG Loan**"), on the terms set forth in a separate loan agreement (the "**City CDBG Loan Agreement**") and (b) providing financial assistance to the Land Trust in the form of a grant of CDBG Funds in the amount not to exceed the sum of Two Hundred Eighty-Eight Thousand Nineteen Dollars ($288,019.00) ("**CDBG Grant Funds**"), which the Land Trust will be required to use the CDBG Grant Funds for certain costs associated with the Project pursuant to a separate loan agreement (the "**Land Trust CDBG Loan Agreement**").

G. Pursuant to that certain Redevelopment Affordable Housing Funds Grant Agreement approved by the Department of Finance on the Recognized Obligation Payment Schedule covering the periods of January 1-June 30, 2012, and July 1-December 31, 2012, the Land Trust received former redevelopment agency low and moderate income housing set aside funds in the amount of Nine Hundred Eleven Thousand Four Hundred Nine Dollars ($911,409.00) ("**Set-Aside Grant Funds**"), which the Land Trust will use for certain costs associated with the Project pursuant to a separate loan agreement (the "**Land Trust Set-Aside Loan Agreement**").

H. The Project will be subject to certain affordability covenants requiring that the HOME Units and certain other residential units be rented to income eligible households at an affordable rent.

I. The acquisition of the Site and development and operation of the Project thereon pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall have the meaning ascribed in the City HOME Funds Regulatory Agreement.

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/developer for disbursements of HOME Funds.

"Bank Loan Funds" shall mean the construction and permanent loan amount not to exceed $11,000,000.00, as specified in the Commitment Letter, dated March 9, 2012, to Jamboree.

"Business day" shall mean every day of the week for which City Hall for the City of Irvine is open to the public.

"CalHFA Loan Funds" shall mean the permanent loan amount not to exceed $1,169,850, as specified in the Commitment Letter, dated July 23, 2012 (as amended December 14, 2012), from the California Finance Housing Agency, to Jamboree.

"CDBG Funds" shall mean the funds allocated to City by HUD pursuant to the federal Community Development Block Grant ("**CDBG**") program, the City received funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*) and the regulations promulgated thereunder (24 C.F.R. § 570, *et seq.*).

"CDBG Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the CDBG Grant Funds.

"CDBG Grant Funds" "shall mean the CDBG Funds in the amount of $288,019.00 that it is anticipated will be provided for the Project, by City to the Land Trust in the form of a grant under the CDBG Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust CDBG Loan Agreement.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City CDBG Loan" shall have the meaning set forth in Recital F above.

"City CDBG Loan Agreement" shall have the meaning set forth in Recital F above.

"City CDBG Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City CDBG Funds) to be entered into between City and Developer in such form as approved by City, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the City CDBG Loan.

"City HOME Loan" shall have the meaning set forth in Recital E above.

"City HOME Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) to be entered into between City and Developer in such form attached to this Agreement, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the City HOME Loan.

"City Loan", under this Agreement, shall mean the City HOME Loan.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City Loan to City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Loan.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager of City to administer this Agreement.

"County" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"County Loan Funds" shall mean the permanent loan amount not to exceed $1,170,296, as specified in the Commitment Letter, dated March 21, 2012, from OC Community Resources, a department of the County, to Jamboree.

"Developer" shall mean STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership, having its offices at 17701 Cowan Avenue, Suite 200, Irvine, CA 92614. The term "Developer" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"Developer Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full

compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Developer Representative" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Laura Archuleta is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"Effective Date" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"Eligible Loan Expenses" shall mean the prorated costs of the taxes and assessments applicable to the Site for CFD No. 07-1 and Assessment District No. 07-22 that are required to be paid under the Ground Lease as of the closing of the Construction Escrow and other acquisition and development costs approved by City that are payable at, or incurred as of, the closing of the Construction Escrow and attributable to the eleven (11) HOME Units.

"Eligible Tenant" shall mean a tenant of one of the Residential Units (other than the HOME Units) within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular Residential Unit as set forth in the HOME Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Eligible HOME Unit Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income does not exceed the limit permitted for the particular HOME Unit as set forth in the HOME Unit Mix.

"Escrow Holder" shall mean Chicago Title Company, the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing the City Loan to Developer.

"Funding Conditions Satisfaction Date" shall mean the date on which all of the Funding Conditions are actually satisfied.

"Ground Lease" shall mean the binding lease agreement to be entered into between Developer, as lessee, and Irvine Company, as lessor, for the lease of the Site to the Developer, consistent with the terms of Section 3.1 of this Agreement, and approved by City.

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the HOME Grant Funds.

"HOME Grant Funds" shall mean the HOME Funds in the amount of $400,572.00 that it is anticipated will be provided for the HOME Units, by City to the Land Trust in the form of a grant under the HOME Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust HOME Loan Agreement.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference. Developer is a community housing development organization ("CHDO") under 24 C.F.R. § 92.2. In the event City is permitted under the HOME Requirements and by HUD to designate the City Loan proceeds as part of the 15% HOME allocation that City is required to invest in housing developed, sponsored or owned by a CHDO, the HOME Requirements shall include all requirements applicable to CHDOs.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

- 5 two-bedroom units and 4 three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

- 2 one-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

"HOME Units" shall mean eleven (11) units in the Project comprised of 2 one-bedroom units, 5 two-bedroom units, and 4 three-bedroom units, which shall be income restricted in accordance with the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 74 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

"Housing Successor Entity" shall mean the City pursuant to the election by the City to become the housing successor entity for the Irvine Redevelopment Agency pursuant to Health and Safety Code Section 34176, added by the enactment of Assembly Bill 26 from the First Extraordinary Session of the 2011-12 California Legislative Session ("AB 26x").

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

"HUD CC Grant" shall mean that certain grant by HUD to Jamboree of $400,000 in connection with HUD's Continuum of Care program.

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Land Trust Loan Agreements" shall mean the agreements to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer an aggregate amount not to exceed the sum of $1,600,000.00 for acquisition and development costs for the Project, which funds shall be comprised of the Land Trust CDBG Loan, the Land Trust HOME Loan and the Land Trust Set-Aside Loan. The Land Trust Loan Agreements are the Land Trust CDBG Loan Agreement, the Land Trust HOME Loan Agreement and the Land Trust Set-Aside Loan Agreement.

"Land Trust CDBG Loan" shall mean the loan from Land Trust to Developer in an amount equal to the CDBG Grant Funds for acquisition and development costs for the Project.

"Land Trust CDBG Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust CDBG Loan.

"Land Trust CDBG Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust CDBG Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust CDBG Loan.

"Land Trust HOME Loan" shall mean the loan from Land Trust to Developer in an amount equal to the HOME Grant Funds for acquisition and development costs for the Project.

"Land Trust HOME Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust HOME Loan.

"Land Trust HOME Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust HOME Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust HOME Loan.

"Land Trust Set-Aside Loan" shall mean the loan from Land Trust to Developer in an amount equal to the Set-Aside Grant Funds for acquisition and development costs for the Project.

"Land Trust Set-Aside Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust Set-Aside Loan.

"Land Trust Set-Aside Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust Set-Aside Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust,

which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust Set-Aside Loan.

"Land Use Affordable Housing Regulatory Agreements" shall mean the two agreements to be entered into between City and Irvine Company in such form as approved by City, which will be recorded against fee title to the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City Note.

"Master Affordable Housing Plan" and "MAHP" shall mean that certain Master Affordable Housing Plan for the Northern Sphere, as amended November 2007, which implements that land use affordable housing controls as agreed by the Irvine Company for various planning areas in the City, including the planning area for which the Site and Project are located.

"Master Project" shall have the meaning ascribed in Recital D of this Agreement.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements. Upon request by Developer, City shall provide to Developer the amount of the Median Income.

"Memorandum" shall mean the Memorandum of Affordable Housing and Loan Agreement substantially in the form attached hereto as Attachment No. 8.

"Option to Lease" shall mean that certain Option to Lease by and between Jamboree and Irvine Company, dated July 22, 2011, as modified by that certain undated letter agreement by and between Jamboree and Irvine Company, that collectively set forth the terms and conditions for Jamboree (or is permitted assignee) to exercise an option to purchase a leasehold interest in the Site.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement and the City HOME Funds Regulatory Agreement, all activities assisted with the City Loan, and all other obligations under this Agreement and the City HOME Funds Regulatory Agreement that Developer is required to perform.

"Project" shall mean the acquisition of the leasehold interest in the Site and the grading of the Site and the development on the Site of a 74-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 74 units shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants, and the HOME Units shall comply with the HOME Unit Mix and the City HOME Funds Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the Project set forth in Attachment No. 4 to this Agreement, which is incorporated herein by this reference. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Regulatory Agreement" shall mean the City HOME Funds Regulatory Agreement and Declaration of Covenants and Restrictions substantially in the form attached hereto as Attachment No. 7.

"Residential Unit(s)" shall mean the seventy-four (74) residential units to be developed on the Site. The Residential Units shall include the HOME Units, to be comprised of one-bedroom, two-bedroom and three-bedroom units in accordance with the HOME Unit Mix.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Set-Aside Funds" shall mean the encumbered low- and moderate-income housing funds initially held by the Irvine Redevelopment Agency, which funds were transferred to the Housing Successor Entity by operation of law pursuant to California Health & Safety Code § 34176.

"Set-Aside Grant Funds" shall mean the Set-Aside Funds in the amount of $911,409.00 that it is anticipated will be provided for the Project, by City to the Land Trust in the form of a grant under the Set-Aside Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust Set-Aside Loan Agreement.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference.

2. CITY LOAN.

2.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible Loan Expenses in the form of a loan not to exceed the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) ("**City Loan**"). The source of the City Loan is HOME Funds.

2.2 Permissible Use of City Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City Loan proceeds only for the Eligible Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* Chicago Title Company or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City Title Policy**"), with liability in the amount of the City Loan, showing the leasehold interest in the Site vested in Developer, insuring in favor of City the Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by City in its sole and absolute discretion. Developer shall pay the premium for the City Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.10 of this Agreement.

(d) *Plans and Permits.* Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financing.* City shall have approved Developer's evidence of financing in accordance with Section 3.11.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Ground Lease.* Developer shall have entered into the Ground Lease with Irvine Company and the Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance of either party thereunder and the fulfillment of the Ground Lease and Developer's possession of the Site is absolute and not terminable and not subject to any unsatisfied conditions).

(g) *Other Agreements.* The City CDBG Loan Agreement, the Land Trust Loan Agreements, the CDBG Grant Agreement, and the HOME Grant Agreement shall have been executed and all conditions to the initial disbursement of funds under said agreement shall have been satisfied, and no default by the Developer shall exist under the City CDBG Loan Agreement and the Land Trust Loan Agreements.

(h) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(i) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(j) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(k) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Loan.

(l) *Land Use Regulatory Agreements.* City and Irvine Company shall have approved the form of and executed the Land Use Affordable Housing Regulatory Agreements and the agreements shall have been recorded against the Site and senior to all liens securing any financing.

In the event that any of the Funding Conditions are not satisfied on or before December 15, 2012, or such later deadline as may be mutually approved in writing by City and Developer in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

2.4 Disbursement of City Loan. Provided Developer is not in default of this Agreement, the City Loan shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the City Loan proceeds to the Eligible Loan Expenses. Disbursement of the City Loan to Developer may be made in more than one draw. Developer shall not request disbursement from the Construction Escrow for the final draw of the City Loan until Developer is prepared to be able to provide City within 120 days thereafter with such project completion information as is required by 24 CFR 92.502(d)(1). In the event the Eligible Loan Expenses are not incurred by Developer within fifteen (15) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer return the City Loan proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Loan proceeds were improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements.

2.5 CDBG Grant Funds and HOME Grant Funds Disbursed First. Notwithstanding any other provision of this Agreement to the contrary, no disbursements of the City Loan shall be made until such time that all of the CDBG Grant Funds and HOME Grant Funds have been disbursed by City to the Land Trust and by the Land Trust to the Developer for the Project. Nothing herein is intended to preclude the concurrent disbursement of the CDBG Grant Funds, HOME Grant Funds and the City Loan.

2.6 Repayment of City Loan; Leasehold Deed of Trust. Developer's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Site. Developer's obligation to repay the City Loan will be secured by the Leasehold Deed of Trust. The Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the Leasehold Deed of Trust.

2.7 Execution and Delivery of Documents. No later than two (2) days after the Effective Date, or such later date as approved by City, Developer shall deliver to City the following documents to be held by City in trust until the Funding Conditions Satisfaction Date or deposited into the Construction Escrow with the approval of City: (a) the City Note, executed by Developer; (b) the Leasehold Deed of Trust, executed and acknowledged by Developer; (c) the City HOME Funds Regulatory Agreement, executed and acknowledged by Developer; and (d) the Memorandum, executed and acknowledged by Developer. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds to Developer, City shall execute the City HOME Funds Regulatory Agreement and the Memorandum, and shall cause the City HOME Funds Regulatory Agreement, the Memorandum, and the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California. In the event the Funding Conditions are not satisfied and this Agreement is terminated pursuant to Section 2.3, City shall return to Developer the documents delivered by Developer to City pursuant to this Section. Notwithstanding any provisions in this Section to the contrary, the Land Use Affordable Housing Regulatory Agreements shall have been executed and recorded, or delivered to Escrow Holder and recorded the day prior to the close of Construction Escrow, prior to City having any obligation to disburse to Developer any of the City Loan funds.

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT.

3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company. Developer represents to City that Developer has entered into the Option to Lease, in which Developer has agreed to enter into the Ground Lease of the Site on terms and conditions more fully set forth therein. Developer shall keep City informed of the status of the Option to Lease, including any amendment thereto or termination thereof, and Developer shall promptly notify City in writing of the anticipated date of execution of the Ground Lease once the Developer and Irvine Company have determined said date. From and after the Effective Date of this Agreement, Developer shall exercise diligent efforts to finalize the terms and enter into the Ground Lease with Irvine Company for the lease of the Site no later than the date specified in the Option to Lease. The Ground Lease (a) shall have a term of no less than the lesser of (i) fifty-

eight (58) years or (ii) fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, (b) shall permit the Site to be developed and operated in accordance with the terms set forth in this Agreement (which by definition includes the Attachments), and shall otherwise be consistent with this Agreement, such that compliance with this Agreement will not cause a default under the Ground Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Developer, (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Developer under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Site in accordance with the Ground Lease, and (e) shall provide that modifications to the Ground Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of City. City shall have the right to approve the form of the Ground Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Ground Lease by Developer and Irvine Company, Developer shall deliver a copy of the executed Ground Lease to City.

3.2 Scope of Development. Developer shall develop the Project on the Site in strict accordance with the plans and drawings approved by City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Site, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Site and the Project other than building permits. Prior to commencement of development of any other improvements to the Site, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract; Wage Rate. Developer acknowledges that the requirements of Section 3.5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and requirements. Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with a construction contract and posted for the Project.

3.5 Third Party Contracts . If Developer enters into any agreements ("Third Party Contracts") with contractor(s) for the construction of the Project ("Other Contacting Party"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make

available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Site for purposes of this Agreement and evaluating Developer's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Developer shall include or cause to be included in its construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City. If Developer believes that any of the HOME Requirements are not applicable to a Third Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion, but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third Party Contracts.

3.6 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.7 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this Section may be satisfied by a regular weekly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.8 Schedule of Performance.

(a) Subject to subsection (b) below and the force majeure provisions of Section 9.3 of this Agreement, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive business days, except when due to causes beyond the control and without the fault of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City. During the course of construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

(b) In the event that the Funding Conditions are not satisfied by the time for performance identified as Item #4 in the Schedule of Performance because (i) Developer was unable to close the Construction Escrow by such date due to the unavailability of all financing specific to the construction of the Project as approved by the City, and (ii) the inability of Developer to close the Construction Escrow was not caused by Developer's failure to diligently pursue such financing, then the Contract Officer may extend the times for performance in the Schedule of Performance according to the following: (A) the Funding Conditions (Item #4 in the Schedule of Performance) shall be satisfied, and the Construction Escrow shall close, as soon as possible after December 15, 2012, but in no event later than January 31, 2013, unless a later deadline is mutually approved by the Developer and City; and (B) Developer shall commence or cause the commencement of the grading of the Site and the construction of the vertical improvements for the Project (Items #7 & #8 in the Schedule of Performance) no later than two (2) months after the close of the Construction Escrow. Except as provided in this subsection (b), the times for performance shall remain as set forth in the Schedule of Performance. The Contract Officer may not unreasonably withhold his/her approval of any requested extension of Items #4, #7 and #8 as contemplated by this Section 3.8(b); provided, however, in the event the Contract Officer does not extend such time for performance, then Developer or the City may terminate this Agreement (and all related documents) by written notice delivered to the other party, and any funds disbursed to Developer shall be returned to the City without any further liability of Developer or the City.

3.9 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Site during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.9 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained

solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.10 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.10 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the City HOME Funds Regulatory Agreement.

Developer agrees that the provisions of this Section 3.10 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of

damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. No later than the Insurance Approval Date, Developer shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is five (5) days after the Effective Date, or the date that Developer and Irvine Company execute the Ground Lease. City's approval of Developer's insurance is a Funding Condition.

3.11 Financing the Project.

3.11.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to Section 2, Developer shall be responsible for all costs of developing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses payable to existing occupants of the Site; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; legal fees and any necessary public improvements not already provided to the Site under the Master Project.

3.11.2 Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City and the mortgage or encumbrance (deed of trust) complies with one of the following: (a) a deed of trust(s) that secures the Bank Loan Funds; or (b) a deed of trust(s) that secures the County Loan Funds, with such deed of trust and other loan documents consistent with the County of Orange Commitment Letter and other terms Developer provided to City prior to the date of this Agreement; or (c) a deed of trust(s) that secures the CalHFA Loan Funds, with such deed of trust and other loan documents consistent with the CalHFA Commitment Letter and other terms Developer provided to City prior to the date of this Agreement; or (d) a regulatory agreement in connection with the equity investment of Jamboree in Developer with funds from the HUD CC Grant; or (e) a deed of trust securing financing for the development and operation of the Project for which the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("**Permitted Encumbrances**").

3.11.3 Evidence of Financial Capability. No later than two (2) days after the Effective Date, Developer shall submit to City evidence reasonably satisfactory to City that

Developer has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.11.4 Subordination. The City Manger of City and the Community Development Director or their respective designees each shall have the authority on behalf of City to enter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the Leasehold Deed of Trust to the regulatory agreement required by HUD in connection with the HUD CC Grant and the priority lien(s) (deeds of trust) securing the Bank Loan Funds, the County Loan Funds and the CalHFA Loan Funds by subordination agreements approved in form by City in its reasonable discretion. City shall also subordinate the City HOME Funds Regulatory Agreement to the Bank Loan Funds and the CalHFA Loan Funds provided the Land Use Affordable Housing Regulatory Agreements remain senior. The Land Use Affordable Housing Regulatory Agreements shall be senior to all liens (deeds of trust) securing financing for the Project and shall continue to apply to the Project and the Site in the event of a foreclosure (or deed in lieu thereof) by any lienholder.

4. USE OF THE SITE; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement and the City HOME Funds Regulatory Agreement, consistent with the HOME Requirements. The City HOME Funds Regulatory Agreement contains provisions requiring the units on the Site be maintained as affordable rental units for a period of twenty (20) years.

4.2 Ground Lease. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a

default thereunder. Developer shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its reasonable discretion. Developer shall provide to City notice of any defaults or notices of default under the Ground Lease.

4.3 Program Activities. Developer shall operate the Program and perform all Program Activities in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Developer shall operate the Program and perform the Program Activities in compliance with the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein. In addition to the quarterly reports referred to in Section 5.2, Developer shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct that is not in compliance with Section 4.6 or knowingly allows such conduct to occur at the Site or by Developer Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Developer immediately replace such manager or supervisor for the Program.

4.5 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Site. Developer covenants to City that Developer shall use its best efforts to ensure that all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

4.6 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt,

scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Site, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.8 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.9 Compliance with Laws and Regulations and HOME Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Developer provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Loan is funds received from HUD pursuant to the federal government's HOME program, Developer is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the

noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 4.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

4.10 Program Income. Developer shall submit to City quarterly reports as set forth in Section 5.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.11 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If relocation is required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.11.

4.12 Affordability Covenants. Developer acknowledges and agrees that the rental units on the Site will be required to be maintained as affordable rental units in accordance with the City HOME Funds Regulatory Agreement.

4.13 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.14 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which will be recorded against the Site. City acknowledges that, in the event of a foreclosure of its interest under the Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the HOME Requirements, records demonstrating the eligibility of the activities constituting the Eligible Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements, to identify and account for the use of the City Loan proceeds and expenditures of Eligible Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD, the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be

subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Quarterly Reports. No later than fifteen (15) days after the end of each Quarter, Developer shall submit to City the following quarterly reports on forms approved by the Contract Officer:

(a) *Performance Reports*. A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter, progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income*. A report on the program income generated for the Quarter, if any, as more fully explained in Section 4.10 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with applicable HOME Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(i) *Lack of Funding*. If, for any reason beyond the control of City, the HOME Funds required by City to fund the Eligible Loan Expenses are withdrawn from City by HUD, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Developer. This subdivision shall not be applicable after the date the City has disbursed to Developer (i) the funds for the City Loan or (ii) City obtains, at City's election and in its sole discretion, another source of funds acceptable to Developer, in Developer's sole discretion.

(ii) *Default*. If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(iii) *Failure to Receive Environmental Clearance*. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(iv) *Termination for Convenience*. This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse affect on the Site, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.6.

(g) Subject to the notice and cure provisions in Subsection (c) above, any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default (other than by City) of the City CDBG Loan Agreement, or there is a default (other than by Land Trust) of the Land Trust Loan Agreements, after expiration of any notice and cure periods in the applicable agreement(s).

(k) Developer shall default under the Ground Lease and such default is not cured within any grace and cure period expressly provided in the Ground Lease.

(l) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Site, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(i) Wholly or partially suspend or terminate this Agreement.

(ii) Withhold further awards for the Project, including further disbursements of the City Loan.

(iii) Require Developer to repay the City Loan funds.

(iv) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, Irvine Company (or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Developer.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

7.4 Applicable Law and Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or

different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Site and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse affect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation.* There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action,

suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Site or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Site and Project. .

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to::

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Developer:	Stonegate Housing Partners II, L.P. 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed

effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to this Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Developer under the loan documents at the address set forth in the Rider.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply.

The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Director of Community Development for the City of Irvine or designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Prohibition Against Assignment and Transfer by Developer. The qualifications and identity of Developer are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Developer and entered into this Agreement with Developer. Accordingly, except as expressly set forth herein, Developer shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership, or transfer or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. The term "significant change in ownership" shall mean any change by virtue of which Jamboree Housing Corporation does not continue to be the managing member of the general partner of Developer.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 9.8:

(a) a leasehold interest in a residential unit to an Eligible Tenant for Affordable Rent, in accordance with the City HOME Funds Regulatory Agreement and pursuant to a lease form approved by City in accordance with the City HOME Funds Regulatory Agreement; or

(b) any Permitted Encumbrance; or

(c) a transfer of the Developer's leasehold interest in the Site and the Project to Jamboree, provided Jamboree assumes from the Developer this Agreement and all of the agreements attached as exhibits hereto; or

(d) the removal of the general partner of the Developer for any default under the Developer's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project; or

(e) a transfer of the limited partnership interest in the Developer from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may, with the approval of Developer, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the Land Trust.

9.10 Third Party Beneficiaries. The Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 9.10, no person or entity other than Developer, City and the Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Loan, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Site until the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed ("**Completion Date**"). Accordingly, the provisions of this Section 9.13 shall be applicable until the Completion Date.

This Agreement is designed to create equitable servitudes and covenants running with the Site, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

City shall execute, acknowledge, and deliver to Developer upon Developer's request after the Completion Date, a document in recordable form removing the Memorandum from title to the Site. The removal of the Memorandum from title shall not result in a termination of this Agreement as between Developer and City but any party thereafter owning or acquiring Developer's interest in the Site shall not because of such ownership or acquisition incur any obligation under this Agreement, but such party shall be subject to any other recorded agreements, including without limitation the City HOME Funds Regulatory Agreement and the Leasehold Deed of Trust.

The parties acknowledge that the Memorandum, Regulatory Agreement and Leasehold Deed of Trust recorded against the Site will encumber Developer's leasehold interest in the Site and not the fee interest in the Site.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Summary of Legal Requirements for HOME Funds
4	Project Budget
5	Promissory Note Secured by Leasehold Deed of Trust
6	Leasehold Deed of Trust with Assignment of Rents
7	Regulatory Agreement and Declaration of Covenants and Restrictions
8	Memorandum of Affordable Housing and Loan Agreement

[Signatures on next page]

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____, Deputy City Clerk
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

STONEGATE HOUSING PARTNERS II, LP, California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE

SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 2

AMENDED

SCHEDULE OF PERFORMANCE

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.10 (§ 3.10).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is 5 days after the Effective Date, or the date that Developer and Irvine Company execute the Ground Lease.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.11.3).	No later than 2 days after the Effective Date.
3.	Developer executes and delivers to City the City Note, Leasehold Deed of Trust, Regulatory Agreement and Memorandum (§ 2.7).	No later than 2 days after the Effective Date, or such later date as approved by City.
4.	Funding Conditions are satisfied (§ 2.3).	No later than January 31, 2013.
5.	City executes Regulatory Agreement and Memorandum and causes Regulatory Agreement, Memorandum and Leasehold Deed of Trust to be recorded (§ 2.7).	Within 10 days after the date all of the Funding Conditions are satisfied. Recording shall occur concurrently with the close of the Construction Escrow provided the Funding Conditions are satisfied.
6.	City disburses City Loan to Developer (§ 2.4).	Upon the closing of the Construction Escrow provided the Funding Conditions are satisfied.
7.	Developer commences or causes the commencement of the grading of the Site (§ 3.8).	No later than January 31, 2013.
8.	Developer commences or causes the commencement of construction of the vertical improvements for the Project (§ 3.8).	No later than April 15, 2013.

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
9.	Developer completes construction of the Project (§ 3.8).	No later than December 31, 2013.
10.	Developer causes affordable housing Program to be operated on the Site.	For a period of 20 years in accordance with the City HOME Funds Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS FOR HOME FUNDS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. **Use of the HOME Funds**. The City Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Developer.

2. **Affordability**. The units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the City HOME Funds Regulatory Agreement,[2] whichever is more restrictive. If the units do not meet the affordability requirements of the HOME Requirements for the specified time period, Developer shall repay the City Loan to City promptly upon demand by City. In such event, Developer shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the City HOME Funds Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1**. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Site, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

c. **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794.** This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. **Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*.** This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. **Executive Order 11246, as amended.** This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned

business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. **Nondiscrimination**. Developer shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. **Environmental**.

a. **Air and Water**. Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. **Flood Disaster Protection Act of 1973**. Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. **Lead-Based Paint**. Developer shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. al.*

d. **Historic Preservation**. Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance**. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Loan. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient

may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. Uniform Administrative Requirements. Developer shall comply with applicable uniform administrative requirements as described in 24 C.F.R. §§ 92.205.

6. Other Program Requirements. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92 except for City's responsibility for initiating the environmental review process under the provisions of 24 C.F.R. Part 58.

7. Intentionally Omitted.

8. Intentionally Omitted.

9. Project Requirements. Developer shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

10. Property Standards. Developer shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

11. Records and Reports. Developer shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

12. Intentionally Omitted.

13. Conflict of Interest. Developer will comply with 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with

respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

14. Intentionally Omitted.

15. Affirmative Marketing. If the City Loan will be used for housing containing 5 or more assisted units, Developer shall establish for City's review and approval a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Developer shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Developer must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Developer to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Developer to affirmatively market units and records to assess the results of those actions; and

e. a description of how Developer will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

16. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Developer shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

17. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Developer shall comply with all debarment and suspension certifications.

18. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Developer's obligation to comply with the HOME Requirements.

19. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Developer shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to

the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City Loan funds are disbursed are not incurred by Developer within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer immediately return the City Loan proceeds to City.

20. Monitoring. Not less than once per year, City shall review Developer's activities and operations under the Agreement and Developer's compliance with the HOME Requirements. Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

21. Tenant Participation Plan. Developer shall provide to City for approval the form of the lease agreement to be used for the rental units, which lease must be fair and provide for a grievance procedure. In addition, Developer shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

22. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

23. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

24. Procurement. If applicable, Developer will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

25. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Developer shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Developer shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Developer shall comply with the provisions of 24 C.F.R. § 92.354 and related requirements. Developer shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Developer shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Developer shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Developer shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Developer shall comply and cause Developer Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section l(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at *http://www.dol.gov/esa/whd/forms/wh347instr.htm* or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant ',to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

ATTACHMENT NO. 4

PROJECT BUDGET

4A) BASIS CALCULATION

Doria II

#	SOURCES OF FUNDS	%	Beginning Balances Total	Beginning Balances Per Unit	Ending Balances (Year 15) Total	Ending Balances (Year 15) Per Unit
1	Net Investor Equity	31.1%	$6,326,000	$85,486	$0	0
2	Permanent (Tranche A)	18.5%	3,761,345	50,829	0	0
3	Permanent (Tranche B)	3.0%	602,989	8,149	0	0
4	Fixed Rate Mortgage (3)		0	0	0	0
5	Accrual Loan		0	0	0	0
6	Variable Interest Mortgage		0	0	0	0
7	CalHFA (MHSA)	5.8%	1,169,850	15,809	0	0
8	OC Community Services	5.8%	1,170,296	15,815	0	0
9	Irvine Community Land Trust	7.9%	1,600,000	21,622	0	0
10	City of Irvine	2.9%	599,853	8,106	0	0
11	Deferred Developer Fee		0	0	0	0
12	GP Equity		0	0	0	0
13	Land Value	23.2%	4,710,000	63,649	0	0
14	HUD Continuum of Care	2.0%	400,000	5,405	0	0
15	Interest on Surplus Funds		0	0	0	0
16	NOI During Construction		0	0	0	0
	TOTAL SOURCES		20,340,333	274,869	0	0

$0.01= $68,022

Price LITC	$0.9300
Price HC	N/A
Price SC	N/A

800000

#	USES OF FUNDS Description			%	Total	Acquisition Costs	New or Rehab Costs	Eligible Historic	Eligible State	Not Eligible	Total Per Unit
1	Land @ $				4,710,000	0	0	0	0	4,710,000	63,649
2	Existing Structure	$4,710,000		0.00%	0	0	0	0	0	0	0
3	Other Acquisition Costs				0	0	0	0	0	0	0
4	Hard Costs Residential	$9,600,000		$129,730	7,175,323	0	7,175,323	0	0	0	96,964
5	Site Improvements				1,164,551	0	1,064,551	0	0	100,000	15,737
6	General Conditions, Builder's Profit & Overhead @:		12.55%		1,046,954	0	1,046,954	0	0	0	14,148
7	Furnishings & Equipment				0	0		0	0	0	0
8	Hard Cost Contingency @:		5.87%		551,279	0	551,279	0	0	0	7,450
9	Construction Interest @ Perm. Rate + -250bp		2.90%		197,540	0	86,978	0	0	110,562	2,669
10	Bridge Interest @		10.00%		6	0	0	0	0	6	0
11	Permanent Loan Fees		1.27%		47,609	0	0	0	0	47,609	643
12	Construction Loan Fees		1.55%		131,550	0	131,550	0	0	0	1,778
13	Bridge Loan Fees		0.00%		0	0	0	0	0	0	0
14	GC Bond / Insurance			2.27%	213,172	0	213,172	0	0	0	2,881
15	Permits / Fees				675,085	0	675,085	0	0	0	9,123
16	Architect / Engineering (MEP/civil/landscape/geotech/ALTA)				530,077	0	530,077	0	0	0	7,163
17	Appraisal / market study				29,500	0	29,500	0	0	0	399
18	Environmental				10,000	0	10,000	0	0	0	135
19	Construction Inspection				50,000	0	50,000	0	0	0	676
20	Title and Recording				40,198	0	0	0	0	40,198	543
21	Legal				137,500	0	137,500	0	0	0	1,858
22	Audit and Accounting				20,000	0	20,000	0	0	0	270
23	Financial Consultant				25,000	0	25,000	0	0	0	338
24	CM Fees / Precon services				170,740	0	170,740	0	0	0	2,307
25	Consultant (acoustic / title 24)				55,589	0	55,589	0	0	0	751
26	Consultant (utilities)				22,200	0	22,200	0	0	0	300
27	MHSA Fees/Inspection				35,000	0	35,000	0	0	0	473
28	Soft Cost Contingency			10.13%	325,000	0	325,000	0	0	0	4,392
29	Reimbursables				73,101	0	73,101	0	0	0	988
30	Signage				24,530	0	24,530	0	0	0	331
31	Internet Wiring				30,593	0	30,593	0	0	0	413
32	Assessment District Fee				720,000	0	720,000	0	0	0	9,730
33					0	0	0	0	0	0	0
34	Impact Fees				1,104,236	0	1,104,236	0	0	0	14,922
35	Tax Credit Fees (Application, Monitoring, Reservation)			$59,551	59,554	0	59,554	0	0	0	805
36	Lease-up & Marketing Expenses				70,000	0	0	0	0	70,000	946
37	Property Taxes and Insurance				100,000	0	100,000	0	0	0	1,351
38	Operating & Debt Service Reserve			$194,413	194,446	0	0	0	0	194,446	2,628
39	Replacement Reserve				0	0	0	0	0	0	0
40	Developer Overhead				0	0	0	0	0	0	0
41	Developer Fee				599,999	0	599,999	0	0	0	8,108
			SUB-TOTALS:			0	$15,067,512	$0	$0	$5,272,821	$274,869
			TOTAL ALL USES:			$20,340,333					

ATTACHMENT NO. 5

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$506,810.00 January 11, 2013

FOR VALUE RECEIVED, the undersigned, STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note"). All terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement (HOME Funds), with all Attachments thereto, by and between City and Borrower dated November 30 ___, 2012, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City dated on or about the date hereof and recorded against the Site in the Official Records of Orange County, California, as may be amended from time to time ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

(iv) The Memorandum of Affordable Housing and Loan Agreement ("Memorandum") that shall be executed by Borrower and City on or about the date of this Note, and recorded in the Official Records of Orange County, California, and may be amended from time to time, and as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) ("City Loan"), which shall accrue simple interest at the rate of 1% per annum commencing on the date of this Note. The City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years after all units in the Project have received all required occupancy permits from the City, but in no event later than the date that is sixty (60) days prior to the expiration of the term of the Ground Lease. There shall be no penalty to Borrower for any prepayment of the City Loan. Commencing upon the date that the loans provided by the County of Orange and CalHFA are paid in full, Borrower shall make annual payments to City in an amount equal to 8.4489% (*i.e.*, the prorata amount of ten percent (10%) between the City HOME Loan and the City CDBG Loan) of Project Cash Flow for the preceding calendar year. If the City Loan has not been paid in full as of the date the loans to be obtained by Borrower from the Land Trust in the aggregate amount of $1,600,000 is paid in full, the percentage of Project Cash Flow payable to City shall increase from 8.4489% to 21.12225% (*i.e.*, the prorata amount of twenty-five percent (25%) between the City HOME Loan and the City CDBG Loan).

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an

inaccuracy which resulted in an underpayment to City greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City Loan immediately due and payable.

In addition to Borrower's cure rights, Irvine Company(or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Borrower,, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Borrower.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with

the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if: (a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City's Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of City, or Borrower shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) Borrower's Ground Lease for the Site terminates for any reason, then City, at its option, may declare the entire indebtedness evidenced

hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:
City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator
Fax: 949-724-7458
Email: sholtz@ci.irvine.ca.us

With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Borrower:	Stonegate Housing Partners II, L.P. 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Note, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Borrower under the loan documents at the address set forth in the Rider.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site. The foregoing shall not apply to the extent Borrower no longer retains in interest in the Site. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the Leasehold Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the Leasehold Deed of Trust or from enforcing any of its rights or remedies in law or in equity

against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the Loan Documents.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

"Acquisition Loan" shall mean a deed of trust or mortgage securing a loan the proceeds of which are to acquire Borrower's interest in the Site following the foreclosure of any first-position Approved Mortgage, provided that (A) the principal amount of the Acquisition Loan is not more than the initial maximum aggregate principal amounts of the first position deed of trust or mortgage loan and the Subordinate Financing (increased annually by the annual increase in the Index), (B) the requirements of the Ground Lease are satisfied and (C) the foreclosure transferee to whom the Acquisition Loan is made or by whom it is assumed is not the Lender who foreclosed the first-position Approved Mortgage or an affiliate of such Lender or the Borrower, or an affiliate of the Borrower.

"Approved Mortgage" shall have the meaning ascribed in Section 15.1 of the Ground Lease.

"Assessments" shall mean any and all special assessments, levies and charges on the Site made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Site and payable by Borrower.

"Gross Income" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts (less broker's fees, normal closing costs, and amounts paid to Mortgagees in connection with obtaining an Approved Mortgage, such as loan fees) received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"Ground Lease" shall mean the ground lease for the Site between Borrower and Irvine Company.

"Index" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"Irvine Company" shall mean Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Lender" shall mean an institutional lender, which shall include a state or nationally chartered bank or savings and loan association, pension fund, real estate investment trust, insurance company or international trading company with assets in excess of $200,000,000, or a mortgage banking company with assets in excess of $100,000,000, or any of the following lenders:

Bank of America, N.A.

California Housing Finance Agency
City of Irvine
Irvine Community Land Trust
County of Orange
State of California, or a political subdivision thereof
Wells Fargo Bank, N.A.
Citibank
California Federal Bank
US Bank National Association
Federal Home Loan Bank
Fannie Mae
Federal Home Loan Mortgage Corporation
U.S. Department of Housing and Urban Development (including Federal Housing Administration)
Government National Mortgage Association
Washington Mutual
Union Bank of California, N.A.

"Mortgagee" shall mean any Lender that has made a loan to Borrower and who holds a lien upon any portion of the Site as security for such loan.

"Operating Expenses" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any Mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees not to exceed $480.00 per unit per year (which limit increases by 3% per year); (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City and by Irvine Company pursuant to the Ground Lease and any other party with approval rights (if such first position mortgage or deed of trust loan is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses to the extent such financing is not replaced by an Acquisition Loan (B) any

Acquisition Loan, subject to the limitations in the Ground Lease, and (C) any loan consented to by City and Irvine Company and any other party with approval rights to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Site to the extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City and Irvine Company and any other party with approval rights have approved the amount and terms of such loan in the exercise of their reasonable discretion; and (d) any deed of trust or mortgage securing a loan the proceeds of which are used to repair, restore, maintain, improve or alter the improvements on the Site, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the Ground Lease and (ii) Irvine Company and City (and any other party with approval rights) have approved the amount and terms of such loan in the exercise of their reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City and Irvine Company in their reasonable discretion; (VI) any partnership management fee paid to a general partner in Borrower not to exceed $10,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)) and any asset management fee paid to a limited partner in Borrower not to exceed $5,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)); (VII) a social services fee payable to the general partner of Borrower (or an affiliate of the general partner of Borrower) in the amount of $610.00 per unit per calendar year (which limit increases annually commencing the second calendar year by two and one-half percent (2.5%)); (VIII) payments of a developer fee not to exceed Six Hundred Thousand Dollars ($600,000.00) in the aggregate, to the extent such developer fee is not paid from capital contributions to Borrower or from financing proceeds; and (IX) the repayment of operating deficit loans made either by the general partner of Borrower or Jamboree Housing Corporation pursuant to that certain Operating Deficit Agreement by and between Jamboree Housing Corporation and Irvine Company dated of or about even date of this Note, to the extent that (i) such loans do not accrue any interest, (ii) are used to pay expenses for items described in subsections (I), (II), or (III) above, and (iii) such loan amounts do not exceed the positive difference, if any, between Operating Expenses during the calendar year in which the loan was made minus Gross Income during the calendar year in which the loan was made; and (X) the minimum rent payable under the Ground Lease.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, or the proceeds of any partner loans described in subsection (IV) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any Mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City and Irvine Company and any other party with approval rights have approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Borrower (or any successor under the Ground Lease) is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"Subordinate Financing" shall have the meaning ascribed in the Ground Lease

"Taxes" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Site or any part or parts thereof, or upon Borrower's leasehold interest in the Site, Borrower's ownership rights in the improvements and fixtures on the Site, and Borrower's rights pursuant to the Ground Lease (and excluding any and all limited partnership interests in Borrower), or upon Irvine Company's fee simple ownership of the Site, Irvine Company's rights pursuant to the Ground Lease, and Irvine Company's reversionary rights in and to the Site upon termination or expiration of the Ground Lease.

ATTACHMENT NO. 6

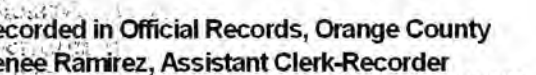
LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

1174011468K26

Recording Requested By
CHICAGO TITLE COMPANY

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder



NO FEE

2013000024752 4:30 pm 01/11/13
53 Sec2 D11 A36 13
0.00 0.00 0.00 0.00 36.00 0.00 0.00 0.00

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 11th day of January, 2013, among STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, CHICAGO TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated of or about even date as this Leasehold Deed of Trust ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

20130117146 BK26
Recording Requested By
CHICAGO TITLE COMPANY

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 11th day of January, 2013, among STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, CHICAGO TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated of or about even date as this Leasehold Deed of Trust ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) Trustor's performance of the obligations and all amounts that become due under this Leasehold Deed of Trust; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing and Loan Agreement (HOME Funds) between Trustor and Beneficiary dated November 30, 2012 ("Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Developer's leasehold interest in the Site on or about the date hereof, in the Official Records of Orange County, California ("Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if: (a) Trustor shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than this Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary's Contract Officer); (b) Trustor shall refinance any lien or encumbrance on terms not reasonably approved by Beneficiary or, unless otherwise approved in writing by Beneficiary's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary; (c) Trustor shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of Beneficiary, or Trustor shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) if Trustor's Ground Lease for the Site terminates for any reason, then Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE REGULATORY AGREEMENT.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith

commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

In addition to Trustor's cure rights, the Irvine Company, a Delaware limited liability company (or its entity formed and existing as the equity investor receiving the tax credits), ("Irvine Company"), for so long as such entity is a limited partner investor in Trustor, shall have ten (10) days after receipt of a default notice from Beneficiary to cure a monetary default secured by this Leasehold Deed of Trust and thirty (30) days after receipt of a default notice to cure any non-monetary default of this Leasehold Deed of Trust; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Beneficiary shall accept any cure made by Irvine Company as if made by Trustor.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Leasehold Deed of Trust, Beneficiary shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Trustor under the loan documents at the address set forth in the Rider.

6. Actions Affecting Property. Trustor shall give Beneficiary and Trustee prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Site, the security hereof or the rights or powers of Beneficiary or Trustee. Trustor shall appear in and contest any such action or proceeding and shall pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding.

7. Beneficiary Expenditures. If any action or proceeding is commenced that would materially affect Beneficiary's interest in the Site or if Trustor fails to comply with any provision of this Leasehold Deed of Trust or any Loan Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Leasehold Deed of Trust or the Loan Documents, Beneficiary on Trustor's behalf may (but shall not be obligated to) take any action that Beneficiary deems appropriate, including but not

limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Site and paying all costs for insuring, maintaining and preserving the Site. All such expenses will become a part of the indebtedness secured by this Leasehold Deed of Trust and, at Beneficiary's option, will (i) be payable upon demand, (ii) be added to the balance of the City Note and be payable on the same terms as the original amount provided thereunder, or (iii) be treated as a balloon payment which will be due and payable upon the maturity date of the City Note. This Leasehold Deed of Trust shall secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Beneficiary may be entitled upon a default. Notwithstanding the foregoing, Trustor shall have the right to contest in good faith and with reasonable diligence the amount or validity of any lien or claim of lien so long as Trustor shall provide Beneficiary, at Trustor's sole cost and expense, with such bond or other security as Beneficiary may reasonably require to insure payment thereof and prevent any sale, foreclosure or forfeiture of all or any part of the Site.

8. **Nonrecourse Obligation**. The repayment of the City Loan and any other indebtedness secured by this Leasehold Deed of Trust shall be nonrecourse to Borrower, on the terms, and subject to the conditions, set forth in paragraph 16 of the City Note.

7. **Repair of Damage.** Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders, Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

8. **Incorporation of Fictitious Leasehold Deed of Trust**. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

State of California)
County of Orange)

On January 9th 2013, before me, Ethyel Jo Curtis —,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature Ethyel Jo Curtis (Seal)

ETHYEL JO CURTIS
Commission # 1977624
Notary Public - California
Los Angeles County
My Comm. Expires Jun 5, 2016

ILLEGIBLE NOTARY SEAL DECLARATION

GOVERNMENT CODE 27361.7
I certify under penalty of perjury that the notary seal on the document to which this statement is attached reads as follows:

Name of Notary Ethyel Jo Curtis

Notary Identification Number 1977624

Vender Identification Number NNA1

County Where Bond Is Filed Los Angeles

Date Commission Exp June 5, 2016

SPL, Inc. as agent

DATE: 1 / 11 / 13

Signature

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL

RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 7

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder
NO FEE
* $R0005506759$ *
2013000024742 4:30 pm 01/11/13
53 Sec2 A12 D02 28
0.00 0.00 0.00 0.00 81.00 0.00 0.00 0.00

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City HOME Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this 11th day of January, 2013 ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Site**").

B. City and Declarant are parties to that certain Affordable Housing and Loan Agreement (HOME Funds) dated November 30, 2012 ("**Loan Agreement**"), which provides for Declarant to develop a 74-unit affordable residential rental project and related improvements ("**Project**") on the Site. The Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) ("**City HOME Loan**") to assist Declarant with the acquisition costs of eleven (11) of the Project units referred to herein as the "**HOME Units**". The Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

C. The source of the funds for the City Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing

Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the imposition of affordability covenants requiring that the HOME Units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"HOME Affordable Rent" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252, which are summarized in Section 4.6 of this Agreement.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City HOME Loan" shall mean the loan to be provided by City to Declarant in the amount not to exceed the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) for certain costs attributable to the HOME Units.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager to administer this Agreement.

"Declarant" shall mean Stonegate Housing Partners II, L.P., a California limited partnership, and its permitted successors and assigns in and to the Site.

"Declarant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Declarant or any other person under Declarant's supervision and direction, including the contractors and subcontractors constructing the Project. Declarant is responsible for the full

compliance of all Declarant Personnel with this Agreement and the Loan Agreement, including without limitation all labor standards applicable to the Project.

"Eligible Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular HOME Unit as set forth in the HOME Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Ground Lease" shall mean the Ground Lease between Declarant, as lessee, and the Irvine Company, as lessor, for the ground lease of the Site to Declarant.

"HOME Requirements" shall collectively refer to the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 to the Loan Agreement which is incorporated herein by this reference.

"HOME Term" shall mean period commencing on the Regulatory Agreement Effective Date and continuing for a period equal to the later of (a) twenty (20) years following the date that all Residential Units in the Project have received all required occupancy permits from the City or (b) the date the City HOME Loan and all amounts due under the Loan Agreement, City Note and Leasehold Deed of Trust have been paid in full.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

(a) 5 two-bedroom units and 4 three-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

(b) 2 one-bedroom units shall be occupied by households earning 60% or less of the Median Income, adjusted for family size..

This Unit Mix shall constitute the City's affordability requirements for the HOME Units with respect to the City Loan provided to Declarant.. Nothing in this Unit Mix or Agreement shall be deemed to preclude Declarant from reserving more residential units in the Project to very low income households earning 50% or less of the HOME Median Income, adjusted for family size, if Declarant otherwise agrees to do so either unilaterally or with a third party, so long as any other agreement does not otherwise conflict with the terms and conditions of this Agreement or provisions of applicable federal, state, and local law.

"HOME Units" shall mean the eleven (11) units in the Project comprised of 2 one-bedroom units, 5 two-bedroom units, and 4 three-bedroom units, which are restricted to occupancy by Eligible Tenants in accordance with the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 74 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

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

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company. Irvine Company is the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation. Jamboree is the managing member of the managing general partner of Declarant.

"Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Median Income" shall mean the Orange County area median income, as periodically published by the HUD pursuant to the HOME Requirements, or successor regulation. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Note" shall mean that certain Promissory Note Secured by Deed of Trust, evidencing Declarant's obligation to repay the City Loan.

"Partnership Agreement" shall mean the Limited Partnership Agreement of Stonegate Housing Partners, LP.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City Loan, and all other obligations under this Agreement that Declarant is required to perform.

"Program Default" shall have the meaning ascribed in Section 6.4 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Site, the grading of the Site and the development on the Site of a 74-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property Manager" shall have the meaning ascribed in Section 9.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 9.3 of this Agreement.

"Residential Unit(s)" shall mean the seventy-four (74) residential units to be developed on the Site. The Residential Units shall include the HOME Units, to be comprised of one-bedroom, two-bedroom and three-bedroom units in accordance with the HOME Unit Mix.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

2. Development of the Project. Declarant shall commence and complete development of the Project on the Site within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. Term. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the later of (a) the date that is twenty (20) years following the date that all Residential Units in the Project have received all required occupancy permits from the City, or (b) the date the City HOME Loan and all amounts due under the Loan Agreement, City Note and Leasehold Deed have been paid in full ("**Affordability Term**").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as an affordable residential rental complex with the HOME Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent in compliance with the HOME Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each HOME Unit shall provide that it is to be used as the principal residence of the HOME Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its HOME Unit or its right of occupancy. Declarant shall institute a program to ensure that the HOME Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each HOME Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each HOME Unit shall include a provision limiting the number of persons permitted to occupy each HOME Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a HOME Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's

status as an Eligible Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a HOME Unit by an Eligible Tenant, and on each anniversary date thereafter, or if preferred by Declarant and approved in writing by City, within sixty (60) days prior to January 1 of each year, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the HOME Unit. Subject to Section 5.2 during the HOME Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a HOME Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Residential Unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the HOME Unit Mix as quickly as possible.

4.6 Affordable Rent. The rent for each HOME Unit shall not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits at the lesser of (a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The Home Requirements also require that affordable units occupied by Eligible Tenants whose income does not exceed 50% of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed 30% of the family's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible Tenant pays as a contribution toward rent not more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

If the Eligible Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orangey County Housing Authority for utilities and services.

It shall constitute a default for Declarant to charge or accept rent amounts in excess of the Affordable Rent. In the event that Declarant charges or receives such higher rental amounts, in addition to any other remedy City shall have, Declarant shall be required to pay to City the entire amount of rent received in excess of the amount permitted pursuant to this Agreement.

4.7 Leasing HOME Units. The HOME Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting HOME Units, except to the extent that the HOME Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall maintain a list of persons who have applied for a HOME Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a HOME Unit, Declarant shall rent available HOME Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease HOME Units that become available as quickly as possible. Declarant shall market the HOME Units to the citizens of the City of Irvine on a nonexclusive basis.

4.8 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the HOME Units. Once approved, no material changes shall be made to the form of the lease agreement without City's prior written reasonable approval. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible Tenant shall include a

provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable HOME Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement.

5. HOME Requirements. The covenants set forth in this Section 5 shall be applicable during the HOME Term and shall apply notwithstanding any other provision herein to the contrary.

5.1 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the applicable HOME Requirements.

5.2 Recertification. In accordance with 24 C.F.R. §92.252(i), in the event a recertification demonstrates that a household's income exceeds the income allowed for Eligible Tenant status, such household will no longer qualify as an Eligible Tenant and will be required to pay as rent an amount equal to the lesser of the amount payable by the tenant under State or local law or 30% of the family's adjusted income, except that if the HOME Unit has been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the tenant must pay rent governed by Section 42.

5.3 Lease. The form of the lease between Declarant and each of the Eligible Tenants for the HOME Units shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (iv) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil

court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

5.4 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the HOME Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

5.5 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

5.6 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Operation of Program.

6.1 Standard of Performance. Declarant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the HOME Requirements. In addition, Declarant shall operate the Program and perform the Program Activities in compliance with the HOME Requirements. Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Declarant shall cause the Program Activities to be performed by Declarant or Declarant Personnel under Declarant's direct supervision, and shall ensure that all Declarant Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Declarant shall secure, at its sole cost and expense, any

and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Declarant shall be responsible for all costs related to the Program.

6.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 6.4 or knowingly allows such conduct to occur at the Site or by Declarant Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Declarant immediately replace such manager or supervisor of the Program.

6.3 Drug Free Covenant. Declarant shall use best efforts to maintain a drug free environment on the Site. Declarant covenants to City that Declarant shall use its best efforts to ensure that Declarant Personnel and all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

6.4 Program Defaults. If Declarant shall or permit Declarant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 6.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to the City, reflect adversely upon the City or its funding programs or upon Declarant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Declarant and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Declarant agrees to thereafter promptly implement the resolution. The failure of Declarant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

6.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Declarant shall cause Lessee to include in its occupancy or lease agreements with the tenants of the HOME Units a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Site, shall be grounds for immediate termination of the tenant's right to reside within the HOME Unit and City shall have the right to require that Declarant enforce such provision.

7. No Discrimination. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the Declarant for itself or any person claiming under or through it, establish or

permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

8. Maintenance of Site. For the entire Affordability Term, Declarant shall maintain or cause to be maintained the Site and all improvements on the Site in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 8, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to charge a fee to Declarant 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

9. Management.

9.1 Property Manager. Declarant shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Declarant may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 9.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Declarant shall conduct due diligence and background evaluation of any potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Declarant prior to submitting the name and qualifications of such proposed property manager to City for review and approval. A complete and true copy of the results of such background

evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by one qualified Property Manager. The replacement of the Property Manager by Declarant and/or the selection by Declarant of any new or different Property Manager shall also be subject to the foregoing requirements.

9.2 On-Site Residential Manager. The Property Manager, or an employee or agent of Property Manager, shall reside full-time in a residential unit located within the Master Project (and not necessarily within one of the Residential Units in the Project), and said residential unit shall be the Property Manager's only residence.

9.3 Property Management Plan. Prior to the completion of the Project, Declarant shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Declarant and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

9.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a 365 day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 19;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Declarant is obligated and shall use its best 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. Declarant shall include provisions of the foregoing requirements and requirements of this Agreement within any contract between Declarant and its Property Manager for the Site.

10. Code Enforcement. Declarant acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Declarant and/or an individual tenant. If such notice is provided by City or its representative(s) to Declarant, then Declarant (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Declarant shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11. Reserves.

11.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Declarant shall annually set aside an amount of not less than Five Hundred Dollars ($500.00) per Residential Unit (or such increased amount as reasonably agreed upon by City and Declarant from time to time) into a separate interest-bearing trust account ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which are normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Declarant's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Declarant, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in

excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section. Any capital replacement reserve requirements of any other lenders that are not an affiliate (as defined in Section 20.3 below) of Jamboree, third parties, or the Irvine Company, shall be deemed to satisfy the Capital Replacement Reserve funding requirements under this Section upon approval by City in its reasonable discretion.

11.2 Operating Reserve. Declarant shall establish an interest bearing account to be known as the "**Operating Reserve Account**." Commencing upon the closing of the permanent financing for the Project, Declarant shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Site ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Declarant may draw upon the funds in the Operating Reserve Account only when the amount of Affordable Rent received by Declarant is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to 50% of the Target Balance amount, Declarant shall deposit Project Cash Flow in the priority specified in Section 6.3(a)of the Partnership Agreement in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Declarant to pay Operating Expenses or in the event of a default by Declarant under the Loan Agreement or this Agreement that would provide for the acceleration of the City Loan, then City may, after delivery of notice to Declarant and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City Loan or use such funds for the continued operation of the Project. Nothing in this Section 11.2 shall modify or be deemed to modify any payment obligation of Declarant pursuant to the Loan Agreement or any attachments thereto entered into by and between Declarant and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the Promissory Note evidencing the City Loan. Upon the Project achieving an annual debt service coverage ratio of 1.15 or greater for three consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

12. Records. Declarant shall maintain complete and accurate records pertaining to the HOME Units for a period of five (5) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the HOME Units.

13. Right to Inspect. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

14. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from

the Site if such benefits or assistance are required to be provided by a public agency, such as the City, under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

15. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

16. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 16.

16.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

16.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage (10 days for non-payment of premiums). City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 16.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

17. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Site and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

18. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Declarant shall promptly give City notice of any defaults and default notices issued under the Ground Lease.

19. Defaults and Remedies.

19.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has

expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Declarant's cure rights hereunder, Irvine Company, for so long as Irvine Company is a limited partner investor in Declarant, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Declarant.

19.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

19.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

20. Miscellaneous.

20.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

20.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

20.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any

rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be the managing member of the general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 20.3:

(a) A transfer of Declarant's leasehold interest in the Site and the Project to Jamboree;

(b) The removal of the general partner of the partnership for Declarant for any default under the partnership's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project;

(c) A transfer of the limited partnership interest in Declarant from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project;

(d) A leasehold interest in a HOME Unit to an Eligible Tenant for Affordable Rent, in accordance with this Agreement and pursuant to a lease form approved by City in accordance with this Agreement; or

(e) Any Permitted Encumbrance.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, Declarant shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

20.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may

assign or transfer all or any part of its interest in this Agreement without Declarant's prior written approval to the Land Trust.

20.5 Compliance with Laws and Regulations. Declarant shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Declarant acknowledges and agrees that it shall be and remain, and shall cause the Declarant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Declarant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Declarant or Declarant Personnel of any applicable local, state and/or federal law.

20.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

20.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

20.8. Third Party Beneficiaries. The Irvine Community Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms including the rights and benefits that City has under this Agreement. Except as provided herein, no person or entity other than City, Declarant and the Irvine Community Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

20.9. Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Declarant:	Stonegate Housing Partners II, L.P. c/o Jamboree Housing Corporation 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Declarant under the loan documents at the address set forth in the Rider.

20.10 Covenants Run with the Land. This Agreement shall be binding on Declarant's successors in interest in the Site until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Site, in

favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Declarant, its successors and assigns and successors in interest; and may be enforced by Declarant and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Declarant's leasehold interest in the Site and not the fee interest.

20.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements will be recorded against the Site, imposing income restrictions on the tenants of the Residential Units and limiting the amount of rent that may be charged, which agreements include the Land Use Affordable Housing Regulatory Agreement between City and Irvine Company implementing the land use controls applicable to the Site, and the Regulatory Agreement and Declaration of Covenants and Restrictions between Declarant and the Irvine Community Land Trust to which City is an intended third party beneficiary. Declarant shall comply with the most restrictive terms of such agreements. Delcarant acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible Tenants to Declarant may be less than the Affordable Rent amounts set forth in this Agreement.

20.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DECLARANT"

STONEGATE HOUSING PARTNERS II, LP, a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

State of California)
County of Orange)

On January 8, 2013, before me, Linda M. Hilleboe,
(insert name and title of the officer)
Notary Public, personally appeared Eric Tolles,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

LINDA M. HILLEBOE
Commission # 1857456
Notary Public - California
Orange County
My Comm. Expires Jul 11, 2013

Signature Linda M. Hilleboe (Seal)

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
County of Orange)

On January 9, 2013, before me, Ethyel Jo Curtis -
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

ETHYEL JO CURTIS
Commission # 1977624
Notary Public - California
Los Angeles County
My Comm. Expires Jun 5, 2016

ILLEGIBLE NOTARY SEAL DECLARATION

GOVERNMENT CODE 27361.7
I certify under penalty of perjury that the notary seal on the document to which this statement is attached reads as follows:

Name of Notary Ethyel Jo. Curtis

Notary Identification Number 1977624

Vender Identification Number NNA1

County Where Bond Is Filed Los Angeles

Date Commission Exp June 5, 2016

DATE: 1/11/13

SPL, Inc. as agent

Signature

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL

RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 8

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

[Attached]

11740114GBK26
Recording Requested By
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder
NO FEE
* $ R 0 0 0 5 5 0 6 7 6 4 $ *
2013000024747 4:30 pm 01/11/13
53 Sec2 M10 8
0.00 0.00 0.00 0.00 21.00 0.00 0.00 0.00

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 11 day of January, 2013, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about November 30, 2012, City and Developer entered into that certain Affordable Housing and Loan Agreement (HOME Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits

11740 1146 B K26
Recording Requested By
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 11 day of January, 2013, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about November 30, 2012, City and Developer entered into that certain Affordable Housing and Loan Agreement (HOME Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits

and City has verified that all improvements required to be constructed in connection with the Project have been completed, a document in recordable form removing this Memorandum from title to the Site.

7. This Memorandum shall encumber Developer's leasehold interest in the Site and not the fee interest.

IN WITNESS WHEREOF, City and Developer have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President
and Chief Financial Officer

State of California)
County of Orange)

On January 8, 2012, before me, Linda M. Hilleboe,
(insert name and title of the officer)
Notary Public, personally appeared Eric Tolles,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

LINDA M. HILLEBOE
Commission # 1857456
Notary Public - California
Orange County
My Comm. Expires Jul 11, 2013

Signature Linda M. Hilleboe (Seal)

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
County of Orange)

On January 8, 2013, before me, Ethyel Jo Curtis –
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature Ethyel Jo Curtis (Seal)

ETHYEL JO CURTIS
Commission # 1977624
Notary Public - California
Los Angeles County
My Comm. Expires Jun 5, 2016

ILLEGIBLE NOTARY SEAL DECLARATION

GOVERNMENT CODE 27361.7
I certify under penalty of perjury that the notary seal on the document to which this statement is attached reads as follows:

Name of Notary Ethyel Jo Curtis

Notary Identification Number 1977624

Vender Identification Number NNA1

County Where Bond Is Filed Los Angeles

Date Commission Exp June 5, 2016

DATE: 1/11/13

SPL, Inc. as agent

Signature

EXHIBIT "A" TO MEMORANDUM

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE

SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

RIDER TO LOAN AGREEMENT
(City Home Funds)

WHEREAS, the CITY OF IRVINE, a California municipal corporation ("**Lender**"), has made or will make a loan in the maximum principal amount of $506,810.00 (the "**Loan**") to STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Borrower**") and the Loan will be secured by certain property located in Irvine, California (the "**Project**");

WHEREAS, The Irvine Company LLC, a Delaware limited liability company ("**TIC**" and "**Limited Partner**"), is being admitted as a limited partner of Borrower on or about the date hereof. Upon an assignment of TIC's limited partner interest in Borrower, the term "Limited Partner" shall mean the successors and assigns of TIC's interest in the Borrower to the extent the interest is transferred in compliance with Borrower's partnership agreement;

WHEREAS, as a condition to consenting to the Loan and becoming a limited partner in the Borrower, Limited Partner requires that the parties hereto grant certain protections to Limited Partner under any one or more of the documents (the "**Loan Documents**") evidencing or securing the Loan; and

WHEREAS, the parties hereto desire to grant such requests of Limited Partner.

THEREFORE, notwithstanding anything to the contrary set forth in the Loan Documents, the parties make the covenants and representations set forth in this Rider.

1. Prior to exercising remedies under the Loan Documents, Lender will give Limited Partner a copy of any written notice it gives to Borrower under the Loan Documents at the following address:

Chief Financial Officer
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Phone: (949) 720 2331
Email: mley@irvine company. com

Office of Legal Affairs
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Fax No. (949) 760-0896

President of Irvine Company Apartment Communities
The Irvine Company LLC
110 Innovation Drive
Irvine, CA 92617
Phone: (949) 720-5425
Email: kbaldridge@irvinecompany.com

And:

Buchalter Nemer PC
1000 Wilshire Boulevard
Suite 1500
Los Angeles, CA 90017
Attn: Michael A. Williamson, Esq.
Facsimile: (213) 630-5799

2. If Limited Partner presents payment or otherwise cures a monetary or non-monetary default within the cure periods set forth in the Loan Documents, Lender will accept such action as curing the respective default under the Loan Documents.

3. Lender approves Limited Partner's admission to Borrower.

4. Lender will permit Limited Partner to transfer its limited partner interest to any person or entity at any time, provided such transfer does not result in a transfer of the general partner interest.

5. Lender will permit Limited Partner to remove and replace the general partner of Borrower in accordance with Borrower's partnership agreement, provided that any substitute general partner is acceptable to Lender in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project.

6. Lender will permit insurance and condemnation proceeds to be used to rebuild the Project provided that sufficient funds are available to effectively rebuild the Project to a multifamily housing complex.

7. Lender has not and will not cross-default or cross-collateralize the Loan with any loan made with respect to another property.

8. Limited Partner is intended to be a direct beneficiary of the covenants set forth in this Rider and is entitled to bring an action to enforce the same independent of any rights of Borrower. Lender will not materially modify the Loan Documents without Limited Partner's prior written consent.

9. This Rider may be executed in multiple counterparts, each of which is deemed to be an original. Digitally transmitted signatures are as effective as originals.

10. Subject to the last sentence of this paragraph, until expiration of the tax credit compliance period for all buildings in the Project, upon a default of Borrower under the Loan Documents, Lender must not exercise remedies which could cause or require transfer of title to the Project for so long as Limited Partner is diligently pursuing its right to remove Borrower's general partner and is curing any remaining default following such removal, up to a maximum cure period of 270 days. The foregoing does not preclude Lender from participating in any

foreclosure proceeding (including acquiring the Project through such proceeding) that is initiated by another party during any such cure period.

[Signatures follow]

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"LENDER"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

RIDER TO LOAN AGREEMENT
(City Home Funds)

WHEREAS, the CITY OF IRVINE, a California municipal corporation ("**Lender**"), has made or will make a loan in the maximum principal amount of $506,810.00 (the "**Loan**") to STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Borrower**") and the Loan will be secured by certain property located in Irvine, California (the "**Project**");

WHEREAS, The Irvine Company LLC, a Delaware limited liability company ("**TIC**" and "**Limited Partner**"), is being admitted as a limited partner of Borrower on or about the date hereof. Upon an assignment of TIC's limited partner interest in Borrower, the term "Limited Partner" shall mean the successors and assigns of TIC's interest in the Borrower to the extent the interest is transferred in compliance with Borrower's partnership agreement;

WHEREAS, as a condition to consenting to the Loan and becoming a limited partner in the Borrower, Limited Partner requires that the parties hereto grant certain protections to Limited Partner under any one or more of the documents (the "**Loan Documents**") evidencing or securing the Loan; and

WHEREAS, the parties hereto desire to grant such requests of Limited Partner.

THEREFORE, notwithstanding anything to the contrary set forth in the Loan Documents, the parties make the covenants and representations set forth in this Rider.

1. Prior to exercising remedies under the Loan Documents, Lender will give Limited Partner a copy of any written notice it gives to Borrower under the Loan Documents at the following address:

Chief Financial Officer
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Phone: (949) 720 2331
Email: mley@irvine company. com

Office of Legal Affairs
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Fax No. (949) 760-0896

President of Irvine Company Apartment Communities
The Irvine Company LLC
110 Innovation Drive
Irvine, CA 92617
Phone: (949) 720-5425
Email: kbaldridge@irvinecompany.com

And:

Buchalter Nemer PC
1000 Wilshire Boulevard
Suite 1500
Los Angeles, CA 90017
Attn: Michael A. Williamson, Esq.
Facsimile: (213) 630-5799

2. If Limited Partner presents payment or otherwise cures a monetary or non-monetary default within the cure periods set forth in the Loan Documents, Lender will accept such action as curing the respective default under the Loan Documents.

3. Lender approves Limited Partner's admission to Borrower.

4. Lender will permit Limited Partner to transfer its limited partner interest to any person or entity at any time, provided such transfer does not result in a transfer of the general partner interest.

5. Lender will permit Limited Partner to remove and replace the general partner of Borrower in accordance with Borrower's partnership agreement, provided that any substitute general partner is acceptable to Lender in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project.

6. Lender will permit insurance and condemnation proceeds to be used to rebuild the Project provided that sufficient funds are available to effectively rebuild the Project to a multifamily housing complex.

7. Lender has not and will not cross-default or cross-collateralize the Loan with any loan made with respect to another property.

8. Limited Partner is intended to be a direct beneficiary of the covenants set forth in this Rider and is entitled to bring an action to enforce the same independent of any rights of Borrower. Lender will not materially modify the Loan Documents without Limited Partner's prior written consent.

9. This Rider may be executed in multiple counterparts, each of which is deemed to be an original. Digitally transmitted signatures are as effective as originals.

10. Subject to the last sentence of this paragraph, until expiration of the tax credit compliance period for all buildings in the Project, upon a default of Borrower under the Loan Documents, Lender must not exercise remedies which could cause or require transfer of title to the Project for so long as Limited Partner is diligently pursuing its right to remove Borrower's general partner and is curing any remaining default following such removal, up to a maximum cure period of 270 days. The foregoing does not preclude Lender from participating in any

foreclosure proceeding (including acquiring the Project through such proceeding) that is initiated by another party during any such cure period.

[Signatures follow]

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"LENDER"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	7546
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	11/30/2012
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	NOT TO EXCEED 93043.00
CONTRACT NAME: As stated in 1st paragraph of contract	STONEGATE HOUSING PARTNERS II, LP
CONTRACT SUBJECT: As stated in Description of Services section of contract	COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT; CDBG – CROSS REFERENCE CONTRACT 7547

ORIGINAL

AFFORDABLE HOUSING AND LOAN AGREEMENT
(CDBG Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

STONEGATE HOUSING PARTNERS II, L.P.,
a California limited partnership

TABLE OF CONTENTS

Page

1. DEFINITIONS 3

2. CITY LOAN 9
   - 2.1 Amount and Source of City Loan 9
   - 2.2 Permissible Use of City Loan; Eligible Loan Expenses 9
   - 2.3 City Loan Funding Conditions 9
   - 2.4 Disbursement of City Loan 11
   - 2.5 CDBG Grant Funds and HOME Grant Funds Disbursed First 11
   - 2.6 Repayment of City Loan; Leasehold Deed of Trust 11
   - 2.7 Execution and Delivery of Documents 11

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT 12
   - 3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company 12
   - 3.2 Scope of Development 12
   - 3.3 Development Approvals and Permits 12
   - 3.4 Construction Contract; Wage Rate 12
   - 3.5 Third Party Contracts 13
   - 3.6 No Debarred, Suspended, or Ineligible Parties 13
   - 3.7 Construction Meeting 14
   - 3.8 Schedule of Performance 14
   - 3.9 Rights of Inspection 14
   - 3.10 Insurance 15
   - 3.11 Financing the Project 16

4. USE OF THE SITE; PROGRAM ACTIVITIES 17
   - 4.1 General 17
   - 4.2 Ground Lease 18
   - 4.3 Program Activities 18
   - 4.4 Management 18
   - 4.5 Drug Free Covenant 18
   - 4.6 Program Defaults 19
   - 4.7 Occupants of Housing Facilities 19
   - 4.8 Monitoring 19
   - 4.9 Compliance with Laws and Regulations and CDBG Requirements 19
   - 4.10 Program Income 20
   - 4.11 Relocation 20
   - 4.12 Affordability Covenants 20
   - 4.13 Indemnification 21
   - 4.14 Extended Use Agreement 21

5. RECORDS AND REPORTS 21
   - 5.1 Records 21

Page

5.2 Reports 22

6. TERMINATION 22
6.1 Termination 22
6.2 Obligations Survive Termination 23

7. DEFAULTS AND REMEDIES 23
7.1 Defaults-General 23
7.2 Remedies Upon Default 25
7.3 Institution of Legal Actions 25
7.4 Applicable Law and Venue 25
7.5 Rights and Remedies are Cumulative 26
7.6 Attorney's Fees 26

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 26

9. GENERAL PROVISIONS 27
9.1 Notices, Demands, and Communications Between the Parties 27
9.2 Nonliability of City Officials and Employees 28
9.3 Enforced Delay; Extension of Times of Performance 28
9.4 Inspection of Books and Records 28
9.5 Interpretation 28
9.6 Entire Agreement, Waivers and Amendments 29
9.7 Severability 29
9.8 Prohibition Against Assignment and Transfer by Developer 29
9.9 Prohibition Against Assignment and Transfer by City 30
9.10 Third Party Beneficiaries 30
9.11 Authority to Execute Agreement 30
9.12 Contract Administration and Approvals 30
9.13 Covenants to Run with the Land 31
9.14 Time of the Essence 31
9.15 Counterparts 31
9.16 Attachments 32

EXHIBITS

1 Legal Description of Site
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 Promissory Note Secured by Leasehold Deed of Trust
6 Leasehold Deed of Trust with Assignment of Rents
7 Regulatory Agreement and Declaration of Covenants and Restrictions
8 Memorandum of Affordable Housing and Loan Agreement

AFFORDABLE HOUSING AND LOAN AGREEMENT

(CDBG Funds)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 30 day of November, 2012, by and between the CITY OF IRVINE, a California municipal corporation (the "**City**"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Developer**")

RECITALS

A. City participates in the HOME Investment Partnership Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 CFR § 92, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. On or about June 13, 2011, as part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer in the amount of the City HOME Loan (defined below).

B. Pursuant to the federal Community Development Block Grant ("**CDBG**") program, the City received funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*) and the regulations promulgated thereunder (24 CFR § 570, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**CDBG Funds**") to be used for the production and preservation of affordable housing within the City of Irvine. On or about June 13, 2011, as part of the City's annual CDBG funding process, the City approved an allocation of CDBG Funds to Developer in the amount of the City CDBG Loan (defined below).

C. Developer has entered into an option agreement to lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference ("**Site**"). The Site is comprised of approximately 2.704 acres, which will be the location of the second phase of a 134-unit project approved by Planning Commission Resolution No. 07-2821, referenced in Recital D below. Developer plans to cause to be developed a 74-unit affordable residential rental project and related improvements on a portion of the Site ("**Project**"), which is the second phase of the Stonegate Community Development. The Irvine Company, LLC, a Delaware limited liability company ("**Irvine Company**"), is the owner of fee title to the Site.

D. On or about April 5, 2007, the City's Planning Commission adopted Resolution Nos. 07-2820, 07-2821, and 07-2822, which, in general, approved master plan applications for the development of three (3) multi-story residential apartment communities ("**Stonegate Community Development**"), generally located along the north side of Irvine Boulevard between Sand Canyon Avenue and Groveland in the community village of Stonegate (Planning Area 9B). Specific for purposes of this Agreement, Planning Commission Resolution No. 07-2821 approved the master plan (as extended) for the development of 134 residential apartment units, lot 700 of Vesting Tentative Tract 16927, totaling 6.08 acres, which residential apartment units are to be affordable so that Irvine Company may fulfill its obligations pursuant to the Master Affordable Housing Plan for the Northern Sphere and satisfy affordable housing

obligations under Chapter 2-3 of the Irvine Zoning Ordinance (the "**Master Project**"). An affiliate of Developer developed "Phase 1" of the Master Project, and Developer now intends to develop "Phase 2" of the Master Project.

E. City desires to assist with certain costs attributable to eleven (11) of the Project units referred to herein as the "**HOME Units**" by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in the amount not to exceed the sum of Five Hundred Six Thousand Eight Hundred Ten Dollars ($506,810.00) ("**City HOME Loan**"), on the terms set forth in a separate loan agreement, and (b) providing financial assistance to the Irvine Community Land Trust ("**Land Trust**") in the form of a grant of HOME Funds in the amount not to exceed the sum of Four Hundred Thousand Five Hundred Seventy-Two Dollars ($400,572.00) ("**HOME Grant Funds**"). The Land Trust and Developer are each members of the general partner of the limited partnership entity formed to acquire the leasehold in the Site and develop the Project. The Land Trust will be required to use the HOME Grant Funds for certain costs associated with the HOME Units pursuant to a separate loan agreement (the "**Land Trust HOME Loan Agreement**").

F. City desires to assist with certain soft costs attributable to the Project by (a) providing financial assistance to Developer in the form of a loan of CDBG Funds in the amount not to exceed the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("**City CDBG Loan**"), on the terms set forth herein (the "**City CDBG Loan Agreement**") and (b) providing financial assistance to the Land Trust in the form of a grant of CDBG Funds in the amount not to exceed the sum of Two Hundred Eighty-Eight Thousand Nineteen Dollars ($288,019.00) ("**CDBG Grant Funds**"), which the Land Trust will be required to use the CDBG Grant Funds for certain costs associated with the Project pursuant to a separate loan agreement (the "**Land Trust CDBG Loan Agreement**").

G. Pursuant to that certain Redevelopment Affordable Housing Funds Grant Agreement approved by the Department of Finance on the Recognized Obligation Payment Schedule covering the periods of January 1-June 30, 2012, and July 1-December 31, 2012, the Land Trust received former redevelopment agency low and moderate income housing set aside funds in the amount of Nine Hundred Eleven Thousand Four Hundred Nine Dollars ($911,409.00) ("**Set-Aside Grant Funds**"), which the Land Trust will use for certain costs associated with the Project pursuant to a separate loan agreement (the "**Land Trust Set-Aside Loan Agreement**").

H. The Project will be subject to certain affordability covenants requiring that the HOME Units and certain other residential units be rented to income eligible households at an affordable rent.

I. The acquisition of the Site and development and operation of the Project thereon pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall have the meaning ascribed in the City CDBG Funds Regulatory Agreement.

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto.

"Bank Loan Funds" shall mean the construction and permanent loan amount not to exceed $11,000,000.00, as specified in the Commitment Letter, dated March 9, 2012, to Jamboree.

"Business day" shall mean every day of the week for which City Hall for the City of Irvine is open to the public.

"CalHFA Loan Funds" shall mean the permanent loan amount not to exceed $1,169,850, as specified in the Commitment Letter, dated July 23, 2012 (as amended December 14, 2012), from the California Finance Housing Agency, to Jamboree.

"CDBG Funds" shall mean the funds allocated to City by HUD pursuant to the federal Community Development Block Grant ("**CDBG**") program, the City received funds from HUD under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*) and the regulations promulgated thereunder (24 CFR § 570, *et seq.*).

"CDBG Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the CDBG Grant Funds.

"CDBG Grant Funds" "shall mean the CDBG Funds in the amount of $288,019.00 that it is anticipated will be provided for the Project, by City to the Land Trust in the form of a grant under the CDBG Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust CDBG Loan Agreement.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*), as amended from time to time, and the implementing regulations set forth in 24 CFR § 570, *et seq.*, as amended from time to time, and the summary of requirements attached as Attachment No. 3 to this Agreement, all of which are incorporated herein by this reference.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City CDBG Loan" shall have the meaning set forth in Recital F above.

"City CDBG Loan Agreement" shall mean this Agreement.

"City CDBG Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City CDBG Funds) to be entered into between City and Developer in such form as approved by City, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the City CDBG Loan.

"City HOME Loan" shall have the meaning set forth in Recital E above.

"City HOME Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) to be entered into between City and Developer in such form attached to this Agreement, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the City HOME Loan.

"City Loan", under this Agreement, shall mean the City CDBG Loan.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City Loan to City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Loan.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager of City to administer this Agreement.

"County" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"County Loan Funds" shall mean the permanent loan amount not to exceed $1,170,296, as specified in the Commitment Letter, dated March 21, 2012, from OC Community Resources, a department of the County, to Jamboree.

"Developer" shall mean STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership, having its offices at 17701 Cowan Avenue, Suite 200, Irvine, CA 92614. The term "Developer" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"Developer Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Developer Representative" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Laura Archuleta is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"Effective Date" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"Eligible Loan Expenses" shall mean the prorated costs of the taxes and assessments applicable to the Site for CFD No. 07-1 and Assessment District No. 07-22 that are required to be paid under the Ground Lease as of the closing of the Construction Escrow and other acquisition and development costs approved by City that are payable at, or incurred as of, the closing of the Construction Escrow and attributable to the Residential Units.

"Eligible Tenant" shall mean a tenant of one of the Residential Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular Residential Unit as set forth in this Agreement.

"Escrow Holder" shall mean Chicago Title Company, the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing the City Loan to Developer.

"Funding Conditions Satisfaction Date" shall mean the date on which all of the Funding Conditions are actually satisfied.

"Ground Lease" shall mean the binding lease agreement to be entered into between Developer, as lessee, and Irvine Company, as lessor, for the lease of the Site to the Developer, consistent with the terms of Section 3.1 of this Agreement, and approved by City.

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Grant Agreement" shall mean the agreement to be entered into between City and Land Trust providing for City to grant to Land Trust the HOME Grant Funds.

"HOME Grant Funds" shall mean the HOME Funds in the amount of $400,572.00 that it is anticipated will be provided for the HOME Units, by City to the Land Trust in the form of a grant under the HOME Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust HOME Loan Agreement.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, et seq.), and the implementing regulations (24 CFR § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference. Developer is a community housing development organization ("**CHDO**") under 24 CFR § 92.2. In the event City is permitted under

the HOME Requirements and by HUD to designate the City Loan proceeds as part of the 15% HOME allocation that City is required to invest in housing developed, sponsored or owned by a CHDO, the HOME Requirements shall include all requirements applicable to CHDOs.

"HOME Units" shall mean eleven (11) units in the Project comprised of 2 one-bedroom units, 5 two-bedroom units, and 4 three-bedroom units, which shall be income restricted in accordance with the unit mix of the HOME Units set forth in the City HOME Loan Agreement. In accordance with 24 CFR § 92.252(j), the HOME Units shall be permitted to float among all 74 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

"Housing Successor Entity" shall mean the City pursuant to the election by the City to become the housing successor entity for the Irvine Redevelopment Agency pursuant to Health and Safety Code Section 34176, added by the enactment of Assembly Bill 26 from the First Extraordinary Session of the 2011-12 California Legislative Session ("**AB 26x**").

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

"HUD CC Grant" shall mean that certain grant by HUD to Jamboree of $400,000 in connection with HUD's Continuum of Care program.

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Land Trust Loan Agreements" shall mean the agreements to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer an aggregate amount not to exceed the sum of $1,600,000.00 for acquisition and development costs for the Project, which funds shall be comprised of the Land Trust CDBG Loan, the Land Trust HOME Loan and the Land Trust Set-Aside Loan. The Land Trust Loan Agreements are the Land Trust CDBG Loan Agreement, the Land Trust HOME Loan Agreement and the Land Trust Set-Aside Loan Agreement.

"Land Trust CDBG Loan" shall mean the loan from Land Trust to Developer in an amount equal to the CDBG Grant Funds for acquisition and development costs for the Project.

"Land Trust CDBG Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust CDBG Loan.

"Land Trust CDBG Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust CDBG Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust,

which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust CDBG Loan.

"Land Trust HOME Loan" shall mean the loan from Land Trust to Developer in an amount equal to the HOME Grant Funds for acquisition and development costs for the Project.

"Land Trust HOME Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust HOME Loan.

"Land Trust HOME Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust HOME Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust HOME Loan.

"Land Trust Set-Aside Loan" shall mean the loan from Land Trust to Developer in an amount equal to the Set-Aside Grant Funds for acquisition and development costs for the Project.

"Land Trust Set-Aside Loan Agreement" shall mean the agreement to be entered into between Land Trust and Developer and approved by City providing for Land Trust to loan to the Developer the Land Trust Set-Aside Loan.

"Land Trust Set-Aside Funds Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (Land Trust Set-Aside Funds) to be entered into between the Land Trust and Developer in such form as approved by the Land Trust, which agreement will be recorded against Developer's interest in the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site in connection with the Land Trust Set-Aside Loan.

"Land Use Affordable Housing Regulatory Agreements" shall mean the two agreements to be entered into between City and Irvine Company in such form as approved by City, which will be recorded against fee title to the Site prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Site

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City Note.

"Master Affordable Housing Plan" and "MAHP" shall mean that certain Master Affordable Housing Plan for the Northern Sphere, as amended November 2007, which implements that land use affordable housing controls as agreed by the Irvine Company for

various planning areas in the City, including the planning area for which the Site and Project are located.

"Master Project" shall have the meaning ascribed in Recital D of this Agreement.

"Memorandum" shall mean the Memorandum of Affordable Housing and Loan Agreement substantially in the form attached hereto as Attachment No. 8.

"Option to Lease" shall mean that certain Option to Lease by and between Jamboree and Irvine Company, dated July 22, 2011, as modified by that certain undated letter agreement by and between Jamboree and Irvine Company, that collectively set forth the terms and conditions for Jamboree (or is permitted assignee) to exercise an option to purchase a leasehold interest in the Site.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement and the Regulatory Agreement, all activities assisted with the City Loan, and all other obligations under this Agreement and the Regulatory Agreement that Developer is required to perform.

"Project" shall mean the acquisition of the leasehold interest in the Site and the grading of the Site and the development on the Site of a 74-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 74 units shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants in accordance with the Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the Project set forth in Attachment No. 4 to this Agreement, which is incorporated herein by this reference. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Regulatory Agreement" shall mean the City CDBG Funds Regulatory Agreement and Declaration of Covenants and Restrictions substantially in the form attached hereto as Attachment No. 7.

"Residential Unit(s)" shall mean the seventy-four (74) residential units to be developed on the Site. The Residential Units shall include the HOME Units, to be comprised of one-bedroom, two-bedroom and three-bedroom units in accordance with the HOME Unit Mix.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Set-Aside Funds" shall mean the encumbered low- and moderate-income housing funds initially held by the Irvine Redevelopment Agency, which funds were transferred to the Housing Successor Entity by operation of law pursuant to California Health & Safety Code § 34176.

"Set-Aside Grant Funds" shall mean the Set-Aside Funds in the amount of $911,409.00 that it is anticipated will be provided for the Project, by City to the Land Trust in the form of a grant under the Set-Aside Grant Agreement, and by the Land Trust to the Developer in the form of a loan under the Land Trust Set-Aside Loan Agreement.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference.

2. CITY LOAN.

2.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible Loan Expenses in the form of a loan not to exceed the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("**City Loan**"). The source of the City Loan is CDBG Funds.

2.2 Permissible Use of City Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City Loan proceeds only for the Eligible Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* Chicago Title Company or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City Title Policy**"), with liability in the amount of the City Loan, showing the leasehold interest in the Site vested in Developer, insuring in favor of City the Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such

other matters as may be approved by City in its sole and absolute discretion. Developer shall pay the premium for the City Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.10 of this Agreement.

(d) *Plans and Permits.* Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financing.* City shall have approved Developer's evidence of financing in accordance with Section 3.11.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Ground Lease.* Developer shall have entered into the Ground Lease with Irvine Company and the Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance of either party thereunder and the fulfillment of the Ground Lease and Developer's possession of the Site is absolute and not terminable and not subject to any unsatisfied conditions).

(g) *Other Agreements.* The City HOME Loan Agreement, the Land Trust Loan Agreements, the CDBG Grant Agreement, and the HOME Grant Agreement shall have been executed and all conditions to the initial disbursement of funds under said agreement shall have been satisfied, and no default by the Developer shall exist under the City HOME Loan Agreement and the Land Trust Loan Agreements.

(h) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(i) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(j) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(k) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Loan.

(l) *Land Use Regulatory Agreements.* City and Irvine Company shall have approved the form of and executed the Land Use Affordable Housing Regulatory

Agreements and the agreements shall have been recorded against the Site and senior to all liens securing any financing.

In the event that any of the Funding Conditions are not satisfied on or before December 15, 2012, or such later deadline as may be mutually approved in writing by City and Developer in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

2.4 Disbursement of City Loan. Provided Developer is not in default of this Agreement, the City Loan shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the City Loan proceeds to the Eligible Loan Expenses. In the event the Eligible Loan Expenses are not incurred by Developer within fifteen (15) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer return the City Loan proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Loan proceeds were improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements.

2.5 CDBG Grant Funds and HOME Grant Funds Disbursed First. Notwithstanding any other provision of this Agreement to the contrary, no disbursements of the City Loan shall be made until such time that all of the CDBG Grant Funds and HOME Grant Funds have been disbursed by City to the Land Trust and by the Land Trust to the Developer for the Project. Nothing herein is intended to preclude the concurrent disbursement of the CDBG Grant Funds, HOME Grant Funds and the City Loan.

2.6 Repayment of City Loan; Leasehold Deed of Trust. Developer's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Site. Developer's obligation to repay the City Loan will be secured by the Leasehold Deed of Trust. The Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the Leasehold Deed of Trust.

2.7 Execution and Delivery of Documents. No later than two (2) days after the Effective Date, or such later date as approved by City, Developer shall deliver to City the following documents to be held by City in trust until the Funding Conditions Satisfaction Date or deposited into the Construction Escrow with the approval of City: (a) the City Note, executed by Developer; (b) the Leasehold Deed of Trust, executed and acknowledged by Developer; (c) the Regulatory Agreement, executed and acknowledged by Developer; and (d) the Memorandum, executed and acknowledged by Developer. Within ten (10) days after the Funding Conditions Satisfaction Date and prior to City's disbursement of any City Loan proceeds to Developer, City shall execute the Regulatory Agreement and the Memorandum, and shall cause the Regulatory Agreement, the Memorandum, and the Leasehold Deed of Trust to be recorded in the Official Records of Orange County, California. In the event the Funding Conditions are not satisfied and this Agreement is terminated pursuant to Section 2.3, City shall return to Developer the documents delivered by Developer to City pursuant to this Section. Notwithstanding any provisions in this Section to the contrary, the Land Use Affordable Housing Regulatory

Agreements shall have been executed and recorded, or delivered to Escrow Holder and recorded the day prior to the close of Construction Escrow, prior to City having any obligation to disburse to Developer any of the City Loan funds.

3. ACQUISITION OF GROUND LEASE AND DEVELOPMENT OF THE PROJECT.

3.1 Acquisition of Leasehold Interest in Site. The Site is currently owned by Irvine Company. Developer represents to City that Developer has entered into the Option to Lease, in which Developer has agreed to enter into the Ground Lease of the Site on terms and conditions more fully set forth therein. Developer shall keep City informed of the status of the Option to Lease, including any amendment thereto or termination thereof, and Developer shall promptly notify City in writing of the anticipated date of execution of the Ground Lease once the Developer and Irvine Company have determined said date. From and after the Effective Date of this Agreement, Developer shall exercise diligent efforts to finalize the terms and enter into the Ground Lease with Irvine Company for the lease of the Site no later than the date specified in the Option to Lease. The Ground Lease (a) shall have a term of no less than the lesser of (i) fifty-eight (58) years or (ii) fifty-five (55) years from the date that all units in the Project have received all required occupancy permits from the City, (b) shall permit the Site to be developed and operated in accordance with the terms set forth in this Agreement (which by definition includes the Attachments), and shall otherwise be consistent with this Agreement, such that compliance with this Agreement will not cause a default under the Ground Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Developer, (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Developer under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Site in accordance with the Ground Lease, and (e) shall provide that modifications to the Ground Lease which are inconsistent with any of the foregoing conditions are subject to the prior written approval of City. City shall have the right to approve the form of the Ground Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Ground Lease by Developer and Irvine Company, Developer shall deliver a copy of the executed Ground Lease to City.

3.2 Scope of Development. Developer shall develop the Project on the Site in strict accordance with the plans and drawings approved by City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Site, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Site and the Project other than building permits. Prior to commencement of development of any other improvements to the Site, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract; Wage Rate. Developer acknowledges that the requirements of Section 3.5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and

requirements. Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with a construction contract and posted for the Project.

3.5 Third Party Contracts . If Developer enters into any agreements ("**Third Party Contracts**") with contractor(s) for the construction of the Project ("**Other Contacting Party**"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the CDBG Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Site for purposes of this Agreement and evaluating Developer's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Developer shall include or cause to be included in its construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City. If Developer believes that any of the CDBG Requirements are not applicable to a Third Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion, but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third Party Contracts.

3.6 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving CDBG Funds pursuant to the

CDBG Requirements. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.7 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this Section may be satisfied by a regular weekly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.8 Schedule of Performance.

(a) Subject to subsection (b) below and the force majeure provisions of Section 9.3 of this Agreement, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive business days, except when due to causes beyond the control and without the fault of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City. During the course of construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

(b) In the event that the Funding Conditions are not satisfied by the time for performance identified as Item #4 in the Schedule of Performance because (i) Developer was unable to close the Construction Escrow by such date due to the unavailability of all financing specific to the construction of the Project as approved by the City, and (ii) the inability of Developer to close the Construction Escrow was not caused by Developer's failure to diligently pursue such financing, then the Contract Officer may extend the times for performance in the Schedule of Performance according to the following: (A) the Funding Conditions (Item #4 in the Schedule of Performance) shall be satisfied, and the Construction Escrow shall close, as soon as possible after December 15, 2012, but in no event later than January 31, 2013, unless a later deadline is mutually approved by the Developer and the City; and (B) Developer shall commence or cause the commencement of the grading of the Site and the construction of the vertical improvements for the Project (Items #7 & #8 in the Schedule of Performance) no later than two (2) months after the close of the Construction Escrow. Except as provided in this subsection (b), the times for performance shall remain as set forth in the Schedule of Performance. The Contract Officer may not unreasonably withhold his/her approval of any requested extension of Items #4, #7 and #8 as contemplated by this Section 3.8(b); provided, however, in the event the Contract Officer does not extend such time for performance, then Developer or the City may terminate this Agreement (and all related documents) by written notice delivered to the other party, and any funds disbursed to Developer shall be returned to the City without any further liability of Developer or the City.

3.9 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Site during normal business hours for the purposes of this Agreement, including,

but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.9 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.10 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said

insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.10 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the Regulatory Agreement.

Developer agrees that the provisions of this Section 3.10 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. No later than the Insurance Approval Date, Developer shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is five (5) days after the Effective Date, or the date that Developer and Irvine Company execute the Ground Lease. City's approval of Developer's insurance is a Funding Condition.

3.11 Financing the Project.

3.11.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City Loan pursuant to Section 2, Developer shall be responsible for all costs of developing the Project, including but not limited to predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Site requiring removal; relocation expenses payable to existing occupants of the Site; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; legal fees and any necessary public improvements not already provided to the Site under the Master Project.

3.11.2 Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Site in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City and the mortgage or encumbrance (deed of trust) complies with one of the following: (a) a deed of trust(s) that secures the Bank Loan Funds; or (b) a deed of trust(s) that secures the County Loan Funds, with such deed of trust and other loan documents consistent with the County of Orange Commitment Letter and other terms Developer provided to City prior to the date of this Agreement; or (c) a deed of trust(s) that secures the CalHFA Loan Funds, with such deed of trust and other loan documents consistent with the CalHFA Commitment Letter and other terms Developer provided to City prior to the date of this Agreement; or (d) a regulatory agreement in connection with the equity investment of Jamboree in Developer with funds from the HUD CC Grant; or (e) a deed of trust securing financing for the development and operation of the Project for which the cumulative amount of the loans encumbering the Site does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of

the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("**Permitted Encumbrances**").

3.11.3 Evidence of Financial Capability. No later than two (2) days after the Effective Date, Developer shall submit to City evidence reasonably satisfactory to City that Developer has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.11.4 Subordination. The City Manger of City and the Community Development Director or their respective designees each shall have the authority on behalf of City to enter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the Leasehold Deed of Trust to the regulatory agreement required by HUD in connection with the HUD CC Grant and the priority lien(s) (deeds of trust) securing the Bank Loan Funds, the County Loan Funds and the CalHFA Loan Funds by subordination agreements approved in form by City in its reasonable discretion. City shall also subordinate the Regulatory Agreement to the Bank Loan Funds and the CalHFA Loan Funds provided the Land Use Affordable Housing Regulatory Agreements remain senior. The Land Use Affordable Housing Regulatory Agreements shall be senior to all liens (deeds of trust) securing financing for the Project and shall continue to apply to the Project and the Site in the event of a foreclosure (or deed in lieu thereof) by any lienholder.

4. USE OF THE SITE; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Site as a rental housing project in accordance with the provisions of this Agreement

and the Regulatory Agreement. The Regulatory Agreement contains provisions requiring the units on the Site be maintained as affordable rental units for a period of twenty (20) years.

4.2 Ground Lease. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Developer shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its reasonable discretion. Developer shall provide to City notice of any defaults or notices of default under the Ground Lease.

4.3 Program Activities.

4.3.1 Generally. Developer shall operate the Program and perform all Program Activities in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Developer shall operate the Program and perform the Program Activities in compliance with the CDBG Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein. In addition to the quarterly reports referred to in Section 5.2, Developer shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

4.3.2 Change in Use of Property. The parties agree that the provisions of 24 CFR section 570.505 allowing a change in the use of the Site upon payment of certain amounts to Land Trust are not applicable and that the Site shall be subject to the affordability covenants in the Regulatory Agreement for the term set forth therein.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct that is not in compliance with Section 4.6 or knowingly allows such conduct to occur at the Site or by Developer Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Developer immediately replace such manager or supervisor for the Program.

4.5 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Site. Developer covenants to City that Developer shall use its best efforts to ensure that all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

4.6 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Site, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.8 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the CDBG Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.9 Compliance with Laws and Regulations and CDBG Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the CDBG Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Developer provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Loan is funds received from HUD pursuant to the federal government's CDBG program, Developer is required to comply with all applicable CDBG Requirements. In the case of any conflict between the CDBG Requirements and this Agreement, the CDBG Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the CDBG Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the CDBG

Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the CDBG Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Developer shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 4.9, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

4.10 Program Income. Developer shall submit to City quarterly reports as set forth in Section 5.2 on all program income as defined 24 CFR 570.500(a) generated by activities carried out with CDBG Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.11 Relocation. City shall not be responsible for relocating any occupants from the Site to the extent any occupants are located on the Site. If relocation is required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.11.

4.12 Affordability Covenants. Developer acknowledges and agrees that the rental units on the Site will be required to be maintained as affordable rental units in accordance with the Regulatory Agreement.

4.13 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Site including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.14 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which will be recorded against the Site. City acknowledges that, in the event of a foreclosure of its interest under the Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the CDBG Requirements, records demonstrating the eligibility of the activities constituting the Eligible Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the CDBG Requirements, to identify and account for the use of the City Loan proceeds and expenditures of Eligible Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the CDBG Requirements. Books and records pertaining to the Eligible Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD, the CDBG Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Quarterly Reports. No later than fifteen (15) days after the end of each Quarter, Developer shall submit to City the following quarterly reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter, progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income.* A report on the program income generated for the Quarter, if any, as more fully explained in Section 4.10 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with applicable CDBG Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(a) *Lack of Funding.* If, for any reason beyond the control of City, the CDBG Funds required by City to fund the Eligible Loan Expenses are withdrawn from

City by HUD, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Developer. This subdivision shall not be applicable after the date the City has disbursed to Developer (i) the funds for the City Loan or (ii) City obtains, at City's election and in its sole discretion, another source of funds acceptable to Developer, in Developer's sole discretion.

(b) *Default*. If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(c) *Failure to Receive Environmental Clearance*. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(d) *Termination for Convenience*. This Agreement may be terminated by City for convenience as provided in 24 CFR § 85.44.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable

without material adverse affect on the Site, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.6.

(g) Subject to the notice and cure provisions in Subsection (c) above, any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default (other than by City) of the City CDBG Loan Agreement, or there is a default (other than by Land Trust) of the Land Trust Loan Agreements, after expiration of any notice and cure periods in the applicable agreement(s).

(k) Developer shall default under the Ground Lease and such default is not cured within any grace and cure period expressly provided in the Ground Lease.

(l) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Site, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(a) Wholly or partially suspend or terminate this Agreement.

(b) Withhold further awards for the Project, including further disbursements of the City Loan.

(c) Require Developer to repay the City Loan funds.

(d) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, Irvine Company (or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Developer.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

7.4 Applicable Law and Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Site and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse affect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation.* There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Site or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Site and Project. .

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to::

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Developer:	Stonegate Housing Partners II, L.P. 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed

effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to this Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Developer under the loan documents at the address set forth in the Rider.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Site and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Director of Community Development for the City of Irvine or designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Prohibition Against Assignment and Transfer by Developer. The qualifications and identity of Developer are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Developer and entered into this Agreement with Developer. Accordingly, except as expressly set forth herein, Developer shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership, or transfer or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. The term "significant change in ownership" shall mean any change by virtue of which Jamboree Housing Corporation does not continue to be the managing member of the general partner of Developer.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 9.8:

(a) a leasehold interest in a residential unit to an Eligible Tenant for Affordable Rent, in accordance with the Regulatory Agreement and pursuant to a lease form approved by City in accordance with the Regulatory Agreement; or

(b) any Permitted Encumbrance; or

(c) a transfer of the Developer's leasehold interest in the Site and the Project to Jamboree, provided Jamboree assumes from the Developer this Agreement and all of the agreements attached as exhibits hereto; or

(d) the removal of the general partner of the Developer for any default under the Developer's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring

that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project; or

(e) a transfer of the limited partnership interest in the Developer from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Site and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may, with the approval of Developer, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the Land Trust.

9.10 Third Party Beneficiaries. The Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 9.10, no person or entity other than Developer, City and the Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Loan, including but

not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Site until the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed ("**Completion Date**"). Accordingly, the provisions of this Section 9.13 shall be applicable until the Completion Date.

This Agreement is designed to create equitable servitudes and covenants running with the Site, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

City shall execute, acknowledge, and deliver to Developer upon Developer's request after the Completion Date, a document in recordable form removing the Memorandum from title to the Site. The removal of the Memorandum from title shall not result in a termination of this Agreement as between Developer and City but any party thereafter owning or acquiring Developer's interest in the Site shall not because of such ownership or acquisition incur any obligation under this Agreement, but such party shall be subject to any other recorded agreements, including without limitation the Regulatory Agreement and the Leasehold Deed of Trust.

The parties acknowledge that the Memorandum, Regulatory Agreement and Leasehold Deed of Trust recorded against the Site will encumber Developer's leasehold interest in the Site and not the fee interest in the Site.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Site
2	Schedule of Performance
3	Summary of Legal Requirements for CDBG Funds
4	Project Budget
5	Promissory Note Secured by Leasehold Deed of Trust
6	Leasehold Deed of Trust with Assignment of Rents
7	Regulatory Agreement and Declaration of Covenants and Restrictions
8	Memorandum of Affordable Housing and Loan Agreement

[Signatures on next page]

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____ Deputy City Clerk
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

STONEGATE HOUSING PARTNERS II, LP, a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR

PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 2

AMENDED

SCHEDULE OF PERFORMANCE

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.10 (§ 3.10).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the later of the date that is 5 days after the Effective Date, or the date that Developer and Irvine Company execute the Ground Lease.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.11.3).	No later than 2 days after the Effective Date.
3.	Developer executes and delivers to City the City Note, Leasehold Deed of Trust, Regulatory Agreement and Memorandum (§ 2.7).	No later than 2 days after the Effective Date, or such later date as approved by City.
4.	Funding Conditions are satisfied (§ 2.3).	No later than January 31, 2013.
5.	City executes Regulatory Agreement and Memorandum and causes Regulatory Agreement, Memorandum and Leasehold Deed of Trust to be recorded (§ 2.7).	Within 10 days after the date all of the Funding Conditions are satisfied. Recording shall occur concurrently with the close of the Construction Escrow provided the Funding Conditions are satisfied.
6.	City disburses City Loan to Developer (§ 2.4).	Upon the closing of the Construction Escrow provided the Funding Conditions are satisfied.
7.	Developer commences or causes the commencement of the grading of the Site (§ 3.8).	No later than January 31, 2013.
8.	Developer commences or causes the commencement of construction of the vertical improvements for the Project (§ 3.8).	No later than April 15, 2013.

	ITEM OF PERFORMANCE	TIME FOR PERFORMANCE
9.	Developer completes construction of the Project (§ 3.8).	No later than December 31, 2013.
10.	Developer causes affordable housing Program to be operated on the Site.	For a period of 20 years in accordance with the Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS FOR CDBG FUNDS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. **Intentionally Omitted.**

2. **Intentionally Omitted.**

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1.** This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Site, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that Land Trust, City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. **Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*.** This law provides in part that any

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. **Executive Order 11246, as amended**. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority

group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. Intentionally Omitted.

4. Environmental.

a. Air and Water. Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. Flood Disaster Protection Act of 1973. Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. Lead-Based Paint. Developer shall comply with the Lead-Based Paint Regulations referenced in 24 CFR 570.608, including 24 CFR Part 35, *et. al.*

d. Historic Preservation. Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 CFR Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. Limitation on Activities Pending Clearance. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 CFR § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Loan. If a project or activity is exempt under 24 CFR § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 CFR § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the

City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. **Uniform Administrative Requirements**. Developer shall comply with applicable uniform administrative requirements as described in 24 CFR § 570.502.

6. **Other Program Requirements**. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 CFR § 570 except for City's environmental responsibilities under 24 CFR § 570.604 and City's responsibility for initiating the environmental review process under the provisions of 24 CFR Part 58.

7. **Reversion of Assets**. Upon the completion of the Project or the date the Project is required to be completed, or sooner termination of the Agreement, Developer shall transfer to City (a) any and all unexpended CDBG Funds, (b) any accounts receivable attributable to the use of CDBG Funds. In all cases in which equipment acquired, in whole or in part, with funds under this Agreement is sold, the proceeds shall be program income (prorated to reflect the extent to that funds received under this Agreement were used to acquire the equipment). Equipment not needed by Developer for activities under this Agreement shall at the election of Land Trust either be (a) transferred to City for the CDBG program, or (b) retained by Developer after compensating City an amount equal to the current fair market value of the equipment less the percentage of non-CDBG Funds used to acquire the equipment.

8. **Relocation**. City shall not be responsible for relocating any occupants from the Property in connection with the Program or Project. If required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601 *et seq.*, as amended, and implementing regulations, and HUD Handbook 1378. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to the provision of relocation assistance.

9. **Allowable Costs and Audits**. Developer shall comply with and administer the Project and Program in accordance with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable. If Developer is a governmental or quasi-governmental agency, the applicable sections of 24 CFR Part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," and OMB Circular A-87 shall apply. Developer shall have an annual audit conducted in accordance with OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations.

10. **Intentionally Omitted**.

11. **Records and Reports**. Developer shall provide to City and shall cause each of its contractors, subcontractors and subrecipients to provide to City all records and reports relating

to the Project and Program that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements, including but not limited to those described in the Agreement and 24 CFR 570.506.

12. Religious Organizations. If Developer is a religious organization as defined by the CDBG Requirements, Developer shall comply with all conditions prescribed by HUD for the use of CDBG funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 CFR § 570.200(j).

13. Conflict of Interest. Developer will comply with 24 CFR 84.42, 85.36 and 570.611, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

14. Political Activity (24 CFR 570.207(a)(3)). Developer is prohibited from using CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration.

15. Intentionally Omitted.

16. Intentionally Omitted.

17. Intentionally Omitted.

18. Intentionally Omitted.

19. Intentionally Omitted.

20. Intentionally Omitted.

21. Intentionally Omitted.

22. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

23. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

24. Procurement. If applicable, Developer will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

25. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Developer shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 (1) after the contractor is selected but before the contract is executed, and (2) 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 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Developer shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Developer shall comply with the provisions of 24 CFR § 570.603 and related requirements. Developer shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Developer shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Developer shall maintain documentation that demonstrates compliance with these provisions and such documentation shall

be made available to City and HUD for review upon request. Developer shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Developer shall comply and cause Developer Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract in the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section 1(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U S Criminal Code, 18 U.S C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false .. shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

ATTACHMENT NO. 4

PROJECT BUDGET

4AI BASIS CALCULATION

Doria II

#	SOURCES OF FUNDS	%	Beginning Balances Total	Beginning Balances Per Unit	Ending Balances (Year 15) Total	Ending Balances (Year 15) Per Unit
1	Net Investor Equity	31.1%	$6,326,000	$85,486	$0	0
2	Permanent (Tranche A)	18.5%	3,761,345	50,829	0	0
3	Permanent (Tranche B)	3.0%	602,989	8,149	0	0
4	Fixed Rate Mortgage (3)		0	0	0	0
5	Accrual Loan		0	0	0	0
6	Variable Interest Mortgage		0	0	0	0
7	CalHFA (MHSA)	5.8%	1,169,850	15,809	0	0
8	OC Community Services	5.8%	1,170,296	15,815	0	0
9	Irvine Community Land Trust	7.9%	1,600,000	21,622	0	0
10	City of Irvine	2.9%	599,853	8,106	0	0
11	Deferred Developer Fee		0	0	0	0
12	GP Equity		0	0	0	0
13	Land Value	23.2%	4,710,000	63,649	0	0
14	HUD Continuum of Care	2.0%	400,000	5,405	0	0
15	Interest on Surplus Funds		0	0	0	0
16	NOI During Construction		0	0	0	0
	TOTAL SOURCES		20,340,333	274,869	0	0

$0.01= $68,022

Price LITC	$0.9300
Price HC	N/A
Price SC	N/A

800000

#	USES OF FUNDS Description			%	Total	Acquisition Costs	New or Rehab Costs	Eligible Historic	Eligible State	Not Eligible	Total Per Unit
1	Land @ $				4,710,000	0	0	0	0	4,710,000	63,649
2	Existing Structure	$4,710,000		0.00%	0	0	0	0	0	0	0
3	Other Acquisition Costs				0	0	0	0	0	0	0
4	Hard Costs Residential	$9,600,000		$129,730	7,175,323	0	7,175,323	0	0	0	96,964
5	Site Improvements				1,164,551	0	1,064,551	0	0	100,000	15,737
6	General Conditions, Builder's Profit & Overhead @:		12.55%		1,046,954	0	1,046,954	0	0	0	14,148
7	Furnishings & Equipment				0	0		0	0	0	0
8	Hard Cost Contingency @:		5.87%		551,279	0	551,279	0	0	0	7,450
9	Construction Interest @ Perm. Rate + -250bp		2.90%		197,540	0	86,978	0	0	110,562	2,669
10	Bridge Interest @		10.00%		6	0	0	0	0	6	0
11	Permanent Loan Fees		1.27%		47,609	0	0	0	0	47,609	643
12	Construction Loan Fees		1.55%		131,550	0	131,550	0	0	0	1,778
13	Bridge Loan Fees		0.00%		0	0	0	0	0	0	0
14	GC Bond / Insurance			2.27%	213,172	0	213,172	0	0	0	2,881
15	Permits / Fees				675,085	0	675,085	0	0	0	9,123
16	Architect / Engineering (MEP/civil/landscape/geotech/ALTA)				530,077	0	530,077	0	0	0	7,163
17	Appraisal / market study				29,500	0	29,500	0	0	0	399
18	Environmental				10,000	0	10,000	0	0	0	135
19	Construction Inspection				50,000	0	50,000	0	0	0	676
20	Title and Recording				40,198	0	0	0	0	40,198	543
21	Legal				137,500	0	137,500	0	0	0	1,858
22	Audit and Accounting				20,000	0	20,000	0	0	0	270
23	Financial Consultant				25,000	0	25,000	0	0	0	338
24	CM Fees / Precon services				170,740	0	170,740	0	0	0	2,307
25	Consultant (acoustic / title 24)				55,589	0	55,589	0	0	0	751
26	Consultant (utilities)				22,200	0	22,200	0	0	0	300
27	MHSA Fees/Inspection				35,000	0	35,000	0	0	0	473
28	Soft Cost Contingency			10.13%	325,000	0	325,000	0	0	0	4,392
29	Reimbursables				73,101	0	73,101	0	0	0	988
30	Signage				24,530	0	24,530	0	0	0	331
31	Internet Wiring				30,593	0	30,593	0	0	0	413
32	Assessment District Fee				720,000	0	720,000	0	0	0	9,730
33					0	0	0	0	0	0	0
34	Impact Fees				1,104,236	0	1,104,236	0	0	0	14,922
35	Tax Credit Fees (Application, Monitoring, Reservation)			$59,551	59,554	0	59,554	0	0	0	805
36	Lease-up & Marketing Expenses				70,000	0	0	0	0	70,000	946
37	Property Taxes and Insurance				100,000	0	100,000	0	0	0	1,351
38	Operating & Debt Service Reserve			$194,413	194,446	0	0	0	0	194,446	2,628
39	Replacement Reserve				0	0	0	0	0	0	0
40	Developer Overhead				0	0	0	0	0	0	0
41	Developer Fee				599,999	0	599,999	0	0	0	8,108
			SUB-TOTALS:			0	$15,067,512	$0	$0	$5,272,821	$274,869
			TOTAL ALL USES:			$20,340,333					

ATTACHMENT NO. 5

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$93,043.00 January 11, 2013

FOR VALUE RECEIVED, the undersigned, STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note"). All terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement (CDBG Funds), with all Attachments thereto, by and between City and Borrower dated November 30, 2012, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Site"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City dated on or about the date hereof and recorded against the Site in the Official Records of Orange County, California, as may be amended from time to time ("Regulatory Agreement").

(iii) The Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

(iv) The Memorandum of Affordable Housing and Loan Agreement ("Memorandum") that shall be executed by Borrower and City on or about the date of this Note, and recorded in the Official Records of Orange County, California, and may be amended from time to time, and as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("City Loan"), which shall accrue simple interest at the rate of 1% per annum commencing on the date of this Note. The City Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City Loan and accrued interest shall be due and payable in a single lump-sum payment on

the date that is fifty-five (55) years after all units in the Project have received all required occupancy permits from the City, but in no event later than the date that is sixty (60) days prior to the expiration of the term of the Ground Lease. There shall be no penalty to Borrower for any prepayment of the City Loan. Commencing upon the date that the loans provided by the County of Orange and CalHFA are paid in full, Borrower shall make annual payments to City in an amount equal to 1.5511% (*i.e.*, the pro rata amount of ten percent (10%) between the City HOME Loan and the City CDBG Loan) of Project Cash Flow for the preceding calendar year. If the City Loan has not been paid in full as of the date the loans to be obtained by Borrower from the Land Trust in the aggregate amount of $1,600,000 is paid in full, the percentage of Project Cash Flow payable to City shall increase from 1.5511% to 3.87775% (*i.e.*, the pro rata amount of twenty-five percent (25%) between the City HOME Loan and the City CDBG Loan).

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Site or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Borrower shall submit to City on or before the date that is seven (7) months following the end of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than five percent (5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. **Default**. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, the Leasehold Deed of Trust, or the Regulatory Agreement, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City Loan immediately due and payable.

In addition to Borrower's cure rights, Irvine Company(or its entity formed and existing as the equity investor receiving the tax credits), for so long as such entity is a limited partner investor in Borrower,, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Borrower.

7. **Additional Terms; Place of Payment, Etc**.

(i) Payment of the City Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if: (a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City's Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the interest in the property encumbered by the Leasehold Deed of Trust (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of City, or Borrower shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) Borrower's Ground Lease for the Site terminates for any reason, then City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not

limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com

To Borrower:	Stonegate Housing Partners II, L.P. 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Patrick D. McCalla, Esq. Fax: (714) 546-9035 Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Note, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Borrower under the loan documents at the address set forth in the Rider.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Site. The foregoing shall not apply to the extent Borrower no longer retains in interest in the Site. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the Leasehold Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the Leasehold Deed of Trust or from enforcing any of its rights or remedies in law or in equity against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the Loan Documents; (e) impair, in any manner, any right, remedy or recourse City

may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the Loan Documents.

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

"Acquisition Loan" shall mean a deed of trust or mortgage securing a loan the proceeds of which are to acquire Borrower's interest in the Site following the foreclosure of any first-position Approved Mortgage, provided that (A) the principal amount of the Acquisition Loan is not more than the initial maximum aggregate principal amounts of the first position deed of trust or mortgage loan and the Subordinate Financing (increased annually by the annual increase in the Index), (B) the requirements of the Ground Lease are satisfied and (C) the foreclosure transferee to whom the Acquisition Loan is made or by whom it is assumed is not the Lender who foreclosed the first-position Approved Mortgage or an affiliate of such Lender or the Borrower, or an affiliate of the Borrower.

"Approved Mortgage" shall have the meaning ascribed in Section 15.1 of the Ground Lease.

"Assessments" shall mean any and all special assessments, levies and charges on the Site made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Site and payable by Borrower.

"Gross Income" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts (less broker's fees, normal closing costs, and amounts paid to Mortgagees in connection with obtaining an Approved Mortgage, such as loan fees) received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"Ground Lease" shall mean the ground lease for the Site between Borrower and Irvine Company.

"Index" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"Irvine Company" shall mean Irvine Company, LLC, a Delaware limited liability company, the fee owner of the Site.

"Lender" shall mean an institutional lender, which shall include a state or nationally chartered bank or savings and loan association, pension fund, real estate investment trust, insurance company or international trading company with assets in excess of $200,000,000, or a mortgage banking company with assets in excess of $100,000,000, or any of the following lenders:

Bank of America, N.A.
California Housing Finance Agency
City of Irvine

Irvine Community Land Trust
County of Orange
State of California, or a political subdivision thereof
Wells Fargo Bank, N.A.
Citibank
California Federal Bank
US Bank National Association
Federal Home Loan Bank
Fannie Mae
Federal Home Loan Mortgage Corporation
U.S. Department of Housing and Urban Development (including Federal Housing Administration)
Government National Mortgage Association
Washington Mutual
Union Bank of California, N.A.

"Mortgagee" shall mean any Lender that has made a loan to Borrower and who holds a lien upon any portion of the Site as security for such loan.

"Operating Expenses" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include, without limitation, (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any Mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (i) utility expenses (including heating, ventilating, and air conditioning); (ii) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (iii) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (iv) property management fees not to exceed $480.00 per unit per year (which limit increases by 3% per year); (v) accounting; (vi) janitorial; (vii) security; (viii) supplies; (ix) materials and equipment; and (x) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City and by Irvine Company pursuant to the Ground Lease and any other party with approval rights (if such first position mortgage or deed of trust loan is exonerated or satisfied as a result of a foreclosure proceeding, deed in lieu, or any like transaction, then an amount equal to what the debt service would have been on such loan shall be included in the computation of Operating Expenses to the extent such financing is not replaced by an Acquisition Loan (B) any Acquisition Loan, subject to the limitations in the Ground Lease, and (C) any loan consented to by City and Irvine Company and any other party with approval rights to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Site to the

extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City and Irvine Company and any other party with approval rights have approved the amount and terms of such loan in the exercise of their reasonable discretion; and (d) any deed of trust or mortgage securing a loan the proceeds of which are used to repair, restore, maintain, improve or alter the improvements on the Site, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the Ground Lease and (ii) Irvine Company and City (and any other party with approval rights) have approved the amount and terms of such loan in the exercise of their reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City and Irvine Company in their reasonable discretion; (VI) any partnership management fee paid to a general partner in Borrower not to exceed $10,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)) and any asset management fee paid to a limited partner in Borrower not to exceed $5,000 per calendar year (which limit increases annually by two and one-half percent (2.5%)); (VII) a social services fee payable to the general partner of Borrower (or an affiliate of the general partner of Borrower) in the amount of $610.00 per unit per calendar year (which limit increases annually commencing the second calendar year by two and one-half percent (2.5%)); (VIII) payments of a developer fee not to exceed Six Hundred Thousand Dollars ($600,000.00) in the aggregate, to the extent such developer fee is not paid from capital contributions to Borrower or from financing proceeds; and (IX) the repayment of operating deficit loans made either by the general partner of Borrower or Jamboree Housing Corporation pursuant to that certain Operating Deficit Agreement by and between Jamboree Housing Corporation and Irvine Company dated of or about even date of this Note, to the extent that (i) such loans do not accrue any interest, (ii) are used to pay expenses for items described in subsections (I), (II), or (III) above, and (iii) such loan amounts do not exceed the positive difference, if any, between Operating Expenses during the calendar year in which the loan was made minus Gross Income during the calendar year in which the loan was made; and (X) the minimum rent payable under the Ground Lease.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, or the proceeds of any partner loans described in subsection (IV) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any Mortgagee or any governmental agency, appeals in respect of taxes, assessments, or income and franchise taxes, and the like; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City and Irvine Company and any other party with approval rights have approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of

accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Borrower (or any successor under the Ground Lease) is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"Subordinate Financing" shall have the meaning ascribed in the Ground Lease.

"Taxes" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Site or any part or parts thereof, or upon Borrower's leasehold interest in the Site, Borrower's ownership rights in the improvements and fixtures on the Site, and Borrower's rights pursuant to the Ground Lease (and excluding any and all limited partnership interests in Borrower), or upon Irvine Company's fee simple ownership of the Site, Irvine Company's rights pursuant to the Ground Lease, and Irvine Company's reversionary rights in and to the Site upon termination or expiration of the Ground Lease.

ATTACHMENT NO. 6

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

1174011468K26
Recording Requested By
CHICAGO TITLE COMPANY

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder
* $ R 0 0 0 5 5 0 6 7 7 0 $ * NO FEE
2013000024753 4:30 pm 01/11/13
53 Sec2 D11 A36 12
0.00 0.00 0.00 0.00 33.00 0.00 0.00 0.00

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(CDBG Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 3rd day of December, 2012, among STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, CHICAGO TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated of or about even date as this Leasehold Deed of Trust ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Ninety-Three Thousand Forty-Three Dollars ($93,042.00), according to the terms of a promissory note dated on or about the date hereof made

11740114GBK26
Recording Requested By
CHICAGO TITLE COMPANY

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(CDBG Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 3rd day of December, 2012, among STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Trustor"), whose address is 17701 Cowan Avenue, Suite 200, Irvine, CA 92614, CHICAGO TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated of or about even date as this Leasehold Deed of Trust ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Site"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Site, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Site, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Ninety-Three Thousand Forty-Three Dollars ($93,042.00), according to the terms of a promissory note dated on or about the date hereof made

by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City Note"); (b) Trustor's performance of the obligations and all amounts that become due under this Leasehold Deed of Trust; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City Note, the Affordable Housing and Loan Agreement (CDBG Funds) between Trustor and Beneficiary dated November 30, 2012 ("Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Developer's leasehold interest in the Site on or about the date hereof, in the Official Records of Orange County, California ("Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the Loan Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if: (a) Trustor shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than this Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Site in accordance with the Loan Agreement and Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary's Contract Officer); (b) Trustor shall refinance any lien or encumbrance on terms not reasonably approved by Beneficiary or, unless otherwise approved in writing by Beneficiary's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Site exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Site plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary; (c) Trustor shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Site; (d) any default shall occur under the Loan Documents other than a default of Beneficiary, or Trustor shall be in default under any documents relating to any other financing that is secured by the Site, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) if Trustor's Ground Lease for the Site terminates for any reason, then Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE REGULATORY AGREEMENT.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Site, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Site, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any of the Loan Documents or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Site leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written

request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

In addition to Trustor's cure rights, the Irvine Company, a Delaware limited liability company (or its entity formed and existing as the equity investor receiving the tax credits), ("Irvine Company"), for so long as such entity is a limited partner investor in Trustor, shall have ten (10) days after receipt of a default notice from Beneficiary to cure a monetary default secured by this Leasehold Deed of Trust and thirty (30) days after receipt of a default notice to cure any non-monetary default of this Leasehold Deed of Trust; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Beneficiary shall accept any cure made by Irvine Company as if made by Trustor.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("Rider"), prior to exercising any remedies under this Leasehold Deed of Trust, Beneficiary shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Trustor under the loan documents at the address set forth in the Rider.

6. Actions Affecting Property. Trustor shall give Beneficiary and Trustee prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Site, the security hereof or the rights or powers of Beneficiary or Trustee. Trustor shall appear in and contest any such action or proceeding and shall pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding.

7. Beneficiary Expenditures. If any action or proceeding is commenced that would materially affect Beneficiary's interest in the Site or if Trustor fails to comply with any provision of this Leasehold Deed of Trust or any Loan Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Leasehold Deed of Trust or the Loan Documents, Beneficiary on Trustor's behalf may (but shall not be obligated to) take any action that Beneficiary deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Site and paying all costs for insuring, maintaining and preserving the Site. All such expenses will become a part of the indebtedness secured by this Leasehold Deed of Trust and, at Beneficiary's option, will (i) be payable upon demand, (ii) be added to the balance of the City Note and be payable on the same terms as the original amount provided thereunder, or (iii) be treated as a balloon payment which will be due and payable upon the maturity date of the City Note. This Leasehold Deed of Trust shall secure payment of these

amounts. Such right shall be in addition to all other rights and remedies to which Beneficiary may be entitled upon a default. Notwithstanding the foregoing, Trustor shall have the right to contest in good faith and with reasonable diligence the amount or validity of any lien or claim of lien so long as Trustor shall provide Beneficiary, at Trustor's sole cost and expense, with such bond or other security as Beneficiary may reasonably require to insure payment thereof and prevent any sale, foreclosure or forfeiture of all or any part of the Site.

8. **Nonrecourse Obligation**. The repayment of the City Loan and any other indebtedness secured by this Leasehold Deed of Trust shall be nonrecourse to Borrower, on the terms, and subject to the conditions, set forth in paragraph 16 of the City Note.

7. **Repair of Damage.** Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders, Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

8. **Incorporation of Fictitious Leasehold Deed of Trust**. To protect the security of this Leasehold Deed of Trust, and with respect to the Site above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Site.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

aka Marcy V. Torres

State of California)
County of Orange)

On December 3 2012, before me, BELINDA LEE,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

BELINDA LEE
Commission No. 1925822
NOTARY PUBLIC-CALIFORNIA
ORANGE COUNTY
My Comm. Expires FEBRUARY 17, 2015

Signature _____ (Seal)

ILLEGIBLE NOTARY SEAL DECLARATION

GOVERNMENT CODE 27361.7
I certify under penalty of perjury that the notary seal on the document to which this statement is attached reads as follows:

Name of Notary Belinda Lee

Notary Identification Number 1925822

Vender Identification Number NCC1

County Where Bond Is Filed Orange

Date Commission Exp Feb. 17, 2015

SPL, Inc. as agent

DATE: 1/11/13

Signature

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any

portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR

PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 7

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

1174011/4GB K26
Recording Requested By
CHICAGO TITLE COMPANY

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder
NO FEE
* $ R 0 0 0 5 5 0 6 7 6 0 $ *
2013000024743 4:30 pm 01/11/13
53 Sec2 A12 D02 25
0.00 0.00 0.00 0.00 72.00 0.00 0.00 0.00

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City CDBG Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this 30th day of Novembe, 201__ ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Site**").

B. City and Declarant are parties to that certain Affordable Housing and Loan Agreement (CDBG Funds) dated November 30, 2012 ("**Loan Agreement**"), which provides for Declarant to develop a 74-unit affordable residential rental project and related improvements ("**Project**") on the Site. The Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("**City CDBG Loan**") to assist Declarant with the plans to develop a 74-unit affordable residential rental project and related improvements (the "**Project**") located at the Site. The Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

C. The source of the funds for the City Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnership Act at Title II of the Cranston-González National Affordable Housing

11701146BK26
Recording Requested By
CHICAGO TITLE COMPANY

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City CDBG Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this 30th day of Novembe, 201__ ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Site**").

B. City and Declarant are parties to that certain Affordable Housing and Loan Agreement (CDBG Funds) dated November 30, 2012 ("**Loan Agreement**"), which provides for Declarant to develop a 74-unit affordable residential rental project and related improvements ("**Project**") on the Site. The Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Ninety-Three Thousand Forty-Three Dollars ($93,043.00) ("**City CDBG Loan**") to assist Declarant with the plans to develop a 74-unit affordable residential rental project and related improvements (the "**Project**") located at the Site. The Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

C. The source of the funds for the City Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing

Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 CFR § 92, *et seq.*).

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Site, including the imposition of affordability covenants requiring that the Residential Units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Site shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Site for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"CDBG" shall mean Community Development Block Grant.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et seq.*), as amended from time to time, and the implementing regulations set forth in 24 CFR § 570, *et seq.*, as amended from time to time, and the summary of requirements attached as Attachment No. 3 to the Loan Agreement, all of which are incorporated herein by this reference.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Declarant in the amount not to exceed the sum of Ninety Three Thousand Forty Three Dollars ($93,043.00) for certain costs attributable to the HOME Units.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager to administer this Agreement.

"Declarant" shall mean Stonegate Housing Partners II, L.P., a California limited partnership, and its permitted successors and assigns in and to the Site.

"Declarant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Declarant or any other person under Declarant's supervision and direction, including the contractors and subcontractors constructing the Project. Declarant is responsible for the full compliance of all Declarant Personnel with this Agreement and the Loan Agreement, including without limitation all labor standards applicable to the Project.

"Eligible Tenant" shall mean a tenant of one of the Residential Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular Residential Unit as set forth in this Agreement.

"Ground Lease" shall mean the Ground Lease between Declarant, as lessee, and the Irvine Company, as lessor, for the ground lease of the Site to Declarant.

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

"Irvine Company" shall mean the Irvine Company, LLC, a Delaware limited liability company. Irvine Company is the fee owner of the Site.

"Jamboree" shall mean Jamboree Housing Corporation, a California nonprofit public benefit corporation. Jamboree is the managing member of the managing general partner of Declarant.

"Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Note" shall mean that certain Promissory Note Secured by Deed of Trust, evidencing Declarant's obligation to repay the City Loan.

"Partnership Agreement" shall mean the Limited Partnership Agreement of Stonegate Housing Partners, LP.

"Program" shall mean the affordable rental housing program to be operated on the Site and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City Loan, and all other obligations under this Agreement that Declarant is required to perform.

"Program Default" shall have the meaning ascribed in Section 6.4 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Site, the grading of the Site and the development on the Site of a 74-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property Manager" shall have the meaning ascribed in Section 9.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 9.3 of this Agreement.

"Residential Unit(s)" shall mean the seventy-four (74) residential units to be developed on the Site.

"Site" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

In addition to the terms defined above, the following additional terms shall have the meanings given below for purposes of this Agreement unless expressly provided to the contrary:

"Affordable Rent" shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance) by Eligible Tenants under Health & Safety Code Section 50053 (or any successor statute thereto) and the implementing regulations in Title 25 of the California Code of Regulations for the Set-Aside 30% and Set-Aside 45% Residential Units, and Section Section 42(g)(2)(A) of the United States Internal Revenue Code for the Non-Set-Aside 60% Residential Units, which are and shall be for the duration of the Affordability Term as follows:

(a) The Affordable Rent for the Residential Units designated as the Set-Aside 30% Residential Units (as defined in the "Unit Mix" below) shall be 30% times 30% of the Median Income adjusted for family size appropriate to the Residential Unit.

(b) The Affordable Rent for the Residential Units designated as the Set-Aside 45% Residential Units (as defined in the "Unit Mix" below) shall be 30% times 45% of Median Income adjusted for family size appropriate for the Residential Unit.

(c) The Affordable Rent for the Residential Units designated as the Non-Set-Aside 60% Residential Units (as defined in the "Unit Mix" below) shall be the maximum rent for a unit occupied by a low income unit (60% unit) as determined pursuant to Section 42(g)(2)(A) of the United States Internal Revenue Code.

As used herein, "adjusted for family size appropriate to the Residential Unit" shall mean a household of 2 persons in the case of a one-bedroom unit, a household of 3 persons in the case of a two-bedroom unit, and a household of 4.5 persons in the case of a three-bedroom unit.

"Median Income" shall mean the Orange County area median income, as periodically published by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations, or successor regulation. Upon request by Declarant, Land Trust shall provide to Declarant the amount of the Median Income.

"Unit Mix" shall mean the household income levels permitted for each Residential Unit as follows:

(i) Eight (8) one-bedroom units, nine (9) two-bedroom units, and five (5) three-bedroom units for a total of twenty-two (22) Residential Units, shall be occupied by households earning 30% or less of the Median Income, adjusted for family size (collectively, the "Set-Aside 30% Residential Units").

(ii) Five (5) one-bedroom units, seventeen (17) two-bedroom units, and eleven (11) three-bedroom units for a total of thirty-three (33) Residential Units, shall be occupied by households earning 45% or less of the Median Income, adjusted for family size (collectively, the "Set-Aside 45% Residential Units").

(iii) Two (2) one-bedroom units, ten (10) two-bedroom units, and six (6) three-bedroom units for a total of eighteen (18) Residential Units, shall be occupied by households earning 60% or less of the Median Income, adjusted for family size (collectively, the "Non-Set-Aside 60% Residential Units").

This Unit Mix shall be interpreted as the City's affordability requirements for the Residential Units. Nothing in this Unit Mix or Agreement shall be deemed to preclude Declarant from reserving more Residential Units to very low income households earning 50% or less of the Medium Income, adjusted for family size, if Declarant otherwise agrees to do so either unilaterally or with a third party, so long as any other agreement does not otherwise conflict with the terms and conditions of this Agreement or provisions of applicable federal, state, and local law.

2. Development of the Project. Declarant shall commence and complete development of the Project on the Site within the times and subject to the terms and conditions set forth in the Loan Agreement.

3. Term. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the later of (a) the date that is twenty (20) years following the date that all Residential Units in the Project have received all required occupancy permits from the City, or (b) the date the City Loan and all amounts due under the Loan Agreement, City Note and Leasehold Deed have been paid in full ("**Affordability Term**").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Site shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Site for use as an affordable residential rental complex with the Residential Units to be rented to and occupied or held available for occupancy only by Eligible Tenants at Affordable Rent in compliance with the Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each Residential Unit shall provide that it is to be used as the principal residence of the Residential Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its Residential Unit or its right of occupancy. Declarant shall institute a program to ensure that the Residential Units remain occupied by the Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Residential Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each Residential Unit shall include a provision limiting the number of persons permitted to occupy each Residential Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of a HOME Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a Residential Unit by an Eligible Tenant, and on each anniversary date thereafter, or if preferred by Declarant and approved in writing by City, within sixty (60) days prior to January 1 of each year, Declarant shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Residential Unit. In the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a Residential Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available

Residential Unit will be leased to an Eligible Tenant at an income level that will cause the Project to be in compliance with the Unit Mix as quickly as possible.

4.6 Leasing Residential Units. The Residential Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting Residential Units, except to the extent that the Residential Units are required to be rented to Eligible Tenants and except as provided in the next sentence. Declarant shall maintain a list of persons who have applied for a Residential Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Residential Unit, Declarant shall rent available Residential Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease Residential Units that become available as quickly as possible. Declarant shall market the Residential Units to the citizens of the City of Irvine on a nonexclusive basis.

4.7 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible Tenants shall be reasonably approved by City prior to the rental or leasing of any of the Residential Units. Once approved, no material changes shall be made to the form of the lease agreement without City's prior written reasonable approval. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Residential Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement.

5. Operation of Program.

5.1 Standard of Performance. Declarant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the CDBG Requirements. In addition, Declarant shall operate the Program and perform the Program Activities in compliance with the CDBG Requirements. Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Declarant shall cause the Program Activities to be performed by Declarant or Declarant Personnel under Declarant's direct supervision, and shall ensure that all Declarant Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Declarant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Declarant shall be responsible for all costs related to the Program.

5.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 5.4 or knowingly allows such conduct to occur at the Site or by Declarant Personnel, or knowingly allows illegal activity to occur at the Site, City shall have the right to require that Declarant immediately replace such manager or supervisor of the Program.

5.3 Drug Free Covenant. Declarant shall use best efforts to maintain a drug free environment on the Site. Declarant covenants to City that Declarant shall use its best efforts to ensure that Declarant Personnel and all persons working or residing on the Site shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Site.

5.4 Program Defaults. If Declarant shall or permit Declarant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 5.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to the City, reflect adversely upon the City or its funding programs or upon Declarant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Declarant and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Declarant agrees to thereafter promptly implement the resolution. The failure of Declarant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

5.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Declarant shall cause Lessee to include in its occupancy or lease agreements with the tenants of the Residential Units a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Site, shall be grounds for immediate termination of the tenant's right to reside within the Residential Unit and City shall have the right to require that Declarant enforce such provision.

5.7 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the CDBG Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Site and the Residential Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

5.8 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the CDBG Requirements and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the CDBG Requirements and to enable Land Trust to comply with City's recordkeeping and reporting requirements under the CDBG Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City, HUD, and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

5.9 Audits. Declarant shall perform all audits of its books and records required by HUD, or the CDBG Requirements, or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.10 Program Activities.

(a) Generally. Declarant shall perform and complete all Program Activities diligently and in a timely manner to the reasonable satisfaction of City and in accordance with this Agreement. If any Program Activity constitutes a specific task or activity that is required under this Agreement to be commenced or completed by a certain date or time period, Declarant shall commence, complete, and perform the task or activity within the specified time period, subject to any notice and cure periods set forth in this Agreement. In addition to the quarterly reports referred in this Agreement, Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Activity. The Program Activities will be performed by Declarant under its direct supervision. Declarant shall ensure that all personnel engaged in the Program Activities shall be fully qualified and authorized and permitted under applicable law to perform such Program Activities.

(b) Change in Use of Property. The Parties agree that the provisions of 24 CFR section 570.505 allowing a change in the use of the Site upon payment of certain amounts to Land Trust are not applicable and that the Site shall be subject to the affordability covenants for the Affordability Term set forth in this Agreement.

6. No Discrimination. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Site, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Site.

7. Maintenance of Site. For the entire Affordability Term, Declarant shall maintain or cause to be maintained the Site and all improvements on the Site in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws,

rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Site free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 7, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Site and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Site and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Site, and to charge a fee to Declarant 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

8. Management.

8.1 Property Manager. Declarant shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Declarant may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 8.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Declarant shall conduct due diligence and background evaluation of any potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Declarant prior to submitting the name and qualifications of such proposed property manager to City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by one qualified Property Manager. The replacement of the Property Manager by Declarant and/or the selection by Declarant of any new or different Property Manager shall also be subject to the foregoing requirements.

8.2 On-Site Residential Manager. The Property Manager, or an employee or agent of Property Manager, shall reside full-time in a residential unit located within the Master Project (and not necessarily within one of the Residential Units in the Project), and said residential unit shall be the Property Manager's only residence.

8.3 Property Management Plan. Prior to the completion of the Project, Declarant shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Declarant and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

8.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a 365 day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 18;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Declarant is obligated and shall use its best 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. Declarant shall include provisions of the foregoing requirements and requirements of this Agreement within any contract between Declarant and its Property Manager for the Site.

9. Code Enforcement. Declarant acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Declarant and/or an individual tenant. If such notice is provided by City or its representative(s) to Declarant, then Declarant (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Declarant shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

10. Reserves.

10.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Declarant shall annually set aside an amount of not less than Five Hundred Dollars ($500.00) per Residential Unit (or such increased amount as reasonably agreed upon by City and Declarant from time to time) into a separate interest-bearing trust account ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which are normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Declarant's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Declarant, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section. Any capital replacement reserve requirements of any other lenders that are not an affiliate (as defined in Section 19.3 below) of Jamboree, third parties, or the Irvine Company, shall be deemed to

satisfy the Capital Replacement Reserve funding requirements under this Section upon approval by City in its reasonable discretion.

10.2 Operating Reserve. Declarant shall establish an interest bearing account to be known as the "**Operating Reserve Account.**" Commencing upon the closing of the permanent financing for the Project, Declarant shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Site ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Declarant may draw upon the funds in the Operating Reserve Account only when the amount of Affordable Rent received by Declarant is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to 50% of the Target Balance amount, Declarant shall deposit Project Cash Flow in the priority specified in Section 6.3(a)of the Partnership Agreement in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Declarant to pay Operating Expenses or in the event of a default by Declarant under the Loan Agreement or this Agreement that would provide for the acceleration of the City Loan, then City may, after delivery of notice to Declarant and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City Loan or use such funds for the continued operation of the Project. Nothing in this Section 10.2 shall modify or be deemed to modify any payment obligation of Declarant pursuant to the Loan Agreement or any attachments thereto entered into by and between Declarant and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the Promissory Note evidencing the City Loan. Upon the Project achieving an annual debt service coverage ratio of 1.15 or greater for three consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

11. Records. Declarant shall maintain complete and accurate records pertaining to the Residential Units for a period of five (5) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the Residential Units.

12. Right to Inspect. City shall have the right to inspect the Site and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

13. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Site if such benefits or assistance are required to be provided by a public agency, such as the City, under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

14. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Site and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

15. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 15.

15.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Site and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Site, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

15.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage (10 days for non-payment of premiums). City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 16.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

16. Repair of Damage. If any improvements on the Site shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Site and the insurance proceeds are made available therefor by the

secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

17. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Site under this Agreement is consistent with the use of the Site permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Declarant shall promptly give City notice of any defaults and default notices issued under the Ground Lease.

18. Defaults and Remedies.

18.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Declarant's cure rights hereunder, Irvine Company, for so long as Irvine Company is a limited partner investor in Declarant, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided, however if the non-monetary default is incapable of being cured within thirty (30) days, Irvine Company shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Irvine Company as if made by Declarant.

18.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

18.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

19. Miscellaneous.

19.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

19.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

19.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant and Jamboree are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Site or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which Jamboree does not continue to be the managing member of the general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 19.3:

(a) A transfer of Declarant's leasehold interest in the Site and the Project to Jamboree;

(b) The removal of the general partner of the partnership for Declarant for any default under the partnership's partnership agreement, provided that any substitute general partner is acceptable to City in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project;

(c) A transfer of the limited partnership interest in Declarant from Irvine Company or another tax credit syndicator or investor to Jamboree, or an affiliate of Jamboree, provided that Jamboree continues to manage and operate the Project;

(d) A leasehold interest in a Residential Unit to an Eligible Tenant for Affordable Rent, in accordance with this Agreement and pursuant to a lease form approved by City in accordance with this Agreement; or

(e) Any Permitted Encumbrance.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Jamboree.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Site and this Agreement or any portion thereof, Declarant shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

19.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may assign or transfer all or any part of its interest in this Agreement without Declarant's prior written approval to the Land Trust.

19.5 Compliance with Laws and Regulations. Declarant shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Declarant acknowledges and agrees that it shall be and remain, and shall cause the Declarant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the CDBG Requirements. Declarant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Declarant or Declarant Personnel of any applicable local, state and/or federal law.

19.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

19.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

19.8. Third Party Beneficiaries. The Irvine Community Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms including the rights and benefits that City has under this Agreement. Except as provided herein, no person or entity other than City, Declarant and the Irvine Community Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

19.9. Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by facsimile or electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Fax: 949-724-7458 Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Philip D. Kohn, Esq. Fax: (714) 546-9035 Email: pkohn@rutan.com
To Declarant:	Stonegate Housing Partners II, L.P. c/o Jamboree Housing Corporation 17701 Cowan Avenue, Suite 200 Irvine, CA 92614 Attn: Laura Archuleta Fax: (949) 263-0647 Email: larchuleta@jamboreehousing.com

With a copy to: Rutan & Tucker, LLP
611 Anton Blvd. Suite 1400
Costa Mesa, CA 92626
Attn: Patrick D. McCalla, Esq.
Fax: (714) 546-9035
Email: pmccalla@rutan.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by facsimile or email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

During the term of the Rider to Loan Agreement attached to the Loan Agreement ("**Rider**"), prior to exercising any remedies under this Agreement, City shall give the Irvine Company (or its limited partner assignee) a copy of any written notice given to Declarant under the loan documents at the address set forth in the Rider.

19.10 Covenants Run with the Land. This Agreement shall be binding on Declarant's successors in interest in the Site until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Site, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Site, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Declarant, its successors and assigns and successors in interest; and may be enforced by Declarant and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Site for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Declarant's leasehold interest in the Site and not the fee interest.

19.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements will be recorded against the Site, imposing

income restrictions on the tenants of the Residential Units and limiting the amount of rent that may be charged, which agreements include the Land Use Affordable Housing Regulatory Agreement between City and Irvine Company implementing the land use controls applicable to the Site, and the Regulatory Agreement and Declaration of Covenants and Restrictions between Declarant and the Irvine Community Land Trust to which City is an intended third party beneficiary. Declarant shall comply with the most restrictive terms of such agreements. Declarant acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible Tenants to Declarant may be less than the Affordable Rent amounts set forth in this Agreement.

19.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DECLARANT"

STONEGATE HOUSING PARTNERS II, LP, a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

aka Marcy V. Torres

State of California)
County of Orange)

On December 14, 2012, before me, Linda Hilleboe,
(insert name and title of the officer)
Notary Public, personally appeared Eric Tolles,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

LINDA M. HILLEBOE
Commission # 1857456
Notary Public - California
Orange County
My Comm. Expires Jul 11, 2013

Signature Linda Hilleboe (Seal)

State of California)
County of ORANGE)

On DECEMBER 3, 2012, before me, BELINDA LEE,
(insert name and title of the officer)
Notary Public, personally appeared MARCY V. TORRES,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

BELINDA LEE
Commission No. 1925822
NOTARY PUBLIC-CALIFORNIA
ORANGE COUNTY
My Comm. Expires FEBRUARY 17, 2015

Signature _____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE

INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

ATTACHMENT NO. 8

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

[Attached]

1174011468R26

Recording Requested By
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

Recorded in Official Records, Orange County
Renee Ramirez, Assistant Clerk-Recorder
* $ R 0 0 0 5 5 0 6 7 6 5 $ *
NO FEE
2013000024748 4:30 pm 01/11/13
53 Sec2 M10 5
0.00 0.00 0.00 0.00 12.00 0.00 0.00 0.00

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 30th day of November, 2012, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about November 30, 2012, City and Developer entered into that certain Affordable Housing and Loan Agreement (CDBG Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the

11740114GBK26
Recording Requested By
CHICAGO TITLE COMPANY

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 30th day of November, 2012, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Site").

2. On or about November 30, 2012, City and Developer entered into that certain Affordable Housing and Loan Agreement (CDBG Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Site.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Site.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the

Project have been completed, a document in recordable form removing this Memorandum from title to the Site.

7. This Memorandum shall encumber Developer's leasehold interest in the Site and not the fee interest.

IN WITNESS WHEREOF, City and Developer have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

"DEVELOPER"

STONEGATE HOUSING PARTNERS II, LP, not a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit public benefit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer
aka Marcy V. Torres

State of California)
County of Orange)

On December 14, 2012, before me, Linda Hilleboe,
(insert name and title of the officer)
Notary Public, personally appeared Eric Tolles,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

LINDA M. HILLEBOE
Commission # 1857456
Notary Public - California
Orange County
My Comm. Expires Jul 11, 2013

Signature Linda Hilleboe (Seal)

State of California)
County of Orange)

On DECEMBER 3, 2012, before me, BELINDA LEE,
(insert name and title of the officer)
Notary Public, personally appeared MARCH V. TORRES,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

BELINDA LEE
Commission No. 1925822
NOTARY PUBLIC-CALIFORNIA
ORANGE COUNTY
My Comm. Expires FEBRUARY 17, 2015

Signature _____ (Seal)

EXHIBIT "A" TO MEMORANDUM

LEGAL DESCRIPTION OF SITE

That certain real property located in the City of Irvine, County of Orange, State of California, as more particularly described as follows:

PARCEL A:

PARCEL 2 OF PARCEL MAP NO. 2010-128, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 370, PAGES 1 TO 3, OF PARCEL MAPS, RECORDS OF SAID COUNTY.

EXCEPTING FROM A PORTION OF THE LAND, ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, ANY OTHER MATERIAL RESOURCES AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE PROPERTY, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFORE AND STORING IN AND REMOVING THE SAME FROM THE PROPERTY OR ANY OTHER PROPERTY, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM PROPERTIES OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE PROPERTY, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES; WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE PROPERTY, AS RESERVED BY THE IRVINE COMPANY IN DEEDS RECORDED MARCH 28, 2003 AS INSTRUMENT NO. 2003000345170, APRIL 18, 2003 AS INSTRUMENT NO. 2003000436059 AND NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645, ALL OF OFFICIAL RECORDS.

PARCEL B:

NONEXCLUSIVE EASEMENTS AS GRANTED IN AND PURSUANT TO THE TERMS OF THAT CERTAIN SHARED USE AGREEMENT AND GRANT OF RECIPROCAL EASEMENTS, DATED AS OF OCTOBER 19, 2010, BY AND BETWEEN STONEGATE HOUSING PARTNERS, LP, A CALIFORNIA LIMITED PARTNERSHIP, AND THE IRVINE COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, RECORDED DECEMBER 17, 2010, IN THE OFFICIAL RECORDS OF SAID COUNTY, AS INSTRUMENT NO. 2010000682621 (THE "SHARED USE AGREEMENT") (I) FOR THE USE AND ENJOYMENT OF CERTAIN COMMON AREA FACILITIES LOCATED ON PARCEL 1 OF PARCEL MAP NO. 2010-128, RECORDED ON NOVEMBER 2, 2010 IN BOOK 370 OF PARCEL MAPS, PAGES 1 THROUGH 3, INCLUSIVE, OF THE OFFICIAL RECORDS OF SAID COUNTY, AND MORE PARTICULARLY DESCRIBED IN THE SHARED USE AGREEMENT AS THE "PHASE 1 COMMON FACILITIES", FOR THE

INTENDED PURPOSES OF SAID COMMON AREA FACILITIES, AND (II) FOR PEDESTRIAN AND VEHICULAR CIRCULATION, ACCESS, PARKING, INGRESS AND EGRESS ON, OVER AND THROUGH THE SIDEWALKS, DRIVE AISLES AND PARKING AREAS LOCATED ON SAID PARCEL 1 FOR THE USE OF SAID "PHASE 1 COMMON FACILITIES" FOR THEIR INTENDED PURPOSES.

ASSESSOR'S PARCEL NUMBER: 580-154-20

RIDER TO LOAN AGREEMENT
(City CDBG Funds)

WHEREAS, the CITY OF IRVINE, a California municipal corporation ("**Lender**"), has made or will make a loan in the maximum principal amount of $93,043.00 (the "**Loan**") to STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Borrower**") and the Loan will be secured by certain property located in Irvine, California (the "**Project**");

WHEREAS, The Irvine Company LLC, a Delaware limited liability company ("**TIC**" and "**Limited Partner**"), is being admitted as a limited partner of Borrower on or about the date hereof. Upon an assignment of TIC's limited partner interest in Borrower, the term "Limited Partner" shall mean the successors and assigns of TIC's interest in the Borrower to the extent the interest is transferred in compliance with Borrower's partnership agreement;

WHEREAS, as a condition to consenting to the Loan and becoming a limited partner in the Borrower, Limited Partner requires that the parties hereto grant certain protections to Limited Partner under any one or more of the documents (the "**Loan Documents**") evidencing or securing the Loan; and

WHEREAS, the parties hereto desire to grant such requests of Limited Partner.

THEREFORE, notwithstanding anything to the contrary set forth in the Loan Documents, the parties make the covenants and representations set forth in this Rider.

1. Prior to exercising remedies under the Loan Documents, Lender will give Limited Partner a copy of any written notice it gives to Borrower under the Loan Documents at the following address:

Chief Financial Officer
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Phone: (949) 720 2331
Email: mley@irvine company. com

Office of Legal Affairs
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Fax No. (949) 760-0896

President of Irvine Company Apartment Communities
The Irvine Company LLC
110 Innovation Drive
Irvine, CA 92617
Phone: (949) 720-5425
Email: kbaldridge@irvinecompany.com

And:

Buchalter Nemer PC
1000 Wilshire Boulevard
Suite 1500
Los Angeles, CA 90017
Attn: Michael A. Williamson, Esq.
Facsimile: (213) 630-5799

2. If Limited Partner presents payment or otherwise cures a monetary or non-monetary default within the cure periods set forth in the Loan Documents, Lender will accept such action as curing the respective default under the Loan Documents.

3. Lender approves Limited Partner's admission to Borrower.

4. Lender will permit Limited Partner to transfer its limited partner interest to any person or entity at any time, provided such transfer does not result in a transfer of the general partner interest.

5. Lender will permit Limited Partner to remove and replace the general partner of Borrower in accordance with Borrower's partnership agreement, provided that any substitute general partner is acceptable to Lender in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project.

6. Lender will permit insurance and condemnation proceeds to be used to rebuild the Project provided that sufficient funds are available to effectively rebuild the Project to a multifamily housing complex.

7. Lender has not and will not cross-default or cross-collateralize the Loan with any loan made with respect to another property.

8. Limited Partner is intended to be a direct beneficiary of the covenants set forth in this Rider and is entitled to bring an action to enforce the same independent of any rights of Borrower. Lender will not materially modify the Loan Documents without Limited Partner's prior written consent.

9. This Rider may be executed in multiple counterparts, each of which is deemed to be an original. Digitally transmitted signatures are as effective as originals.

10. Subject to the last sentence of this paragraph, until expiration of the tax credit compliance period for all buildings in the Project, upon a default of Borrower under the Loan Documents, Lender must not exercise remedies which could cause or require transfer of title to the Project for so long as Limited Partner is diligently pursuing its right to remove Borrower's general partner and is curing any remaining default following such removal, up to a maximum cure period of 270 days. The foregoing does not preclude Lender from participating in any

foreclosure proceeding (including acquiring the Project through such proceeding) that is initiated by another party during any such cure period.

[Signatures follow]

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"LENDER"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

RIDER TO LOAN AGREEMENT
(City CDBG Funds)

WHEREAS, the CITY OF IRVINE, a California municipal corporation ("**Lender**"), has made or will make a loan in the maximum principal amount of $93,043.00 (the "**Loan**") to STONEGATE HOUSING PARTNERS II, L.P., a California limited partnership ("**Borrower**") and the Loan will be secured by certain property located in Irvine, California (the "**Project**");

WHEREAS, The Irvine Company LLC, a Delaware limited liability company ("**TIC**" and "**Limited Partner**"), is being admitted as a limited partner of Borrower on or about the date hereof. Upon an assignment of TIC's limited partner interest in Borrower, the term "Limited Partner" shall mean the successors and assigns of TIC's interest in the Borrower to the extent the interest is transferred in compliance with Borrower's partnership agreement;

WHEREAS, as a condition to consenting to the Loan and becoming a limited partner in the Borrower, Limited Partner requires that the parties hereto grant certain protections to Limited Partner under any one or more of the documents (the "**Loan Documents**") evidencing or securing the Loan; and

WHEREAS, the parties hereto desire to grant such requests of Limited Partner.

THEREFORE, notwithstanding anything to the contrary set forth in the Loan Documents, the parties make the covenants and representations set forth in this Rider.

1. Prior to exercising remedies under the Loan Documents, Lender will give Limited Partner a copy of any written notice it gives to Borrower under the Loan Documents at the following address:

Chief Financial Officer
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Phone: (949) 720 2331
Email: mley@irvine company. com

Office of Legal Affairs
The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Fax No. (949) 760-0896

President of Irvine Company Apartment Communities
The Irvine Company LLC
110 Innovation Drive
Irvine, CA 92617
Phone: (949) 720-5425
Email: kbaldridge@irvinecompany.com

And:

Buchalter Nemer PC
1000 Wilshire Boulevard
Suite 1500
Los Angeles, CA 90017
Attn: Michael A. Williamson, Esq.
Facsimile: (213) 630-5799

2. If Limited Partner presents payment or otherwise cures a monetary or non-monetary default within the cure periods set forth in the Loan Documents, Lender will accept such action as curing the respective default under the Loan Documents.

3. Lender approves Limited Partner's admission to Borrower.

4. Lender will permit Limited Partner to transfer its limited partner interest to any person or entity at any time, provided such transfer does not result in a transfer of the general partner interest.

5. Lender will permit Limited Partner to remove and replace the general partner of Borrower in accordance with Borrower's partnership agreement, provided that any substitute general partner is acceptable to Lender in its reasonable discretion, including, without limitation, requiring that the new general partner have at least the same level of experience in developing, operating, and managing an affordable multifamily housing complex that is similar to the Project.

6. Lender will permit insurance and condemnation proceeds to be used to rebuild the Project provided that sufficient funds are available to effectively rebuild the Project to a multifamily housing complex.

7. Lender has not and will not cross-default or cross-collateralize the Loan with any loan made with respect to another property.

8. Limited Partner is intended to be a direct beneficiary of the covenants set forth in this Rider and is entitled to bring an action to enforce the same independent of any rights of Borrower. Lender will not materially modify the Loan Documents without Limited Partner's prior written consent.

9. This Rider may be executed in multiple counterparts, each of which is deemed to be an original. Digitally transmitted signatures are as effective as originals.

10. Subject to the last sentence of this paragraph, until expiration of the tax credit compliance period for all buildings in the Project, upon a default of Borrower under the Loan Documents, Lender must not exercise remedies which could cause or require transfer of title to the Project for so long as Limited Partner is diligently pursuing its right to remove Borrower's general partner and is curing any remaining default following such removal, up to a maximum cure period of 270 days. The foregoing does not preclude Lender from participating in any

foreclosure proceeding (including acquiring the Project through such proceeding) that is initiated by another party during any such cure period.

[Signatures follow]

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"LENDER"

CITY OF IRVINE, a California municipal corporation

By: _____
Name: Eric Tolles
Its: Director of Community Development

ATTEST:

_____
Sharie Apodaca, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Philip D. Kohn, City Attorney

IN WITNESS WHEREOF, the parties have executed this Rider effective as of January 7, 2013.

"BORROWER"

STONEGATE HOUSING PARTNERS II, LP,
a California limited partnership

By: Stonegate Housing, LLC, a California limited liability company
Its: Managing General Partner

By: Jamboree Housing Corporation, a California nonprofit corporation
Its: Managing Member

By: _____
Marcy Torres
Its: Executive Vice President and Chief Financial Officer

Supporting Documents from Table 1

Documents 31, 35, 48

Project Name: Alegre Apartments

Year: 2012

DRAFT

C O N S U L T I N G R E P O R T

Affordable Housing In-Lieu Fee Program
Medium-Density Land Value Opinion
City of Irvine, California

Pacific
REAL ESTATE CONSULTANTS

Pacific
REAL ESTATE CONSULTANTS

April 19, 2006
Our File No. 06-06

City of Irvine
One Civic Center Plaza
P.O. Box 19575
Irvine, California 92623-9575

Attn: Jeanne Matteson

Re: Affordable Housing In-Lieu Fee Program
Medium-Density Land Value Opinion
City of Irvine, California
P.O. No. P77856

Ladies & Gentlemen:

Pursuant to your request and authorization, we have conducted the investigations and analyses necessary to form an opinion of the market value of a hypothetical 12 acre vacant parcel of land in a rough graded fairly level condition, with access and utilities available, zoned for residential land use with a density of approximately 12 dwelling units per acre, and having entitlements to build on the property, located within the City of Irvine, Orange County, California.

Based upon the investigations conducted, the analyses made, and on our experience as real estate consultants and appraisers, we have formed the opinion that, as of April 14, 2006, and subject to the Assumptions and Limiting Conditions set forth in the self-contained report which follows, the subject hypothetical 12 acre site has a market value of the fee simple estate on a per acre basis, assuming the site is rough graded and in a fairly level condition, zoned for medium-density residential land use with a density of approximately 12 dwelling units per acre (Du's/Ac), and having entitlements to build, as follows:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS PER ACRE

$4,400,000 per Acre

4060 Campus Drive, Suite 230, Newport Beach, California 92660
(949) 752-9323 • FAX (949) 752-4920 • E-Mail pacrecon@pacbell.net

The consulting evaluation transmitted in a self-contained report format, which follows, sets forth the data and analyses upon which our opinion of value is, in part, predicated.

Respectfully submitted,



Peter B. Finnerty, MAI
Certified General Real Estate Appraiser
California Certificate No. AG001937

EXECUTIVE SUMMARY

Property Type and Location:	A hypothetical 12 acre vacant site in a rough graded condition, zoned for medium-density residential land use with a density of approximately 12 dwelling units per acre (Du's/Ac), and having entitlements to build. City of Irvine, CA
Date of Value:	April 14, 2006
Property Rights:	Fee Simple Estate
Site Data	
Size:	Assumed to be 12.00 Acres
Shape:	Assumed to be Irregular
Zoning:	Assumed to be Medium-Density Residential. Medium-Density Residential zoning allows a density in the range from 0 to 12.5 dwelling units/acre (Du's/Ac).
Highest & Best Use:	
"As Vacant":	Subdivide and develop with single-family residences

Valuation Opinion:

Sales Comparison Approach	$4,400,000/Acre
Value Opinion	$4,400,000/Acre

TABLE OF CONTENTS

INTRODUCTION 1

SUBJECT PROPERTY DESCRIPTION 7

MARKET ANALYSIS 10

VALUATION METHODOLOGY 16

SALES COMPARISON APPROACH 17

VALUATION 41

CERTIFICATION 42

ADDENDA:

Comparable Land Data Photographs
Qualifications
Partial List of Clients

Pacific
REAL ESTATE CONSULTANTS

INTRODUCTION

Purpose of this Consulting Evaluation and Property Identification

The purpose of this consulting evaluation is to set forth the data, analyses, and conclusions relative to our opinion of the market value of a hypothetical 12 acre vacant parcel of land in a rough graded fairly level condition, with access and utilities available, zoned for residential land use with a density of approximately 12 dwelling units per acre, and having entitlements to build on the property, located within the City of Irvine, Orange County, California.

This consulting evaluation is transmitted in a self-contained report format and the opinion of land value represents a limited appraisal since there is no specifically located subject property.

The value opinion set forth represents our opinion of an average value of a land parcel within the City of Irvine based on our research and analyses regarding land sale data, demand trends, and home price trends.

The opinions set forth in this report are subject to the Assumptions and Limiting Conditions presented beginning on page 4.

Consulting Reporting Option

In compliance with Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice this consulting report has been prepared under the Self-Contained Report option.

Scope of the Consulting Evaluation

The scope of the consulting evaluation involved applying the applicable recognized methods and techniques that are necessary in order to produce a credible consulting opinion. The procedures used for this assignment are summarized as follow:

1. Personal inspections of the developing areas within the City of Irvine were completed.

2. Analyses of the characteristics and development trends for the competing markets and the neighborhoods throughout the City were conducted.

3. An analysis of the highest and best use of the hypothetical subject property was made, giving consideration to existing zoning, as well as current and prospective uses for the property.

4. Research and analysis were conducted to collect and verify market data related to the hypothetical subject property and comparable properties.

5. The consulting analysis was completed by developing a value indication from the applicable valuation approach. From this valuation approach, a value opinion for the hypothetical subject property was reached.

6. A self-contained report was prepared to provide an identification and description of the hypothetical subject property, to summarize the market data considered, and to outline the analysis and conclusions leading to the opinion of value.

This consulting report has been prepared in conformance with the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation, as well as the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, in effect as of the date of the report.

Date of Valuation

The consulting evaluation opinion expressed in this report is as of April 14, 2006.

The effective date of the report is the same date as set forth on the transmittal letter.

Interest Appraised

This consulting evaluation includes a valuation opinion of the fee simple estate in the subject 12 acre hypothetical site.

Market Value Defined

The term "market value"[1] is defined as follows:

> Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
>
> 2. Both parties are well informed or well advised, and each acting in what they consider their own best interest;
>
> 3. A reasonable time is allowed for exposure in the open market;

[1] Office of the Comptroller of the Currency 12CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions (f).

4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This consulting evaluation is predicated on an all cash to the seller transaction at a price equal to the value conclusion reached in this consulting evaluation along with a reasonable exposure time in the open market ranging from 3 months to 12 months prior to the date of value.

Fee Simple Estate Defined

The term "fee simple estate"[2] is defined as follows:

> Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Highest and Best Use Defined

"Highest and Best Use"[3] is a valuation concept which has been defined as follows:

> The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible, and that results in the highest value.
>
> Alternatively, that use, from among reasonable probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

Intended Use of the Consulting Evaluation and the Intended Users

This consulting evaluation is intended for use by the intended user(s), of whom we have knowledge, for their specific need.

The intended use of this consulting evaluation is as a part of the update process for the existing City of Irvine's Affordable Housing In-Lieu Fee program.

The intended user is the City of Irvine.

---

[2] The Appraisal of Real Estate, (Chicago, Illinois: The Appraisal Institute 2001), 12th edition, p. 68.

[3] Ibid, pg. 305.

Use of this consulting evaluation by anyone else for any other purpose is not intended.

Assumptions and Limiting Conditions

The analyses and opinions set forth in this consulting evaluation are subject to the following assumptions and limiting conditions:

No responsibility is assumed by us for matters which are legal in nature. No opinion of title is rendered, and the hypothetical property is appraised as though free of all encumbrances and the title is assumed to be marketable.

No survey of the boundaries of the property was undertaken by us. All areas and dimensions furnished to us are presumed to be correct.

This consulting analysis is transmitted in a self-contained report format and the opinions of value for the City of Irvine represent a limited appraisal since there is no specifically located subject property.

The value opinion set forth in this consulting evaluation represents an average value for land within the City of Irvine based on our research and analyses regarding land sale data, home demand trends, and home price trends.

Information contained in this consulting analysis has been gathered from sources which are believed to be reliable, and, where feasible, has been verified. No responsibility is assumed for the accuracy of information supplied by others.

No title insurance policy has been reviewed since there is no specific subject property. It is assumed that the only easements are normal utility easements which do not adversely affect the value of the subject property.

This consulting analysis is predicated on the assumption that no hazardous materials, impact the hypothetical subject property.

No soils or geological reports were uncovered in our investigations since there is no specific subject property. It is assumed that soil conditions are fairly stable and that the underlying geological formations are adequate to support any proposed highest and best use improvements. No representations, however, are made concerning these matters.

We assume no responsibility for economic or physical factors which may affect the opinions herein stated which may occur at some date after the date of value.

The subject property is appraised assuming it is under responsible ownership and competent management.

No inspection of the subject property has been made as a part of this consulting analysis since there is no specific subject property. Knowledge of residential market activities in the City of Irvine is based on our current research, district wide inspections, and our experience in real estate appraising and consulting on properties located throughout Orange County over the prior 29 years.

No opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the subject property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.

No opinion is intended to be expressed on matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate consultants and appraisers.

Maps, plats, and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys nor relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

We shall not be required, by reason of this consulting analysis, to give testimony or to be in attendance in court or any governmental or other hearing with reference to the subject property without prior arrangements having first been made with us relative to such additional employment.

No engineering survey has been made by us. Except as specifically stated, data relative to size and area were taken from sources considered reliable. No encroachment of real property improvements is considered to exist, except where specifically set forth.

The forecasts of future events which influence the valuation process are predicated on the continuation of historic and current trends in the market as perceived as of the date of value. The actual outcomes may differ due to changes in the environment between the date of value and the future date involved in the forecast.

The signatory of this consulting evaluation is a member of the Appraisal Institute. The Bylaws and Regulations of the Appraisal Institute require each member to control the use and distribution of each report signed by such member. Therefore, except as hereinafter provided, the party for whom this consulting report was prepared may distribute copies of it, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this report shall not be given to third parties without the prior written consent of the signatory of this report. Further, neither all nor part of this report shall be disseminated to the general public by the use of advertising media, public relations media, news media, sales media or other media for public communication without the prior written consent of the signatory of this report.

Legal Description

There is no legal description of the subject property since there is no specific subject property.

The value opinion reached as a part of this consulting analysis represents an average value of land within the City of Irvine based on our research and analyses regarding land sale data, home demand trends, and home price trends.

Ownership

There is no specific owner since there is no specific subject property.

Property Transfer History

Since there is no specific subject property, there is no property transfer history.

Pacific
REAL ESTATE CONSULTANTS

SUBJECT PROPERTY DESCRIPTION

The property that is the subject of this consulting analysis consists of a 12 acre vacant parcel of land in a rough graded fairly level condition, with access and utilities available, zoned for residential land use with a density of 12 Du's/Ac, having entitlements to build, and located within the City of Irvine, California.

The City of Irvine is bounded by the Cities of Tustin and Foothill Ranch as well as unincorporated areas of the County of Orange to the north; the Cities of Lake Forest, Laguna Hills, and Laguna Beach to the east; the City of Newport Beach to the south; and the Cities of Costa Mesa, Santa Ana, and Tustin to the west.

A map indicating the location of the Planning Areas within the City of Irvine is included on the following page for reference. The yellow areas are planning areas that include future residential development and the blue areas are planning areas that include currently developing residential development.

Zoning and Planning

The General Plan designation for the subject site is assumed to be Medium Density Residential and the zoning is also assumed to be 2.3 Medium Density Residential.

Medium Density Residential allows residential development with a maximum density of 12.5 dwelling units per acre (Du'/Ac).

According to the requirements of the City of Irvine General Plan as well as the zoning code, there is a requirement that an Affordable Housing Plan be prepared. There is a requirement that affordable housing be included in each residential development, if financial and/or processing incentives are available.

The density range allowed according to the medium-density zoning designation is from 0 to 12.5 dwelling units per net acre (Du's/Ac).

The minimum lot size is 2,400 sq.ft. There is no maximum site coverage. The setback requirements are 15' adjacent to local streets, 5' for side yards, and 10' for rear yards. The setback from freeways is 50'.

For purposes of this consulting analysis, it is specifically assumed that entitlements for a medium-density residential development on the hypothetical subject property have been received as of the date of value at a density of approximately 12 Du's/Ac.

The parking requirements for residential developments are one covered space for a studio unit, 1.5 spaces for a one bedroom unit with one space covered, 2.0 covered spaces for units with two or more bedrooms, plus guest parking of 0.4 of a space per unit for projects providing covered parking in carports or 0.7 of a space per unit for projects providing covered parking in garages.

PLANNING AREAS - CITY OF IRVINE



Figure C-2
Planning Areas

City of Irvine General Plan *Housing Element*

Nuisances and Hazards

This consulting analysis is based on the assumption that the hypothetical subject property parcel is not located in a flood hazard area or an earthquake or seismic special study zone as defined in the Alquist-Priolo Act.

This consulting analysis is also predicated on the assumption that no hazardous materials exist on the hypothetical subject property.

Highest and Best Use

This consulting analysis is based on the assumption that the highest and best use of the hypothetical 12 acre subject property is for residential development at a density of approximately 12 dwelling units per acre (Du's/Ac).

Pacific
REAL ESTATE CONSULTANTS

MARKET ANALYSIS

The subject property is located in the City of Irvine, Orange County, California. A Location Map is included on the following page for reference.

Physical Environment

The physical environment affecting the subject property is composed of both natural and man-made resources. The natural environment consists of positive aspects such as the temperate Southern California weather. The man-made environment includes a combination of various community facilities, services, and transportation systems.

Air transportation is provided by the Orange County Airport located adjacent to the west of the City of Irvine.

Rail transportation for freight is available from the Burlington Northern Santa Fe Railroad.

Commuter rail service is provided by MetroRail and Amtrak. The nearest commuter rail service available is in the Spectrum Area of the City of Irvine. Bus service is available throughout the city.

The City of Irvine is served by reputable hospitals as well as very good quality schools. There is also adequate police and fire protection.

Access to and throughout the City of Irvine is provided by various means of transportation. The San Diego and Santa Ana Freeways bisect the city. These freeway are linked to the villages that comprise the City of Irvine through a variety of surface streets.

Social Environment

According to the California Department of Finance, the population in the City of Irvine was estimated to be approximately 180,803 persons as of January 2005. This indicates a compound annual growth rate of 3.98% between the years of 1996 and 2005, as well as a 4.79% compound annual growth rate from the 2000 census figure. The subject area appears to have a growing population with growth anticipated to continue into the foreseeable future at a similar rate as experienced over the prior 5 years, or in the range from 4.0% to 4.5% annually on a compound basis.

There were 68,916 housing units in the City of Irvine as of January 2005, according to the California Department of Finance. This represents a compound annual increase of 5.07% per year since 2000 based on data from the California Department of Finance.

LOCATION MAP



A comparison of the population growth rate over the prior 4 years (4.79%), as set forth above, with the increase rate in housing units over the same time period (5.07%), indicates that the number of housing units in the City of Irvine is growing slightly faster than the population growth rate, which should result in a lower population per household and less pressure for price increases. This conclusion is supported by a comparison of the population per occupied household in the City of Irvine as of January 2000, of 2.89, according to data from the California Department of Finance, versus the 2.73 persons per occupied household in the City of Irvine as of January 2005.

The average occupied household size in the City of Irvine as of January 1990, according to the State Department of Finance, was 2.52 persons. The average household size as of the 2000 Census was 2.66 persons (versus 2.89 persons according to the California Department of Finance as of January 1, 2000). The increase in the number of persons per household over the 1990-2000 time period is due to the increase in the number of housing units being less than the proportional increase in population. For comparison purposes, the average number of persons per household in Orange County was 3.00 according to the 2000 Census.

The median home price from the 8 zip code areas that comprise the City of Irvine (92602, 92603, 92604, 92606, 92612, 92614, 92618, & 92620), as of February 2006, was approximately $665,000 and the median price per square foot range was indicated to be from $365 to $470.

According to data provided by Experian/Applied Geographic Solutions, as of 2005, the median age for the City of Irvine population was 35 years old.

The number of renters as a percent of the total occupied housing units in the City of Irvine was 40%, as of 2005. For the same time period, the number of renters as a percent of the total occupied housing units in the County of Orange was also 40%.

Economic Environment

The economic environment in the City of Irvine, as well as throughout Orange County, is in a sluggish expansion stage. The forecast is for continued sluggish economic expansion during 2006. Important economic indicators for Orange County and the Los Angeles Metropolitan Area include import/export activity, interest rates, and availability of affordable housing for the growing workforce. Interest rates are affordable, but have been increasing steadily over the prior year, while import/export activity is up from the prior year. Housing affordability and high apartment rental rates are a major problem to many employers and employees.

The unemployment rate in Orange County was 3.6% as of February 2006, which reflects a decrease of 0.1% from the 3.7% unemployment rate reported in February 2005. Orange County has a lower unemployment rate than the seasonally adjusted unemployment rates for the State of California (5.0%) and the United States (4.8%) as of February 2006. In addition, the unemployment rate for the City of Irvine was reported to be 3.6% as of February 2006, which is the same as the Orange County unemployment rate.

There was a net job gain of 18,700 jobs in Orange County between December 2004 and December 2005. Expanding job categories include utilities, transportation, construction, insurance, and real estate, as well as wholesale and retail sales. Declining job categories included manufacturing and services.

The largest employers in the City of Irvine are UC Irvine, Allergan Inc., Edwards Lifesciences, Verizon Wireless, Option One Mortgage, and Toshiba America Information Systems.

The income levels in the City of Irvine, according to 2005 data provided by Experian/Applied Geographic Solutions, indicate a median household income of $82,141 and a average household income of $112,676. The Orange County median household income from the same source and same time period was $65,354 and the average household income was $94,6773.

Using a median income of approximately $83,000, based on the income data set forth above, an 80% loan-to-value ratio, an interest rate of 6.5%, and a requirement that a maximum of 30% of the income could be used for mortgage expenses, a home of approximately $410,000 would be affordable, if the down payment of $82,000 could be saved.

Based on the median price for homes within the City of Irvine set forth previously ($665,000), it appears that a home is not affordable to most of the population, in addition to the need to save the down payment and closing costs.

Political Environment

The governmental environment of the City of Irvine is oriented toward maintaining a high quality of life through active planning and land use compatibility. The City of Irvine is one of the largest planned urban communities in the nation.

There are numerous air quality control and emissions measures imposed by the South Coast Air Quality Control Board that are perceived as hampering the ability of the local area to attract new industry.

There is no rent control on apartment rentals in the City of Irvine.

Neighborhood Description and Surrounding Land Uses

Since there is no specific subject property, no neighborhood description or surrounding land use description are included.

Residential Market Overview

To be consistent with the purpose of this consulting evaluation, it is specifically assumed that entitlements for medium-density development with a density of approximately 12 Du's/Ac have been received as of the date of value. Therefore, an overview of the residential market was performed.

The residential market overview is based on a physical inspection of the surrounding area and a review of data on Orange County residential projects prepared by the Real Estate and Construction Report, published by the Real Estate Research Council of Southern California, as well as residential median price and sale data published by DataQuick Information Systems.

According to the Real Estate Research Council, construction of single-family units in Orange County have varied over the years with the recent trend being downward. A summary of the number of single-family units in Orange County for which building permits were issued is set forth on the following page.

Year	No. of Single-Family Units Permitted	% Increase
1995	5,663	–
1996	7,070	+24.85%
1997	8,219	+16.25%
1998	7,366	(-10.38%)
1999	7,686	+ 4.34%
2000	6,794	(-11.61%)
2001	5,925	(-12.79%)
2002	6,423	+ 8.41%
2003	5,565	(-13.36%)
2004	4,395	(-21.02%)
2005	4,063	(- 7.55%)

Our research within the immediate surrounding area indicated that new construction is occurring in a variety of areas within the City of Irvine.

A comparison of the number of new single-family dwellings constructed annually between 1995 and 2005 (6,288/yr. on average) in Orange County and the growth in single-family dwelling households (8,050/yr. on average over the same time frame) indicates that demand has increased faster than supply. Therefore, there is upward pressure on prices to rise or for additional units to be constructed in certain submarkets.

Prices in the residential market in the City of Irvine have been on an upward trend since 1996.

Year	Median Price	% Change	No. of Transactions	% Change
1996	$233,500	----	----	----
1997	$242,000	3.6%	2,525	----
1998	$258,500	6.8%	3,406	+ 34.9%
1999	$262,500	1.5%	----	----
2000	$291,500	11.0%	2,660	----
2001	$330,000	13.2%	2,484	- 6.6%
2002	$375,000	13.6%	3,158	+ 27.1%
2003	$462,500	23.3%	3,271	+ 3.6%
2004	$587,000	26.9%	2,871	- 12.2%
2005	$672,500	14.6%	3,373	+ 17.5%

While median prices have been increasing, the number of transactions per year appear to be somewhat stable over the prior 4 years in the range from 2,871 to 3,373 transactions per year.

The construction of residential dwelling units in the City of Irvine is impacted primarily by the land development activity of The Irvine Company and the housing development activity of a variety of residential builders. Most new construction is occurring on land in the northeastern, southeastern, and western parts of the City of Irvine.

According to the Orange County Residential Trends Executive Summary, published by Market Pointe Realty Advisors, the asking price for new single-family detached dwellings in the Newport Beach/Irvine submarket decreased by 8.8% to $1,388,078 as of December 2005 compared to the same time in 2004. This is based on a house that contains approximately 2,694 sq.ft. of living area. Absorption of homes in the local submarket was reported to be at a rate in the range from 0.81 to 4.00 homes per week on average per project, with approximately 3 months of existing single-family detached dwelling inventory based on that absorption rate.

Within the Newport Beach/Irvine submarket new detached home prices start in the $433,000 to $500,000 price range, but most of the sales in the 4th quarter of 2005 have been for homes in the greater than $825,000 price range.

New attached home prices start in the $425,000 to $500,000 price range, but most of the sales in the 4th quarter of 2005 have been for homes in the $675,000 to $730,000 price range.

According to the Orange County Residential Trends Executive Summary, published by Market Pointe Realty Advisors, there were 24 actively marketing new residential projects within the City of Irvine as of December 2005. Of these 24 projects, 9 were attached projects and 15 were detached projects. Of the 15 detached residential projects, the lot sizes vary from 2,500 sq.ft. to 13,000 sq.ft. The most frequent lot sizes are 3,00 sq.ft. and 5,000 sq.ft. Three projects have average lot sizes of 3,000 sq.ft. and three projects have average lot sizes of 5,000 sq.ft. The median lot size is 4,000 sq.ft. and the average lot size is 4,710 sq.ft.

Based on our review of supply and demand data regarding single-family residential properties, it appears that additions to supply are occurring at a rate that is keeping pace with local demand. The impact from strong demand, along with a corresponding increase in supply, is typically level prices. The market data indicates that even with supply growing at a fairly rapid rate, prices have continued to increase. The current increases in prices are also related to increases in the costs of labor and materials as well as permits and fees.

Market Analysis Conclusions

The social environment of the local market area can be described as continuing to grow. The economic environment is in a sluggish expansion phase. Expansion is hampered by slow job growth and a huge state budget deficit. The unemployment rate has recently been decreasing. The regulations imposed by all levels of government have attempted to promote orderly growth, provide a mix of land uses, and create a desirable environment in which to live and work.

The physical environment of the area is desirable as evidenced by continued growth in the City of Irvine and Orange County over the last decade. The natural environment, with its mild weather, is supported by an overcrowded transportation network and an adequate public service infrastructure.

The residential market overview supports the strength of demand in the local area. The fundamental demand characteristics are fairly strong due to a reasonably high percentage of owners in the area, the high income levels, good quality schools, recreational facilities in close proximity, good linkage to retail uses, and good freeway accessibility. Our analysis of the relationship between population and income levels indicates that demand for attached and detached residential properties exists within the local population.

VALUATION METHODOLOGY

Basis of Valuation

Valuation is based upon general and specific background experience, opinions of qualified informed persons, consideration of all data gathered during the investigative phase of the appraisal, and analysis of all market data available to the appraiser.

Valuation Approaches

Three basic approaches to value are available to the appraiser: the Cost Approach, the Income Approach, and the Sales Comparison Approach.

Cost Approach

This approach entails the preparation of a replacement or reproduction cost estimate of the subject property improvements as if they were new and then deducting for losses in value sustained through age, wear and tear, functionally obsolescent features, and external factors affecting the property.

The land value is then added to the depreciated cost and entrepreneurial incentive to arrive at a value estimate.

Income Approach

This approach is based upon the theory that the value of property tends to be set by the expected net income to the owner. It is in effect the capitalization of the expected future income into present worth. This approach requires an estimate of net income, an analysis of all expense items, the selection of a capitalization technique, and the processing of the net income stream into a value estimate.

Sales Comparison Approach

This approach is based upon the principle that the value of a property tends to be set by the price at which comparable properties have recently been sold or for which they can be acquired.

This approach requires a detailed comparison of sales of comparable properties with the subject property. One of the main requisites, therefore, is that sufficient transactions of comparable properties be available to provide an accurate indicator of value and that accurate information regarding price, terms, property description, and use be obtained through interview and observation.

Since the hypothetical subject site is a vacant land parcel, the Sales Comparison Approach has been utilized to arrive at an opinion of the value.

No Cost Approach or Income Approach were utilized, since they are not relevant valuation approaches for formulating an opinion of the value of a vacant parcel of real estate.

SALES COMPARISON APPROACH

The Sales Comparison Approach to Value consists of a comparison of the entire property being appraised or various portions thereof with other similar properties which have sold or which are offered for sale. The indication of market value is the price at which an equally desirable property has recently sold, or can be purchased in the open market. The value found by the study of comparable sales yields market value directly in accordance with its legal definition. This approach is based on the principle of substitution which asserts that, when a property is replaceable, its value tends to be set by the cost of acquisition of an equally desirable substitute property, assuming no costly delay is encountered in making the substitutions.

Market Data Investigation

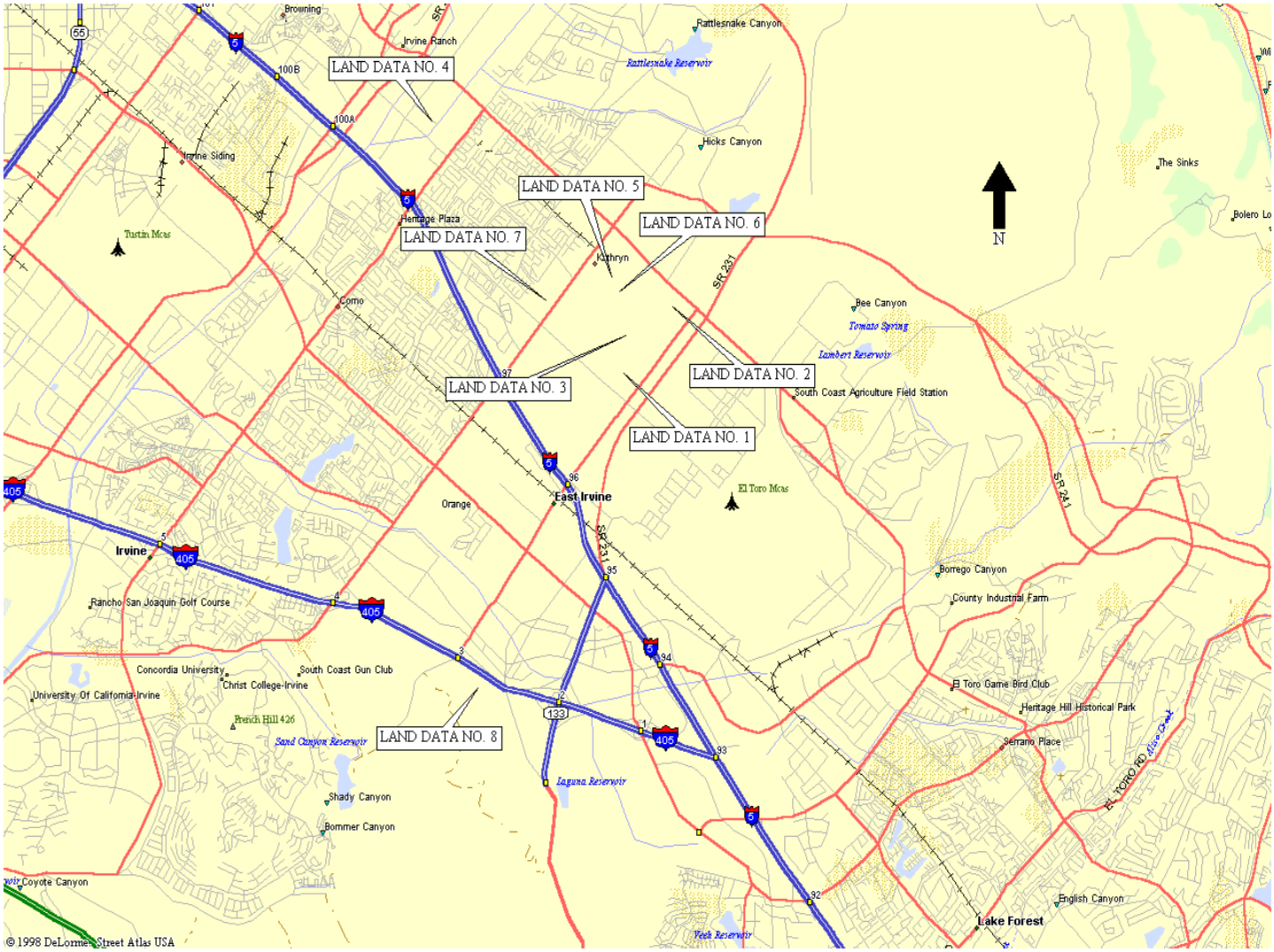
A search was undertaken to uncover sales of comparable residentially zoned land within the City of Irvine that occurred between June 2003 and the current time. Our search uncovered 5 closed sales and 3 escrows located in the competitive market area within the City of Irvine.

On the following page is a summary of the land sale data used in the valuation analyses. On the page after the sales summary is a map indicating the location of the sale data. After the map are data sheets with comparative characteristics between the hypothetical subject property and each of the sales. Following the data sheets is the land data analysis. Photographs of the comparable land data are included in the Addenda to this report for reference.

COMPARABLE RESIDENTIAL LAND SALE DATA SUMMARY

Data No. and Location	Date of Sale	Zone	Size (Sq.Ft./ Acres)	Intended Use	Density (Du's/Ac)	Status of Development Approvals	Sale Price Total	Sale Price $/Sq.Ft.	Sale Price $/Unit
No. 1 Northerly Corner of Regal & Hallmark Irvine	In Escrow (6/06 Closing)	2.3 MDR	380,279 8.73	To construct 84 attached residential units	10	Had approvals at time of sale	$40,157,964	$105.60	$478,071
No. 2 Both side of City Stroll Westerly of Landmark Irvine	In Escrow (6/06 Closing)	2.3 MDR	365,904 8.40	To construct 130 attached residential units	15	Had approvals at time of sale	$47,832,174	$130.72	$367,940
No. 3 Easterly Corner of Revival & Towngate plus Easterly Corner of Lamplighter & Groveland Irvine	In Escrow (4/06 Closing)	2.3 MDR	468,270 10.75	To construct 178 attached residential units	17	Had approvals at time of sale	$60,713,950	$129.66	$341,090
No. 4 Northerly Corner of Montelena & Rosenbaum Irvine	2/06	2.3F MDR	399,445 9.17	To construct 63 detached residential units	7	Had approvals at time of sale	$34,846,000	$ 87.24	$553,111
No. 5 SEC of Vintage & Townsend plus SEC of Vintage & Long Meadow Irvine	10/04	2.3 MDR	453,024 10.40	To construct 135 attached residential units	13	Had approvals at time of sale	$32,775,623	$ 72.35	$242,782
No. 6 NWC of Lamplighter & Groveland plus NWC of Great Lawn & Sanctuary Irvine	7/04	2.3 MDR	448,668 10.30	To construct 91 detached residential units	9	Had approvals at time of sale	$30,945,787	$ 68.97	$340,064
No. 7 W/S of Jeffrey Rd. & northerly of Trabuco Rd. Irvine	6/03	2.3 MDR	369,824 8.49	To construct 88 attached residential units	10	Had approvals at time of sale	$20,064,000	$ 54.25	$228,000
No. 8 SWC of Quail Ridge & Duet Irvine	6/03	2.3 MDR	378,972 8.70	To construct 111 detached residential units	13	Had approvals at time of sale	$22,984,244	$ 60.65	$207,065

COMPARABLE LAND SALE DATA MAP



Land Data No. 1

Location:	Northerly corner of Regal & Hallmark Irvine
Assessor's Parcel Nos.:	Portion of 104-420-48 (Lots 13-16 & 23-31, Tract 16928)
Document No.:	Unable to locate
Date:	In Escrow (Scheduled for 1st closing in 6/06)
Sale Price:	$40,157,964
Price/Sq.Ft.:	$105.60
Price/Unit:	$478,071
Grantor:	Irvine Community Development
Grantee:	Lennar Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled in 5 phases with the 1st phase of 25 dwelling units scheduled to close in June 2006.
Parcel Size:	380,279 Sq.Ft. or 8.73 Acres
Zoning:	Medium-density residential
Use:	To construct 84 attached residential units
Density (Du's/Ac):	10
Topography:	Fairly level
Configuration:	Irregular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 9 to the west of Sand Canyon Road between Irvine Boulevard and Trabuco Road. This site is located in the Village of Woodbury, a developing area of the City of Irvine.

The exposure time was not available for this transaction. The price was negotiated at the end of the 3rd quarter of 2005 with the first closing scheduled for June 2006.

This property sold with vesting tentative tract map approvals for the development of 84 duplex and triplex style attached homes to be constructed in 5 phases. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is smaller in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. The density of development is slightly lower. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in late 2005, with the first closings in June 2006. After making the necessary adjustments, the indicated value of the subject site from this comparable is $430,264 per unit or $105.60 per square foot.

Land Data No. 2

Location:	Both sides of City Stroll to the west of Landmark Irvine
Assessor's Parcel Nos.:	Portion of 104-420-44 (Lots 18-22 & 24-28, Tract 16676)
Document No.:	Unable to locate
Date:	In Escrow (Scheduled for 1st closing in 6/06)
Sale Price:	$47,832,174
Price/Sq.Ft.:	$130.72
Price/Unit:	$367,940
Grantor:	Irvine Community Development
Grantee:	Taylor Woodrow Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled in 9 phases with the 1st phase scheduled to close in June 2006.
Parcel Size:	365,904 Sq.Ft. or 8.40 Acres
Zoning:	Medium-density residential
Use:	To construct 130 attached residential units
Density (Du's/Ac):	15
Topography:	Fairly level
Configuration:	Irregular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 9 to the west of Sand Canyon Road between Irvine Boulevard and Trabuco Road. This site is located in the Village of Woodbury, a developing area of the City of Irvine.

The exposure time was not available for this transaction. The price was negotiated at the end of the 3rd quarter of 2005 with the first closing scheduled for June 2006.

This property sold with vesting tentative tract map approvals for the development of 130 row townhouse style attached homes to be constructed in 9 phases. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is smaller in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. The density of development is slightly higher. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in late 2005, with the first closings in June 2006. After making the necessary adjustments, the indicated value of the subject site from this comparable is $386,337 per unit or $95.43 per square foot.

Land Data No. 3

Location:	Easterly corner of Revival & Towngate plus the easterly corner of Lamplighter and Groveland Irvine
Assessor's Parcel Nos.:	Portion of 104-420-48 (Lots 13-17, 23, & 29-35, Tract 16676)
Document No.:	Unable to locate
Date:	In Escrow (Scheduled for 1st closing in 4/06)
Sale Price:	$60,713,950
Price/Sq.Ft.:	$129.66
Price/Unit:	$341,090
Grantor:	Irvine Community Development
Grantee:	John Laing Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled in 12 phases with the 1st phase scheduled to close in April 2006.
Parcel Size:	468,270 Sq.Ft. or 10.75 Acres
Zoning:	Medium-density residential
Use:	To construct 178 attached residential units
Density (Du's/Ac):	17
Topography:	Fairly level
Configuration:	Irregular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 9 to the west of Sand Canyon Road between Irvine Boulevard and Trabuco Road. This site is located in the Village of Woodbury, a developing area of the City of Irvine. This purchase included two non-contiguous sites located within a block of each other in similar locations.

The exposure time was not available for this transaction. The price was negotiated during the 2nd quarter of 2005 with the first closing scheduled for April 2006.

This property sold with vesting tentative tract map approvals for the development of 178 flat and townhouse style attached homes to be constructed in 12 phases. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is similar in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. The density of development is higher. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in mid-2005, with the first closings in April 2006. After making the necessary adjustments, the indicated value of the subject site from this comparable is $395,227 per unit or $94.65 per square foot.

Land Data No. 4

Location:	Northerly corner of Montelena & Rosenbaum Irvine
Assessor's Parcel Nos.:	528-131-02 (Lot 18, Tract 16075)
Document No.:	Unable to locate
Date:	20/06
Sale Price:	$34,846,000
Price/Sq.Ft.:	$87.24
Price/Unit:	$553,111
Grantor:	Irvine Community Development
Grantee:	California Pacific Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled in 5 phases with the 1st phase closing in February 2006.
Parcel Size:	399,445 Sq.Ft. or 9.17 Acres
Zoning:	Medium-density residential
Use:	To construct 63 detached residential units
Density (Du's/Ac):	7
Topography:	Fairly level
Configuration:	Rectangular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 4 to the north of Bryan Avenue and west of Culver Drive. This site is located in the Northpark Square Planned Community, a recently developed area of the City of Irvine. This parcel was formerly designated as a school site, but has been declared surplus. This site is located adjacent to a park.

The exposure time was not available for this transaction. The price was negotiated during the 2nd quarter of 2005 with the first closing scheduled for February 2006.

This property sold with vesting tentative tract map approvals for the development of 63 detached homes on lots that average 4,000 sq.ft. in size. This project is planned to be constructed in 5 phases. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is slightly smaller in size and it is in a recently developed area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. The density of development is lower. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in mid-2005, with the first closings in February 2006. After making the necessary adjustments, the indicated value of the subject site from this comparable is $368,510 per unit or $93.43 per square foot.

Land Data No. 5

Location:	Southeast corner of Vintage & Townsend plus the southeast corner of Vintage & Long Meadow Irvine
Assessor's Parcel Nos.:	Portion of 104-420-19 & 29 (Vesting Tentative Tract Map)
Document No.:	Unable to locate
Date:	10/04
Sale Price:	$32,775,623
Price/Sq.Ft.:	$72.35
Price/Unit:	$242,782
Grantor:	The Irvine Company
Grantee:	Brookfield Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled in 8 phases with the 1st phase of 24 dwelling units closing in October 2004.
Parcel Size:	453,024 Sq.Ft. or 10.40 Acres
Zoning:	Medium-density residential
Use:	To construct 135 attached residential units
Density (Du's/Ac):	13
Topography:	Fairly level
Configuration:	Irregular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 9 to the east of Jeffrey Road between Irvine Boulevard and Trabuco Road. This site is located in the Village of Woodbury, a developing area of the City of Irvine. This purchase included two non-contiguous sites located within 2 blocks of each other in similar locations.

The exposure time was not available for this transaction. The price was negotiated in late 2003 with the first closing in October 2004.

This property sold with vesting tentative tract map approvals for the development of 135 townhouse style attached units to be constructed in 8 phases. The finished site cost is estimated to be approximately $278,400. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is similar in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. The density of development is similar. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in late 2003, with the first closings in October 2004. After making the necessary adjustments, the indicated value of the subject site from this comparable is $356,343 per unit or $96.95 per square foot.

Land Data No. 6

Location:	Northwest corner of Groveland & Lamplighter plus the northwest corner of Great Lawn & Sanctuary Irvine
Assessor's Parcel Nos.:	Portion of 104-420-19 & 29 (Vesting Tentative Tract Map)
Document No.:	Unable to locate
Date:	7/04
Sale Price:	$30,945,787
Price/Sq.Ft.:	$68.97
Price/Unit:	$340,064
Grantor:	The Irvine Company
Grantee:	John Laing Homes
Terms:	The seller receives all cash for each phase at the time of closing. The closings are scheduled to occur in 7 phases over the time period from July 2004 through October 2005. The 1st phase of 18 dwelling units closed in July 2004.
Parcel Size:	448,668 Sq.Ft. or 10.30 Acres
Zoning:	Medium-density residential
Use:	To construct 91 detached cluster style single-family units
Density (Du's/Ac):	9
Topography:	Fairly level
Configuration:	Irregular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 9 to the east of Jeffrey Road between Irvine Boulevard and Trabuco Road. This property is located in the Village of Woodbury, a developing area of the City of Irvine. This purchase included two non-contiguous sites located within 2 blocks of each other in similar locations.

The exposure time was not available for this transaction. The price was negotiated in late 2003 with the first closing in July 2004.

This property sold with vesting tentative tract map approvals for the development of 91 detached single-family units to be constructed in 7 phases. The finished site cost is estimated to be approximately $380,000. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is similar in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. The density of development is lower. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. This arm's length, all cash to the seller, fee simple estate transfer was negotiated in late 2003, with the first closings in July 2004. After making the necessary adjustments, the indicated value of the subject site from this comparable is $382,572 per unit or $96.56 per square foot.

Land Data No. 7

Location:	Westerly side of Jeffrey Road & northerly of Trabuco Road Irvine
Assessor's Parcel Nos.:	Portion of 104-420-15 (Lot 211 of Vesting Tentative Tract Map No. 16309)
Document No.:	Unable to locate
Date:	6/03
Sale Price:	$20,064,000
Price/Sq.Ft.:	$54.25
Price/Unit:	$228,000
Grantor:	The Irvine Company
Grantee:	Lennar
Terms:	The seller receives all cash for each phase at the time of closing. Closing occurred between 6/03/03 and the end of 2004.
Parcel Size:	369,824 Sq.Ft. or 8.49 Acres
Zoning:	Medium-density residential
Use:	To construct 88 townhouse units
Density (Du's/Ac):	10
Topography:	Fairly level
Configuration:	Rectangular
Utilities:	All are available
Condition:	Vacant graded superpad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 8A to the north of the Santa Ana Freeway at Jeffrey Road. This site is located in a developing area of the City of Irvine.

The exposure time was not available for this transaction. The price was negotiated early in 2003 with the first closing in June 2003.

This property sold with vesting tentative tract map approvals for the development of 88 townhouse style condominium units to be constructed in 5 phases. The finished site cost is estimated to be approximately $260,000. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is smaller in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. This site is similar to the subject site in having approvals for development. The density of development is slightly lower. This site has typical street visibility and access, which is comparable to the subject property. This arm's length, all cash to the seller, fee simple estate transfer occurred approximately 33 months prior to the date of value. After making the necessary adjustments, the indicated value of the subject site from this comparable is $348,840 per unit or $86.80 per square foot.

Land Data No. 8

Location:	Southwest corner of Quail Ridge & Duet Irvine
Assessor's Parcel Nos.:	Portion of 120-153-83 (Tract Map No. 16435)
Document No.:	Unable to locate
Date:	6/03
Sale Price:	$22,984,244
Price/Sq.Ft.:	$60.65
Price/Unit:	$207,065
Grantor:	The Irvine Company
Grantee:	California Pacific
Terms:	The seller receives all cash for each phase at the time of closing. The first closing occurred in June 2003. The remaining 4 phases closed during 2003 and 2004.
Parcel Size:	378,972 Sq.Ft. or 8.70 Acres
Zoning:	Medium-density residential
Use:	To construct 111 clustered single-family residences
Density (Du's/Ac):	13
Topography:	Fairly level
Configuration:	Rectangular
Utilities:	All are available
Condition:	Vacant graded bluetop pad
Approvals:	Had approvals for development at the time of sale
Verification:	Cindy Daley, representative of the seller

Comments:

This property is located within Planning Area 17, Quail Hill, to the southwest of the intersection of the San Diego Freeway and Laguna Canyon Road. This site is located in a newly developing area of the City of Irvine.

The exposure time was not available for this transaction. The price was negotiated in April 2003 with the first closing in June 2003.

This property sold with a tract map approval for the development of 111 cluster style single-family residences to be constructed in 5 phases. The finished site cost was estimated to be approximately $245,000. In addition to the reported sale price for the land, The Irvine Company also receives a portion of the profit from the sale of the homes constructed on the land.

Compared with the subject site, this parcel is smaller in size and it is in a newly developing area of the City of Irvine. This site is in a similar vacant site physical condition as the subject property. The zoning on this site is similar and this property sold with similar fee requirements. The density of development is similar. This site is similar to the subject site in having approvals for development. This site has typical street visibility and access, which is comparable to the subject property. This arm's length, all cash to the seller, fee simple estate transfer occurred approximately 33 months prior to the date of value. After making the necessary adjustments, the indicated value of the subject site from this comparable is $362,571 per unit or $97.04 per square foot.

Analysis of the Land Sale Data

Five comparable closed land sales and three escrows with a very high probability of closing were utilized in the analysis to reach an opinion of the hypothetical subject property's site value. Based on discussions with developers of similar properties and active real estate agents in the local market, the units of comparison used in the local market for residentially zoned land are the price per unit and the price per square foot of site area.

Adjustments to all of the comparables were considered for property rights transferred, condition of sale, financing terms, demolition costs, date of sale or market conditions, status of development approvals, location, fee requirements, physical condition of the site, density of development, size of the site, and zoning differences.

Adjustments to the land sale data were based on interviews with buyers, sellers, and agents active in the local market, general economic trends, analysis of the land sale data set to extract matched-pair adjustments, where possible, and from our appraisal experience from analyzing similar data sets to extract similar adjustments. Included below are a summary of the adjustments considered for each of the comparable land data.

Price Per Unit Analysis

All of the sales were transfers of fee simple estate's, therefore no property rights transferred adjustments are necessary for any of the comparables.

All of the sales were arm’s length transactions with no adjustments necessary.

All of the sales were all cash to the seller transactions and the escrows are also indicated to be based on an all cash transaction, therefore no adjustments are necessary for financing.

All of the land comparables were vacant sites and no demolition costs adjustments are necessary.

The market conditions adjustment for the time period from 7/04 to the current time was extracted through a comparative analysis of Land Data Nos. 1 and 6, which are in the same planning area, have similar densities of development, and fairly similar site sizes. This comparative analysis provided market support for a 2.5% per month increase over the time period from 7/04 through the current time.

For the 6/03 to 7/04 time period a comparative analysis of other land sale data in our files from the Village of Woodbury, that are similar in size and similar in density, indicated market support for a 20% increase over the 6/03 to the 7/04 time period. Based on the changes in market conditions supported above, upward adjustments of 2.5%, 42.5%, 50%, 70%, and 70% were applied to Land Data Nos. 4 through 8, respectively.

Land Data Nos. 1, 2, and 3 have currently scheduled escrows closing and no adjustments for market conditions or the escrow status are necessary. The escrow status is only to provide time for completion of the land improvements so that the home builder can construct homes. Therefore, no adjustments for the escrow status of Land Data Nos. 1 through 3 are warranted.

The status of approvals adjustment relates to the governmental approvals necessary before development can occur on a site. As stated previously, the subject property is specifically assumed to have approvals for development of a medium-density residential project within a density of 12 Du's/Ac.

The zoning and status of approvals adjustments are considered as one adjustment since the zoning is often modified through the process of obtaining approvals for development.

All of the land data had approvals for development at the time of sale and no adjustment for that factor is necessary.

Note that all percentage adjustments are extracted from and applied to the arm's length, all cash, vacant site, current time adjusted price indicator from each sale comparable.

All of the comparables were in a ready to develop condition similar to the subject site, as of the date of sale. Therefore, no adjustments are necessary for physical conditions.

No location adjustment was extracted or applied since all of the comparable land data are located within the City of Irvine. Although some locations are superior (e.g., south of the San Diego Freeway) to others within the City of Irvine, the opinion provided in this consulting analysis represents an average value for a medium-density residential site anywhere in the City of Irvine.

All residential parcels in the City of Irvine have similar fee requirements and no adjustments are necessary for fee differences.

All of the sale comparables have an approved density of development range from 7 to 17 dwelling units per acre. A comparison of the adjusted indicators from each of the sale data supported downward adjustments of 35%, 25%, 10%, and 10% to Land Data Nos. 4, 6, 1, and 7, respectively, due to their lower densities compared to the subject property. Land Data Nos. 5, 8, 2, and 3 were adjusted upward by 3%, 3%, 5%, and 8%, respectively, due to their higher densities of development.

After making all of the previously discussed adjustments, a comparison of the adjusted indicators was made to extract or observe any adjustment for size differences. The comparative analysis indicated no support for an adjustment to the land data for size differences between 8.40 acres and 12.00 acres. In addition, the phased take-down of the land parcels results in most take-down parcels being similar in size and containing from 14 to 25 units per phase.

The price per unit indicators from the comparable land sales range from $207,065 to $553,111 before making any adjustments. After adjustments were considered for property rights transferred, condition of sale, financing, demolition costs, time of sale or market conditions, physical condition of the land, fee requirements, location, status of development approvals, density of development, and site size, the indicated price range per unit for the subject property, based on a density level of 12 Du's/Ac and a size of 12 acres, from the comparables is from $348,840 to $430,264.

The greatest weight has been given to the value indications provided by Land Data Nos. 3, 5, and 8, due to similarities to the subject property in either time of sale, physical condition, location, density, status of approvals, size, or zoning.

Secondary weight has been given to the value indication provided by Land Data Nos. 1, 2, and 7, due to those comparables being similar to the subject property in either time of sale or density.

The least weight has been given to the value indication provided by Land Data Nos. 4 and 6, due to those comparables having the lowest densities of development.

Based on the comparative analysis performed, we have concluded on an opinion of the value for the subject hypothetical site, based on a density of 12 Du's/Ac and a size of 12 acres, of $370,000 per unit. Based on a potential of 12 units per acre, the land value per acre is calculated as follows:

12 Units X $370,000 = $4,440,000

Say $4,440,000 per Acre

Price Per Square Foot Analysis

The price per square foot analysis was performed in the same manner as the price per unit analysis.

The price per square foot indicators from the comparables range from $54.25 to $130.72 before making any adjustments. After adjustments were considered for property rights transferred, condition of sale, financing, demolition costs, time of sale or market conditions, fee requirements, physical condition of the land, location, status of development approvals, density of development, and site size, the indicated price range per square foot for the subject property, based on a density level of 12 Du's/Ac, from the comparables is from $86.80 to $105.60.

The greatest weight has been given to the value indications provided by Land Data Nos. 3, 5, and 8, due to similarities to the subject property in either time of sale, physical condition, location, density, status of approvals, size, or zoning.

Secondary weight has been given to the value indication provided by Land Data Nos. 1, 2, and 7, due to those comparables being similar to the subject property in either time of sale or density.

The least weight has been given to the value indication provided by Land Data Nos. 4 and 6, due to those comparables having the lowest densities of development.

Based on the comparative analysis performed, we have concluded on an opinion of the value for the subject site, based on a density of 12 Du's/Ac and a size of 12 acres, of $96.00 per square foot of site area. Based on a one acre site, the land value is calculated as follows:

43,560 Sq.Ft. X $96.00 = $4,181,760

Say $4,180,000 per Acre

LAND DATA ADJUSTMENT GRID

	Subject	Data No. 1	Data No. 2	Data No. 3	Data No. 4	Data No. 5	Data No. 6	Data No. 7	Data No. 8
Sale Price/Sq.Ft.: Sale Price /Unit	- -	$105.60 $478,071	$130.72 $367,940	$129.66 $341,090	$87.24 $553,111	$72.35 $242,782	$68.97 $340,064	$54.25 $228,000	$60.65 $207,065
Property Rights:	Fee Simple	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Condition of Sale:	Arm's Length	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Financing:	All cash	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Demolition Costs:	-	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Date of Sale: Market Conditions	Current	In Escrow (6/06 Closing)	In Escrow (6/06 Closing)	In Escrow (4/06 Closing)	2/06	10/04	7/04	6/03	6/03
Adjusted Indicators: Per Sq.Ft. Per Unit	 - -	 $105.60 $478,071	 $130.72 $367,940	 $129.66 $341,090	 $88.98 $566,939	 $96.95 $345,964	 $96.56 $510,096	 $86.80 $387,600	 $97.04 $352,011
Location:	City of Irvine	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Zoning:	2.3- MDR	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Development Approvals:	Has Approvals	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Physical Condition:	Rough graded, utilities & access available	Similar	Similar	Similar	Similar	Similar	Similar	Similar	Similar
Density (Du's/Ac):	12	10	15	17	7	13	9	10	13
Site Size:	12.00 Ac	8.73 Ac	8.40 Ac	10.75 Ac	9.17 Ac	10.40 Ac	10.30 Ac	8.49 Ac	8.70 Ac
Adjusted $/Sq.Ft.: Adjusted $/Unit:	- -	$105.60 $430,264	$95.43 $386,337	$94.65 $395,227	$93.43 $368,510	$96.95 $356,343	$96.56 $382,572	$86.80 $348,840	$97.04 $362,571

Reconciliation of the Sales Comparison Approach

The price per unit value opinion for the subject hypothetical parcel (12 acres in size) is $4,440,000 per acre. The price per square foot value opinion is $4,180,000 per acre.

The greatest weight is given to the price per unit analysis since the most probable buyer, a developer, is most interested in the number of units that can be constructed on the property.

The price per square foot analysis is given secondary weight since it is relied upon by developers in the local market, but not to the degree that the price per unit is relied upon.

Based on the preceding investigations and analyses, the market value opinion for the hypothetical subject property is $4,400,000 per acre for a site size that totals 12 acres with approvals for development at a density of 12 Du's/Ac and located within the City of Irvine.

Pacific
REAL ESTATE CONSULTANTS

VALUATION

Based upon the investigations conducted, the analyses made, and on our experience as real estate consultants and appraisers, we have formed the opinion that, as of April 14, 2006, and subject to the Assumptions and Limiting Conditions set forth in this report, the subject hypothetical property located within the City of Irvine has a market value of the fee simple estate per acre, assuming the site is rough graded and in a fairly level condition, with access and utilities available, zoned for medium-density residential land use with a density of 12 dwelling units per acre (Du's/Ac), and has entitlements to build, as follow:

FOUR MILLION FOUR HUNDRED THOUSAND DOLLARS PER ACRE

$4,400,000/Acre

Pacific
REAL ESTATE CONSULTANTS

CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional, analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice of the Appraisal Foundation.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Peter B. Finnerty has completed the continuing education program of the Appraisal Institute.
- I have made a personal inspection of the properties that are the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I am competent to appraise the property that is the subject of this report based on my previous experience appraising similar types of properties.

Respectfully submitted,



Peter B. Finnerty, MAI
Certified General Real Estate Appraiser
California Certificate No. AG001937

A D D E N D A

LAND SALE DATA PHOTOGRAPHS



LAND DATA NOS. 1



LAND DATA NO. 2



LAND DATA NO. 3



LAND DATA NO. 4



LAND DATA NO. 5



LAND DATA NO. 6



LAND DATA NO. 7



LAND DATA NO. 8

QUALIFICATIONS

Q U A L I F I C A T I O N S

OF

PETER B. FINNERTY, MAI

PROFESSIONAL BACKGROUND

Actively engaged in the real estate profession since 1977. President and Principal of Pacific Real Estate Consultants, Inc., with offices at:

4060 Campus Drive, Suite 230
Newport Beach, California 92660

Before starting Pacific Real Estate Consultants, was employed as Vice-President at Real Estate Analysts of Newport, Inc. (REAN), in Costa Mesa, California. Prior to that, was a Senior Appraiser, Bank of America, in Anaheim, California.

PROFESSIONAL ORGANIZATIONS

Member of Appraisal Institute, with the MAI designation
Member of National Association of Realtors
Member of California Association of Realtors
Member of Orange Coast Association of Realtors
Associate Member of Urban Land Institute

INSTRUCTOR

AIREA Basic Valuation Procedures Course
AIREA Capitalization Theory & Techniques, Part A
AIREA Capitalization Theory & Techniques, Part B

How to Value your Corporate Real Estate Assets, Seminar for International Association of Corporate Real Estate Executives, Inc.

Real Estate Appraisal 342, Coastline Community College

Finance 448, Income Property Appraisals, California State University at Long Beach

Appraisal Institute Appraisal Procedures Course
Appraisal Institute Capitalization Theory & Techniques, Part B
Appraisal Institute Advanced Applications Course
Appraisal Institute Non-Residential Demonstration Appraisal Report Writing Seminar
Appraisal Institute Small Hotel/Motel Valuation

EXPERT WITNESS

Superior Court of Orange County
Superior Court of Los Angeles County
Superior Court of Riverside County

Superior Court of San Diego County
Federal District Court
Federal Bankruptcy Court
Arbitration Proceedings

LICENSES

Licensed California Real Estate Broker
Certified General Real Estate Appraiser, State of California

EDUCATIONAL ACTIVITIES

B.S., Real Estate Administration, Indiana University, 1976.

Special courses in Real Estate:

Principles of Real Estate
Real Estate Appraisals
Case Studies in Real Estate
Real Estate Law
Residential Construction and Design
Survey of Real Estate and Land Economics

Courses sponsored by American Institute of Real Estate Appraisers:

Course I-A Principles, Methods, and Techniques of Real Estate Appraising
Course I-B Capitalization Theory and Techniques
Course II Urban Properties
Course VI Introduction to Investment Analysis

SCOPE OF EXPERIENCE

Vacant Land
Single-family residential sites, multi-family residential sites, commercial and industrial sites, acreage, planned communities.

Residential
Single-family residences, duplexes, apartments, condominiums, planned unit developments, mobile homes.

Commercial
Shopping centers (regional, neighborhood and community), retail stores, general office buildings, medical office buildings, car dealerships, banks.

Industrial
Single- and multi-tenant warehouses and manufacturing buildings, truck terminals, business parks, R & D buildings, garages, mini-warehouses.

Special Purpose
Churches, veterinary hospitals, hotels and resorts, restaurants, theaters, mobile home parks, submerged tidelands, mixed-use developments, landfill properties, contaminated properties.

PARTIAL LIST OF CLIENTS

Lending Institutions

American Savings & Loan Assn.
Bank of America
Bank of British Columbia
Beverly Hills S & L
Butterfield Savings
California Canadian Bank
California Federal S & L Assn.
Canadian Commercial Bank
Chemical Bank
Citibank
Columbia Savings & Loan
Coast Savings & Loan
Gibraltar Savings
Glendale Federal S & L Assn.
Goldman Sachs
Great Western S & L Assn.
Home Federal S & L of San Diego
Imperial S & L Assn.
Merit Savings Bank
Mitsui Manufacturers Bank
Morgan Guarantee Trust Co.
Mortgage Guaranty Ins. Corp.
Pacific Mutual Life Insurance
Rainier Mortgage
San Diego Federal S & L Assn.
Security Pacific Nat'l. Bank
Valencia Bank
Western Empire Savings & Loan
Wells Fargo Bank

Public Agencies

Burbank Unified School Dist.
Calif. Dept. of Real Estate Services
City of Irvine
Federal Deposit Insurance Corp.
Resolution Trust Corporation
Garden Grove Unified School
Orange County Dept. of Real Property Services
Orange County Counsel's Office
United States Postal Service
United States Army Corps of Engineers
United States Justice Department
King County, Washington

Developers and Landowners

Birtcher-Pacific
Butler Housing Corporation
Cadillac Fairview Homes West
Carlton-Browne and Co., Inc.
Carma Developers (Canada)
Carma-Sandling Group
Save-Most Development, Inc.
T & S Development Company
Trammel-Crow Company
Valencia Corporation
Warmington Group
Robert P. Warmington Company
William Lyon Company
Norland Properties
Nu-West Development Company
Pipefitters Welfare Education and Pension
Regis Homes
Santa Anita Development Company
Daon Development
Genstar
The Irvine Company
The Koll Company
Lincoln Property
Meister Company
Mola Development Company
Newhall Land & Farming Company

Law Firms

Davis & Digrazia
Gibson, Dunn & Crutcher
Latham & Watkins
Lewis, D'Amato, Brisbois, & Bisgaard
McCutchen, Black, Verlager and Shey
Rutan & Tucker
McDermott, Will & Emery
Morrison & Foerster
Paul, Hastings, Janofsky & Walker
Rhodes & Bidna
Rosenfeld, Meyer & Susman
Urland, Morello, Dunn & Maynard

Corporations and Institutions

AMF Voit, Incorporated
ATO Corporation
Baldwin United Corporation
University of California at L.A.
Campeau Corporation
W. R. Grace Company
E. F. Hutton Development, Inc.
Kenneth Leventhal & Assoc.
Ottawa Silicon Corporation
Fluor Corporation

Supporting Documents from Table 1

Documents 32–33

Project Name: Alegre Apartments

Year: 2012

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	8181
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	11/01/2013
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	NOT TO EXCEED 416,930.00
CONTRACT NAME: As stated in 1st paragraph of contract	IRVINE COMMUNITY LAND TRUST
CONTRACT SUBJECT: As stated in Description of Services section of contract	COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT; AMCAL MULTIHOUSING, INC

HOME GRANT AGREEMENT

This HOME GRANT AGREEMENT ("**Agreement**") is entered into as of this 1st day of November, 2013, between the CITY OF IRVINE, a California municipal corporation ("**City**"), and the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("**Participant**").

RECITALS

A. Participant is a duly organized California nonprofit public benefit corporation, certified by the United States Internal Revenue Service as a public charity under Internal Revenue Code sections 501(c)(3) and 509(a)(3).

B. AMCAL Multi-Housing, Inc., a California nonprofit public benefit corporation ("**AMCAL**") has entered into an Affordable Housing and Development Agreement ("**Original AHDA**") with Participant pursuant to which Participant has agreed to ground lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("**Property**") to AMCAL, and AMCAL has agreed to develop and operate thereon a 104-unit affordable residential rental project and related improvements ("**Project**"). The Original AHDA has been amended on two previous occasions (as amended, the "**AHDA**").

C. City participates in the HOME Investment Partnerships Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*). Pursuant to said program, the City receives funds from HUD ("**HOME Funds**") to be used for the acquisition and development of affordable housing projects.

D. On or about April 23, 2013, as part of City's 2013-14 program year funding process for HOME, City approved an allocation of HOME Funds to be provided to Participant for the acquisition costs attributable to four (4) of the Project units referred to herein as the "**HOME Units**" in the form of a grant in an amount not to exceed the sum of Three Hundred Eighty-Two Thousand Nine Hundred Forty-Eight Dollars ($382,948). On or about July 23, 2013, City increased its allocation of HOME Funds to be provided to Participant for the acquisition costs attributable to the HOME Units to an amount not to exceed the sum of Four Hundred Sixteen Thousand Nine Hundred Thirty Dollars ($416,930) ("**HOME Grant Amount**" or "**City Grant**").

E. AMCAL Multi-Housing Two LLC, a California limited liability company and Participant have entered into that certain Operating Agreement of Alegre GP, LLC, a California limited liability company ("**Alegre GP**") dated November 1, 2013 ("**Operating Agreement**"), pursuant to which a limited partnership entity known as AMCAL Alegre Fund, L.P. ("**Lessee**") will assume AMCAL's rights and obligations under the AHDA to ground lease the Property, develop the Project, and operate the Programs. Participant and Alegre GP are members of the administrative general partner of the Lessee.

F. City's provision of the City Grant to Participant pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the

welfare of its residents, and in accordance with the purpose and provisions of the HOME Investment Partnerships Act program.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement (including in the Recitals above) shall have the meanings given below unless expressly provided to the contrary:

"AD 11-24 Assessment Lien" shall mean the assessment lien on the Property payable to AD-24, pursuant to the requirement of Section 3.2 of the Irvine Company Declaration.

"Affordable Rent" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252.

"Agreement" shall mean this Home Grant Agreement between City and Participant, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/Participant for disbursements of HOME Funds.

"AMCAL" shall mean AMCAL Multi-Housing, Inc., a California nonprofit public benefit corporation, and its successors and assigns.

"AMCAL Multi-Housing Two" shall mean AMCAL Multi-Housing Two LLC, a California limited liability company, and its successors and assigns.

"CFD No. 09-1" shall mean Community Facilities District No. 09-1 of the Irvine Unified School District.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623.

"City Grant" shall mean, for this Agreement, the HOME Grant Amount referred to in Recital D of this Agreement to be provided by City to Participant for the Eligible Project Expenses, as more fully explained in Section 2 of this Agreement.

"Contract Officer" shall mean City's Housing Administrator or such other person as may be designated by the City Manager of City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Grant.

"Density Bonus Agreement" shall mean that certain Density Bonus Agreement entered into by and between (i) City, and (ii) AMCAL and Participant on or about October 15, 2013 and

recorded in the Official Records of the County of Orange October 16, 2013, as Instrument No. 2013-000584233.

"Effective Date" shall mean the date this Agreement is executed by the parties, which date shall be inserted into the preamble to this Agreement.

"Eligible Project Expenses" shall mean the prorated (if applicable) costs of the taxes, fees, and assessments applicable to the Property payable under or pursuant to (i) the AD 11-24 Assessment Lien, (ii) CFD No. 09-1, and (iii) the NITM Agreement, all of which taxes, fees, and assessments are to paid at the closing of the Construction Escrow and are attributable to the four (4) HOME Units.

"Eligible HOME Unit Tenant" shall mean persons and families occupying a HOME Unit on the Property whose income does not exceed the limit permitted for the particular unit as set forth in the Unit Mix.

"Escrow Holder" shall mean the title company and the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.2 of this Agreement that must be satisfied prior to City providing the City Grant to Participant.

"Holdback Amount" shall mean a portion of the City Grant in the amount of Six Thousand Two Hundred Fifty Dollars ($6,250).

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnerships Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnerships Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Exhibit "D" attached to this Agreement.

"HOME Units" shall mean four (4) units in the Project comprised of 2 two-bedroom units, 1 three-bedroom unit, and 1 four-bedroom unit, which shall be income restricted in accordance with the Unit Mix. The initial Home Units shall be designated in the Regulatory Agreement. Thereafter, in accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 104 units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the preceding sentence and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit.

"Irvine Company" shall mean, collectively, the Irvine Land Company, LLC, a Delaware limited liability company, and the Irvine Community Development Company, LLC, a Delaware limited liability company.

"Irvine Company Declaration" shall mean that certain Declaration of Special Land Use Restrictions entered into between City and the Irvine Company and recorded on June 1, 2012, as Instrument No. 2012-000313707, in the Official Records of the County of Orange, which, in

addition to other restrictions, restricts the use of the Property for the development of affordable housing.

"Land Trust Loan Agreement" shall mean, for this Agreement, that certain Affordable Housing and Loan Agreement (HOME Funds), of or about even date as this Agreement, entered into between Participant and Lessee providing for Participant to loan to Lessee an amount not to exceed the HOME Grant Amount for the development of the Project.

"Lease" shall mean the binding lease agreement to be entered into between Lessee, as lessee, and Participant, as lessor, for the lease of the Property to Lessee, consistent with the terms of Section 3.1 of this Agreement, and approved by the City.

"Lessee" shall mean the limited partnership entity known as "AMCAL Alegre Fund, L.P.," formed by Alegre GP to be the "Lessee" under the Lease and to develop the Project and operate the Program, and its successors and assigns. Alegre GP and Participant must at all times be members of the administrative general partner of the Lessee. As to the AHDA and any other agreement entered into by AMCAL relating to the Project, which agreements are to be assigned to Lessee, the term "Lessee" shall also be deemed to refer to AMCAL during the period that AMCAL is obligated under said agreements.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements.

"NITM Agreement" shall mean that certain NITM Program implementing Agreement between City, on the one hand, and Irvine Community Development Company LLC and the Irvine Company, on the other hand, dated July 15, 2003, and recorded in the Official Records of the County of Orange as Instrument No. 2003-000885815.

"Notice to Proceed" shall mean the written notice from City to the Participant Representative notifying Participant that the Funding Conditions have been satisfied such that Participant can commence the activities under this Agreement for the development of the Project. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to provide any City Grant proceeds for any Eligible Project Expenses incurred prior to City's issuance of the Notice to Proceed.

"Other Land Trust and City Loan Documents" shall mean the following: (i) the AHDA, (ii) the Land Trust Loan Agreement, (iii) the Regulatory Agreement, (iv) that certain Community Development Block Grant Agreement entered into by and between City and Participant concurrently herewith, (v) that certain Affordable Housing and Loan Agreement (CDBG Funds) of or about even date hereof by and between Participant and Lessee, (vi) that certain Regulatory Agreement and Declaration of Covenants and Restrictions (CDBG Funds) of or about even date hereof by and between Participant and Lessee, and (vii) that certain Affordable Housing Regulatory Agreement of or about even date hereof and between Participant and Lessee, and as any of those aforementioned agreements may be amended from time to time.

"Participant" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation, and its successors and assigns. City agrees that it shall accept performance under this Agreement by the Lessee to the same extent as if performance was tendered by Participant.

"Participant Personnel" shall mean (a) any employee, volunteer, contractor, subcontractor, or agent of Participant or any other person under Participant's supervision and direction, including the contractors and subcontractors constructing the Project, and (b) the Lessee. Participant is responsible for the full compliance of all Participant Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Participant Representative" shall mean Mark Asturias, Executive Director, who is designated by Participant to represent Participant in the administration of this Agreement.

"Performance Reports" shall mean the semi-annual reports to be submitted by Participant to City on the status of the development of the Project and on the operation of the Program, as more fully explained in Section 8.2.1(a) of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Services.

"Program Services" shall collectively refer to the following activities and tasks to be performed by Participant under this Agreement: (a) the operation of the Program in accordance with the description set forth in this Agreement and the Regulatory Agreement; and (b) all activities, services, tasks, and operations related to the Program described in this Agreement and the Regulatory Agreement, including without limitation those set forth in Section 4.1 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Property and the grading of the Property and the development on the Property of a 104-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 104 units shall be comprised of one-bedroom units, two-bedroom units, three-bedroom units, and four-bedroom units, and shall be restricted to occupancy by Eligible HOME Unit Tenants in accordance with the Unit Mix and Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the development of the Project set forth in Exhibit"B" to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Property" shall mean that certain real property located at in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A."

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (HOME Funds) to be entered into by and between Participant and Lessee in the form attached to and pursuant to the Land Trust Loan Agreement, which will require that the HOME Units be rented to Eligible HOME Unit Tenants at an Affordable Rent.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Exhibit "C" and incorporated herein by reference, setting out the dates and/or time periods by which certain obligations and tasks must be performed and completed.

"Six-Month Period" shall mean each of the two (6) month periods during a fiscal year commencing July 1 or January 1.

"Third Party Contracts" shall have the meaning ascribed in Section 5 of this Agreement.

"Unit Mix" shall mean the household income levels permitted for each HOME Unit on the Property as set forth in the Regulatory Agreement.

2. CITY GRANT.

2.1 Grant of Funds; Eligible Project Expenses. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement, City shall provide the City Grant to Participant to be applied towards the costs of the Eligible Project Expenses. The City Grant proceeds may be used only for the Eligible Project Expenses that are actually and reasonably incurred and approved by City, and for no other purpose.

2.2 City Grant Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any City Grant proceeds until such time that all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Insurance.* Participant shall have provided to City evidence of the insurance required under Section 9.1 of this Agreement.

(b) *Plans and Permits.* Participant or Lessee shall have obtained grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(c) *Evidence of Financing.* City shall have approved Lessee's evidence of financing in accordance with Section 2.4 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Lessee.

(d) *Ground Lease.* Lessee and Participant shall have entered into the Lease and the Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Lease or the performance of either party thereunder and the fulfillment of the Lease and Lessee's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(e) *Other Agreements.* The Other Land Trust and City Loan Documents shall have been executed by Lessee and be ready to be recorded against the Property (as applicable), there shall be no event of default under any of said agreements or the occurrence of any event which would constitute a default with the passage of time or the giving of notice, and all conditions to the initial disbursement of funds under said

agreements shall have been satisfied. The Regulatory Agreement shall have been executed by Participant and Lessee, and be ready to be recorded against the Property.

(f) *Assignment.* AMCAL shall have assigned its interest in the AHDA and the Other Land Trust and City Loan Documents to which it is a party to Lessee.

(g) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(h) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(i) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Participant in this Agreement remain true and correct in all material respects.

(j) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Grant.

In the event that any of the Funding Conditions are not satisfied on or before November 15, 2013, or such later deadline as may be mutually approved by City and Participant in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Participant.

2.3 Disbursement of City Grant. Provided Participant is not in default of this Agreement, the City Grant, less the Holdback Amount, shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the deposited City Grant proceeds (e.g., the City Grant less the Holdback Amount) to the Eligible Project Expenses incurred at the close of the Construction Escrow. In the event the Eligible Project Expenses are not incurred by Participant within ten (10) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Participant return the City Grant proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Grant proceeds were improper or made for expenditures not eligible for payment, Participant shall immediately repay to City the amounts of such disbursements. City shall release the Holdback Amount to Participant on or after the date that is twelve (12) months prior to the date City anticipates that all building permits issued for the Project will have obtained final inspection approval (as noted on each building permit card).

2.4 Evidence of Financial Capability. No later than five (5) days after the Effective Date, Participant shall submit to City evidence reasonably satisfactory to City that Lessee has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Lessee for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Participant to City shall be certified by Lessee to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Lessee has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Lessee and its general contractor for all of the improvements required to be constructed by Lessee hereunder, certified by Lessee to be a true and correct copy thereof.

3. ACQUISITION OF LEASE AND DEVELOPMENT OF PROJECT.

3.1 Acquisition of Leasehold Interest in Property. Lessee's execution of a ground lease with Participant ("**Lease**") on the terms set forth herein is a Funding Condition. The Lease (a) shall have a term of no less than the lesser of (i) fifty-nine (59) years or (ii) fifty-six (56) years from the date that all buildings in the Project have obtained final inspection approval under the building permits issued therefor (as noted on each building permit card), (b) shall permit the Property to be developed and operated in accordance with the terms set forth in this Agreement and the Regulatory Agreement, and shall otherwise be consistent with this Agreement and the Regulatory Agreement, such that compliance with this Agreement and the Regulatory Agreement will not cause a default under the Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Lease in the event of a default by Lessee, and (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Lessee under the Lease by foreclosure or other enforcement proceeding and to thereafter assign the Lease to a new tenant to operate the Property in accordance with the Lease. City shall have the right to approve the form of the Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Lease by Participant and Lessee, Participant shall deliver or cause Lessee to deliver a copy of the executed Lease to City. Notwithstanding the foregoing, City approves the form of the ground lease attached as Attachment No. 10 to the AHDA.

3.2 Scope of Work. Participant shall develop or cause to be developed the Project on the Property in strict accordance with the plans and drawings approved by City and in accordance with all applicable law, rules and regulations, including those set forth in Exhibit "D" to this Agreement. If Participant or Lessee desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Participant shall be responsible for all construction and installation and for obtaining or causing Lessee to obtain all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Property, Participant shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Participant shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract. Participant acknowledges that the requirements of Section 5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Participant shall ensure compliance with all such provisions and requirements. Participant shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project, which, if authorized by law, may be satisfied by Participant incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with the construction contract and posted for the Project.

3.5 No Debarred, Suspended, or Ineligible Parties. Participant shall not permit Lessee to employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements and any other laws, rules and regulations. Participant shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.6 Construction Meeting. Participant shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Participant, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws.

3.7 Schedule of Performance. Participant shall submit or cause Lessee to submit all required plans and drawings, commence and complete construction of the Project, and satisfy or cause Lessee to satisfy all other obligations and conditions of this Agreement within the times established in the Schedule of Performance and this Agreement. Once construction of the Project is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned for more than ten (10) consecutive business days. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon between Participant and City, including extensions to complete the Funding Conditions (Item 3 in the Schedule of Performance), commencement of grading (Item 4 in the Schedule of Performance), and/or commencement of construction of vertical improvements for the Project (Item 5 in the Schedule of Performance) resulting from a delay caused by a party to an agreement with Lessee in approving or disbursing that party's funding for the construction of the Project by the anticipated closing date of the Construction Escrow. During the course of construction, Participant shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.8 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement,

including, but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Participant shall cooperate with, and shall cause Lessee, the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.8 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Participant. City has no obligation to Participant to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.9 Project Costs. Except to the extent City has specifically agreed to provide the City Grant pursuant to Section 2, Participant and/or Lessee shall be responsible for all costs related to the Project.

4. OPERATION OF PROGRAM; USE OF PROPERTY.

4.1 Obligation to Operate Program; Program Description. Commencing from the date the City Grant is first spent for the Property and continuing for the term of the Regulatory Agreement, Participant shall operate or cause the operation of the Program and perform the Program Services on a continuous basis and shall use the Property for no other purpose. The Program shall consist of the operation of a 104-unit affordable housing rental project, with the HOME Units rented to Eligible HOME Unit Tenants at an Affordable Rent in accordance with the Unit Mix, on the terms set forth in this Agreement and the Regulatory Agreement.

4.2 Standard of Performance. Participant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Services, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Participant shall operate the Program and perform the Program Services in compliance with the HOME Requirements. In addition to the semi-annual reports referred to in Section 8.2, Participant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Participant shall cause the Program Services to be performed by Participant or Participant Personnel under Participant's direct supervision, and shall ensure that all Participant Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Participant shall secure or cause Lessee to secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Participant shall be responsible for all costs related to the Program.

4.3 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.5 or knowingly allows such conduct to occur at the Property or by Participant Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Participant immediately replace or cause Lessee to replace such manager or supervisor of the Program.

4.4 Drug Free Covenant. Participant shall use best efforts to maintain or cause Lessee to maintain a drug free environment on the Property. Participant covenants to City that Participant shall use its best efforts to ensure that Participant Personnel and all persons working or residing on the Property shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Property.

4.5 Program Defaults. If the Participant shall or permit Participant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.4 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon City or City's funding programs or upon Participant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

City and Participant agree to meet and confer within ten (10) days of the request of the City to determine a resolution reasonably acceptable to the City and the Participant agrees to thereafter promptly implement the resolution. The failure of the Participant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.6 Occupants of Housing Facilities. To the extent permitted by applicable law, Participant shall cause Lessee to include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Participant enforce such provision.

5. AGREEMENTS WITH THIRD PARTIES.

5.1 General. If Participant enters into any agreements ("Third Party Contracts") with contractor(s) for the construction of the Project ("Other Contacting Party"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Participant shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a

default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Participant to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Participant shall include in its construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City. If Participant believes that any of the HOME Requirements are not applicable to a Third Party Contract, it is Participant's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Participant's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Participant's failure to comply with this obligation. In connection therewith, any statement made by City to Participant as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Participant and as a statement of City's opinion, but shall not be relied upon by Participant or excuse Participant from Participant's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Participant acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Participant's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Participant's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Participant shall comply with all terms of Third Party Contracts.

5.2 Lessee Regulatory Agreement. Prior to the commencement of construction of the Project and as a condition to the disbursement of any HOME Grant Funds, Participant shall enter into with Lessee and record against the Property or deliver to City for recordation the Regulatory Agreement. The Regulatory Agreement shall constitute a Third Party Contract and shall be subject to the provisions of this Agreement, including the requirements of Third Party Contracts set forth in Section 5.1. In addition, the Regulatory Agreement shall contain provisions that it cannot be terminated or modified without the prior written consent of City. The Regulatory Agreement also shall require that the HOME Units be rented to Eligible HOME Unit Tenants at an Affordable Rent in accordance with the Unit Mix.

6. PROGRAM INCOME.

Participant shall submit to City semi-annual reports as set forth in Section 8.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Participant and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

7. ADDITIONAL COVENANTS OF PARTICIPANT.

7.1 Compliance with Laws and Regulations and HOME Requirements. Participant shall carry out or cause to be carried out the design, construction and operation of the Project, and operate or cause to be operated the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Exhibit "D" attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Participant provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Grant is funds received from HUD pursuant to the federal government's HOME program, Participant is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Participant acknowledges and agrees that it shall be and remain, and shall cause the Participant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Participant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Participant or Participant Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Participant or Participant Personnel; and/or (c) failure by Participant or Participant Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Participant shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 7.1, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

7.2 Maintenance. Participant shall maintain or cause to be maintained all improvements on the Property in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with any approved plans for the Project, and all other applicable laws, rules, ordinances, orders, and regulations, including without limitation the City

of Irvine Municipal Code, and all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. In addition, Participant shall make or cause to be made all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate or cause to be eliminated all graffiti and debris and replace or cause to be replaced dead and diseased plants and landscaping with comparable materials. In the event that Participant breaches any of the covenants contained in this Section 7.2 and such default continues for a period of fifteen (15) days after written or verbal notice from City (with respect to landscaping, graffiti, debris, waste material, or general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default and to protect, maintain, and preserve the improvements and landscaped areas on the Property. Participant shall, immediately upon demand therefor by City, pay to City an amount equal to the expenditures arising from such acts and work of protection, maintenance, and preservation by City and/or costs of such cure, including a ten percent (10%) administrative charge.

7.3 Obligation to Repair. If the improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Participant or Lessee, Participant shall promptly proceed to obtain or cause Lessee to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence or cause Lessee to commence the repair or replacement of the improvements so that the Program can continue to be operated, and Participant shall complete or cause Lessee to complete the same as soon as possible thereafter.

7.4 Relocation. Participant, at its sole cost and expense, shall be responsible for providing or causing Lessee to provide any relocation assistance and paying or causing Lessee to pay all relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by law. Participant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 7.4. To the best of Participant's knowledge, there are no occupants or tenants of the Property.

7.5 Liens. Participant shall cause Lessee to pay and promptly discharge all Impositions, liens, encumbrances and charges upon the Property, or any part thereof or interest therein. As used herein, the term "**Impositions**" shall mean all (a) real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges and all other governmental charges and any interest or costs or penalties with respect thereto and charges for any agreement maintained for the benefit of the Property, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which at any time may be assessed, levied or imposed upon the Project, or the rent or income received therefrom, or any use or occupancy thereof, and (b) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Participant or the Property. In addition, Participant

shall cause Lessee to timely make all payments on all loans secured by the Property or other debts which could give rise to a security interest in the Property.

8. RECORDS AND REPORTS.

8.1 Records.

8.1.1 Records to be Maintained. Participant shall keep and maintain or cause Lessee to keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement, including the development of the Project and operation of the Program, records demonstrating the eligibility of the activities constituting the Eligible Project Expenses, records demonstrating compliance with this Agreement and HOME Requirements, data demonstrating client eligibility for services provided including the name, income level, family size of each client and other information for determining eligibility and a record of the services provided to each client, and such other records as may be reasonably required by City to enable City to evaluate the development of the Project and operation of the Program and Participant's compliance with the HOME Requirements, and to identify and account for the use of the City Grant proceeds and expenditures of Eligible Project Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's record keeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible Project Expenses shall be kept and prepared in accordance with generally accepted accounting principles or as otherwise required by City.

8.1.2 Retention. Participant shall retain or cause Lessee to retain the books and records required to be maintained under this Agreement for a period of five (5) years following the date that the Regulatory Agreement expires or terminates; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Participant shall retain or cause Lessee to retain the books and records until completion of the action and resolution of all issues which arise from it.

8.1.3 Location of Records. The books and records required to be maintained under this Agreement shall be kept at the Property or at the office of Lessee or Participant or such other location as approved by City.

8.1.4 Access to Records. City and its representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Agreement at all times during normal business hours.

8.1.5 Audits. Participant shall perform and cause Lessee to perform all audits of their respective books and records required by the HOME Requirements or City or HUD and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

8.2 Reports.

8.2.1 Semi-Annual Reports. No later than fifteen (15) days after the end of each Six-Month Period, Participant shall submit or cause Lessee to submit to City the following semi-annual reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the status of the Project improvements and a summary of the Program Services undertaken by Participant under this Agreement for the previous Six-Month Period ("**Performance Report**"). The Performance Report shall, at a minimum, describe the Program Services performed, the status of the Project, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Participant to meet any obligations if any were not met, favorable developments which enabled Participant to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results that planned, and any additional pertinent information related to contract performance.

(b) *Program Income.* A report on the program income generated for the Six-Month Period, if any, as more fully explained in Section 6 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Participant is permitted to retain program income.

8.2.2 Other Reports. In addition to the reports referenced in Section 8.2.1, Participant shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the activities under this Agreement, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with HOME Requirements, as City may reasonably require from time to time.

9. INSURANCE AND INDEMNITY.

9.1 Insurance. Participant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policy of insurance:

Commercial General Liability Insurance. A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

Participant shall cause Lessee to procure and maintain, at Lessee's sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from the general contractor for the Project in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Participant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 9.1 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Participant shall cause Lessee to maintain the insurance set forth in the Regulatory Agreement.

Participant agrees that the provisions of this Section 9.1 shall not be construed as limiting in any way the extent to which Participant may be held responsible for the payment of damages to any persons or property resulting from Participant's activities or the activities of any person or persons for which Participant is otherwise responsible or for Participant's indemnity obligations set forth in Section 9.2 herein. No later than the "Insurance Approval Date" (as that term is defined below), Participant shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the date that is five (5) days after the Effective Date. City's approval of the insurance required hereunder is a Funding Condition.

9.2 Indemnification. Participant shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all liability, expense or damage of any kind or nature, and for, from

and against any suits, claims or demands, including legal fees and expenses, on account of or arising out of this Agreement or otherwise in connection with the Property, Project or Program, except to the extent of such loss as may be caused by the sole negligence or willful misconduct of an Indemnitee. Upon receiving knowledge of any suit, claim or demand asserted by a third party that City believes is covered by this indemnity, City shall give Participant notice of the matter and an opportunity to defend it, at Participant's sole cost and expense, with legal counsel satisfactory to City.

10. REPRESENTATIONS AND WARRANTIES OF PARTICIPANT.

Participant makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Participant of this Agreement (i) are within the powers of Participant and upon its execution will constitute a legal, valid and binding obligation of Participant enforceable in accordance with its terms, and (ii) to Participant's knowledge, will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Participant is a party or by which Participant, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Participant's knowledge, all reports, papers, data and information given to City with respect to Participant and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Participant is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(d) *Pending Litigation.* There is not now pending, or to Participant's knowledge threatened, against or affecting Participant any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Participant.

(e) *Compliance.* Participant has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

11. DEFAULTS AND REMEDIES.

11.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot reasonably be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse affect on the Property, and if corrective action is instituted by Participant within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 13.3, Participant does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 13.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.5.

(g) Any of the warranties or representations made by Participant herein are or become false, incorrect or misleading in any material respect and to the extent capable of being cured are not cured within the cure period set forth in subparagraph (c) above.

(h) Participant commits any act of bankruptcy or if any relief under the Bankruptcy Act is sought by or against Participant, or if a receiver is appointed to take charge of the assets or affairs of Participant, or if Participant should make an assignment for the benefit of creditors, or if Participant should become insolvent, or upon any liquidation or termination of Participant; provided, however, that if any such proceeding is brought involuntarily against Participant, Participant shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Participant, or the recording of any abstract of judgment against Participant, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Participant, or the entry of a judgment, order or decree against Participant, any or all of which would have a material and adverse effect upon Participant's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) Participant, Alegre GP, AMCAL, AMCAL Multi-Housing Two, or Lessee shall default under any agreements, permits, development documents, construction contracts, bond agreements, or any other instrument executed in connection with the development or operation of the Project, including without limitation the Other Land Trust and City Loan Documents, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

(k) Participant, Alegre GP, AMCAL, AMCAL Multi-Housing, or Lessee shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Participant has incurred any debt or other liability to City or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

11.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) City may take one or more of the following actions:

(a) Wholly or partially suspend or terminate this Agreement.

(b) Withhold further awards for the Project, including further disbursements of the City Grant.

(c) Require Participant to repay the City Grant funds.

(d) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Grant proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City Grant proceeds pending correction of the default by Participant.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it deprive the non-defaulting 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.

11.3 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such

legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

11.4 Applicable Law Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

11.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

11.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

12. TERMINATION.

In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(a) *Lack of Funding.* If, for any reason, the HOME Funds required by City to fund the Eligible Project Expenses are withdrawn from City, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding. This subdivision shall not be applicable after the date City has disbursed to Participant (i) the funds for the City Grant or (ii) at City's election and in its sole discretion, another source of funds.

(b) *Default.* If a default shall occur (other than a default of City), City may terminate this Agreement in whole or in part.

(c) *Failure to Receive Environmental Clearance.* In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(d) *Termination for Convenience.* This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

Notwithstanding the expiration or earlier termination of this Agreement, the following obligations of Participant shall survive the termination of this Agreement: (a) Participant's indemnity obligations; (b) the obligation to cause audits to be performed relating to Participant's activities and costs under this Agreement; (c) the obligation to repay to City any City Grant proceeds improperly disbursed to Participant or used for ineligible expenditures or otherwise required to be repaid under this Agreement; and (d) any other obligations which cannot by their nature be performed until after the expiration or termination of this Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

13. GENERAL PROVISIONS.

13.1 Notices. All notices required to be delivered under this Agreement to City or Participant shall be delivered to the respective parties at the address set forth next to the party's signature to this Agreement or to such other address as the parties may hereafter designate by written notice to the other party.

13.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under this Agreement.

13.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 13.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Participant; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Participant; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 13.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

13.4 [Intentionally Omitted]

13.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

13.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Grant. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant.

13.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

13.8 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to City. It is because of those qualifications and identity that City has entered into this Agreement with Participant. Accordingly, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any change in ownership or assign, transfer or convey all or any part of this Agreement or any rights hereunder or in the Property, Lessee or in the Project without City's prior written approval. In considering whether it will grant approval, City shall consider factors such as (a) whether the completion of the Project is jeopardized; (b) the financial credit, strength, and capability of the proposed transferee to perform Participant's obligations hereunder, including the operation of the Program on the Property; and (c) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects and programs. In the absence of specific written agreement by City, no transfer by Participant of all or any portion of its interest in the Property shall be deemed to relieve it or any successor party from the obligation to complete the Project or any other obligations under this Agreement. No assignment shall be approved if Participant is in default (or a default notice has been issued) of this Agreement. Participant shall be responsible for all costs incurred by City in connection with any request for approval of an assignment. Notwithstanding any provisions in this Section to the contrary, Participant shall have the right to transfer or convey all or any part of this Agreement or any rights hereunder or in the Property or in the Project, without City's prior written approval, to Lessee, AMCAL, an affiliate of AMCAL, or a limited partnership in which AMCAL is the general partner for the development and operation of the Project, so long as the purpose of said transfer or conveyance complies with and facilitates the terms and conditions of the Land Trust Loan Agreement. Further, none of the assignments, actions, or transfers listed in Section 9.7 (a), (b), (c), (d), (e), (f), or (g) of the Land Trust Loan Agreement shall require prior City approval.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by AMCAL.

13.9 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Participant Representative shall be the person designated by Participant to administer this Agreement on behalf of Participant.

The City Manager or his designee shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein. The Participant Executive Director or his designee shall have the authority to consent to any matter requiring Participant approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of Participant as specified herein.

13.10 Covenants to Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. This Agreement shall be binding upon the parties hereto and their respective heirs, representatives, transferees, successors, and assigns and all persons having any right, title or interest in the Property. All conditions, covenants, and restrictions contained in this Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by, City and its successors and assigns, against Participant, its successors and assigns, to or of the Property or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided hereinabove both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all rights and remedies, including maintaining an action at law or suit in equity or other proper proceedings to obtain damages or enforce the curing of such breach of agreement or covenant.

13.11 Monitoring. City shall monitor and evaluate Participant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide or cause to be provided to City the reasonable right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder.

13.12 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (a) such party is duly organized and existing, (b) they are duly authorized to execute and deliver this Agreement on behalf of said party, and (c) by so executing this Agreement, such party is formally bound to the provisions of this Agreement.

13.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

13.14 Exhibits. This Agreement incorporates by reference the following four (4) Exhibits attached hereto:

Exhibit A	Legal Description of Property
Exhibit B	Project Budget
Exhibit C	Schedule of Performance
Exhibit D	Summary of Legal Requirements

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement to be effective as of the date set forth above.

Address:

City of Irvine
Community Development Department
Housing Division
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles, Director of Community Development

ATTEST:

_____
Marie Macias, Interim City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Todd O. Litfin, City Attorney

Address:

Irvine Community Land Trust
PO Box 19575
Irvine, CA 92623-9575
Attn: Executive Director

"PARTICIPANT"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: _____
Mark Asturias, Executive Director

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

Lots 4 and Lettered Lot "I" of Tract No. 17394, in the City of Irvine, County of Orange, State of California, as per Map recorded in Book 902 Pages 33 through 43, Inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam, and all products derived from any of the foregoing, that may be within or under the land, together with the perpetual right of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from lands other than the land, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved by The Irvine Company in the deed recorded November 30, 2005 as Instrument No. 2005000953645 of Official Records.

Also excepting therefrom any and all water, water rights or interests therein appurtenant or relating to the land or owned or used by The Irvine Company in connection with or with respect to the land (no matter how acquired by The Irvine Company), whether such water rights shall be riparian, overlying, appropriative, littoral, percolating, prescriptive, adjudicated, statutory or contractual, together with the right and power to explore, drill, redrill, remove and store the same from or in the land or to divert or otherwise utilize such water, rights or interests on any other property owned or leased by The Irvine Company; but without, however, any right to enter upon the surface of the land in the exercise of such rights, as reserved by The Irvine Company in the deed recorded November 30, 2005 as Instrument No. 2005000953645 of Official Records.

APN: 104-413-02 and 104-413-13

EXHIBIT "B"

PROJECT BUDGET

PROFORMA - LIHTC			Updated:	10/14/2013	By: KB		Notes:		
Project name	Alegre Apartments								
City / County	Irvine	Orange	Geographic	Orange Co.	Prime	3.25%	Equity from Fed. Tax Credits		26,982,795
Type of Credits	9%		Type	Family	LIBOR	0.26%	Permanent Loan		4,450,600
Set Aside	n/a		Land Acreage	3.479	Const. Per.	15 months	DDF + Soft $		10,967,900
DDA or QCT	yes				T.C. Factor	9.00%	Annual Fed. Tax Credits		2,453,227
Affordable Units					Cap. Rate	5.00%	Fed. Tax Credit Price		$1.100

Unit Square Feet	# of Bedrooms	# of Units	Proposed Rents less Utilities	Aggregate Monthly Rents	Monthly Utility Allow.	Aggregate Rents + Utility	100% Median Rents	Aggregate 100% Rents	% AMI
665	1bd/1ba	11	224	2,464	36	2,860	1706	18,769	SSI
665	1bd/1ba	0	0	-	36	-	1706	-	45%
665	1bd/1ba	0	0	-	36	-	1706	-	45%
665	1bd/1ba	0	0	-	36	-	1706	-	50%
934	2bd/2ba	6	543	3,258	45	3,528	1919	11,513	30%
934	2bd/2ba	16	835	13,360	45	14,080	1919	30,700	45%
934	2bd/2ba	32	936	29,952	45	31,392	1919	61,400	50%
934	2bd/2ba	0	0	-	45	-	1919	-	50%
1177	3bd/2ba	4	587	2,348	67	2,616	2133	8,530	30%
1177	3bd/2ba	0	0	-	67	-	2133	-	45%
1177	3bd/2ba	30	1023	30,690	67	32,700	2133	63,975	50%
1177	3bd/2ba	0	0	-	67	-	2133	-	50%
1395	4bd/2ba	1	629	629	77	706	2303	2,303	30%
1395	4bd/2ba	0	0	-	77	-	2303	-	45%
1395	4bd/2ba	3	1100	3,300	77	3,531	2303	6,908	50%
1395	4bd/2ba	0	0	-	77	-	2303	-	50%
	Avg. Income:	44.79%	Totals:	86,001		91,413		204,097	

Market Rate Units

665	1bd/1ba	0		-		-
934	2bd/2ba	0		-		-

Manager Units

934	2bd/2ba	1	0	-		-
1177	3bd/2ba	0	0	-		-

Total Units:	104	11 1bd units	55 2bd units	34 3bd units	4 4bd units
Density:	*29.89 du/ac*	*11%*	*53%*	*33%*	*4%*

Residential Building Structures:

Sqft excl. Mgr. Units	103,349	
Sqft incl. Mgr. Units	104,283	net sf
Sqft of Aff. Units	103,349	
Efficiency loss	29,413	22%
Total Bldg Sqft	133,696	gross sf

Applicable Fraction Calculation:

Total # of units excl. Mgr	103
Total # of Aff. Units	103
Units Ratio of Aff./ ttl - mgr	100.00%
Sqft Ratio of Aff./ ttl - mgr	100.00%
Applicable Fraction	100.00%

THRESHOLD BASIS CALCULATIONS

Unit size	Unit Basis Limit	# of units	Total
1bd/1ba	161,821	11	1,780,031
2bd/2ba	195,200	54	10,540,800
3bd/2ba	249,856	34	8,495,104
4bd/2ba	278,355	4	1,113,420
Mars' Units:			
2bd/2ba	195,200	1	195,200
3bd/2ba	249,856	0	-
Total		104	22,124,555

Unadjusted Threshold Basis Limit			**22,124,555**	
Adjustments to Basis:				
Prevailing Wage	yes	4,424,911		8,628,576
New const. parking below	no	-		
Day Care	no	-		30,753,131
Elevator	yes	2,212,456		
Energy Efficiency	no	-		
Local Impact Fees	yes	5,006,464		
--	0%	-		
--	0%	-		Per unit
Adjusted Threshold Basis Limit			**33,768,386**	324,696

INCOME & EXPENSE (AT STABILIZED OCCUPANCY)

		(1st Trust) Annual	(Section 8) Annual			
Income from Rents		1,032,012	-			
Other Income		-	-	0 per unit/mo.	laundry	
Gross Income		1,032,012	-			
Avg Inc Adj	44.79%	-	-			
Vacancy @ MHSA	5.00%	1,716	-	5.163% Blended Vacancy Rate		
Vacancy @ All units	5.00%	51,601	-	10.00%		
Adjusted Gross Inc.		**978,695**	-			
Operating Expenses		509,344	-	4,898	/unit/year	[4,800 TCAC Minimum]
Replacement Reserves		52,000	-	500	/unit/year	[250 TCAC Minimum]
Service Provider		18,000	-	173	/unit/year	[10,000 Annual TCAC Minimum]
Internet Payment		18,700	-	180	/unit/year	
Total Expenses		**598,044**	-	5,571		
Net Operating Income		**380,651**	-			
Debt Service - Perm Loan		326,301	-	1.17	DCR - Perm	
Debt Service - Section 8		-	-	-	DCR - Section 8	
Debt Service - MHSA		5,405	-	0.42%	Service Fee	
Cash Flow		**48,945**	-			
MHSA COSR		34,347				
Total Cash Flow		83,292				

COST BREAKDOWN

	103 Affordable Units		1 Mgr. Units	0 Market Rate Units		
	Project Cost	Basis	Non Basis	Per D.U.	% Proj. Cost	$ per gross sf
Acquisition						
Land Cost	8,350,000		8,350,000	80,288	19.59%	62.46
Land Closing Cost	20,000		20,000	192	0.05%	0.15
Land Carrying Cost	-		-	-	0.00%	0.00
Remedial work, demolition			-	-	0.00%	0.00
Off Site Development	230,683	230,683		2,218	0.54%	1.73
New Construction						
Sitework						
Onsites/Common Area	2,068,425	2,068,425	-	19,889	4.85%	15.47
Parking and Drive Aisles	-	-		-	0.00%	0.00
Structures						
Parking Garage		-		-	0.00%	0.00
Community Building		-				
Direct Building Cost	16,603,475	16,603,475	-	159,649	38.95%	124.19
	-	-		-	0.00%	0.00
General Requirements	755,906	755,906		7,268	1.77%	5.65
Contractor Overhead	983,023	983,023		9,452	2.31%	7.35
Contractor Profit	983,023	983,023		9,452	2.31%	7.35
Commercial (non-basis)	-		-	-	0.00%	0.00
Total: 21,624,535						
Architectural Fees						
Design	578,207	578,207		5,560	1.36%	4.32
Supervision	-	-		-	0.00%	0.00
Survey & Engineering	717,681	717,681		6,901	1.68%	5.37
Construction Interest and Fees						
Constr'n Loan Origination Fee	237,674	237,674		2,285	0.56%	1.78
Constr'n Loan Interest Reserve	928,434	567,898	360,537	8,927	2.18%	6.94
–						0.00
–						0.00
G. C. Credit Enhancement none	-	-		-	0.00%	0.00
Closing Costs	47,000	47,000		452	0.11%	0.35
Property Taxes	26,094	26,094		251	0.06%	0.20
Insurance	270,307	270,307		2,599	0.63%	2.02
Title and Recording	25,000	25,000		240	0.06%	0.19
Permanent Financing						
Loan Origination Fee	44,506		44,506	428	0.10%	0.33

Permanent Loan Closing Costs		25,000		25,000	240	0.06%	0.19
–		-		-	-	0.00%	0.00
–		-		-	–	0.00%	0.00
Legal Fees							
Legal and Audit (Construction)		80,000	55,000	25,000	769	0.19%	0.60
Reserves							
Operating Reserves		233,561		233,561	2,246	0.55%	1.75
Transition Reserve		112,819		112,819	1,085	0.26%	0.84
Appraisal Costs & Mkt Study		18,000	18,000		173	0.04%	0.13
Other							
TCAC Fees							
Application Fee		2,000		2,000	19	0.00%	0.01
Alloc./Reserv. Fee		98,129		98,129	944	0.23%	0.73
Compliance Monitoring Fee		42,230		42,230	406	0.10%	0.32
Permit Processing Fees							
Onsite (impact) Fees		5,006,464	5,006,464	-	48,139	11.75%	37.45
Bldg. Permit Fees		559,912	559,912		5,384	1.31%	4.19
Marketing		72,800		72,800	550	0.17%	0.54
Furnishings/Appliances		130,900	130,900		1,100	0.31%	0.98
HACOLA Fees		-		-	-	0.00%	0.00
Soft Cost Contingency		215,427	215,427		2,071	0.51%	1.61
Hard Cost Contingency	5%	1,081,227	1,081,227		10,396	2.54%	8.09
			-		-	0.00%	0.00
MHSA Fees		30,273	18,214	12,059	291	0.07%	0.23
Predevelopment Carrying Costs		40,591	40,591	-	390	0.10%	0.30
Misc. Consultants		6,750	6,750	-	65	0.02%	0.05
Developer Costs							
Developer Overhead/Profit		1,399,999	800,000	599,999	13,462	3.28%	10.47
Irvine Land Trust		500,000	500,000		4,808	1.17%	3.74
Project Administration		-	-		-	0.00%	0.00
Other: Non-profit Partner		100,000	100,000		962	0.23%	0.75
Total Project Costs		42,625,519	32,626,879	9,998,640	409,861	100.00%	318.82
		0					

SOURCES & USES OF FUNDS

SOURCES	CONSTRUCTION PERIOD		Per Project
Construction Loan	*81% LTV*	*68% LTC*	27,961,620
Permanent Loan during construction			-
Deferred Uses During Construction			346,380
Deferred Developer Fee			900,000
MHSA			1,286,835
Irvine Community Land Trust			8,350,000
Irvine Community Land Trust (HOME)			416,930
Irvine Community Land Trust (CDBG)			837,673
Construction Period Bridge Amount			
Investor Bridge Loan/Tax Credit Equity:	9.362% of Tax Credit Equity		2,526,081
			42,625,519
USES			
Project costs at construction completion	42,625,519		0

SOURCES	PERMANENT PERIOD	
Federal Tax Credit Equity		26,982,795
State Tax Credit Equity		-
Permanent Loan (1st Trust Deed)		4,450,600
Permanent Loan (Section 8)		
Foothill Eastern Transportation Corridor Fee Refund		224,224
Deferred Developer Fee		76,462
MHSA		1,286,835
Irvine Community Land Trust		8,350,000
Irvine Community Land Trust (HOME)		416,930
Irvine Community Land Trust (CDBG)		837,673
		42,625,519
USES		
Total Project Costs	42,625,519	
	Gap (deficit) or surplus:	**0**

TAX CREDIT CALCULATIONS - Federal		basis	credits/equity
Total Eligible Basis		32,626,879	
Lesser of Total Eligible Basis or Threshold Basis Limit		32,626,879	
Deduct Ineligible Amounts and Voluntary Basis Reduction		9,840,256	
Requested Unadjusted Eligible Basis		22,786,623	
Total Adjusted Eligible Basis	130%	29,622,610	
Qualified Basis	100%	29,622,610	
Voluntary Credit Reduction	0%	-	
Total Adjusted Qualified Basis		29,622,610	26,660,348.83
Maximum Federal Credits Available	9.00%		25,000,000
		10 Yr. Federal Credit Reservation:	24,532,267
Equity Raised from Sale of Fed Credits	$1.100 price		26,982,795

TAX CREDIT CALCULATIONS - State		
Maximum State Credits Available		-
State Credits Necessary for Feasibility		-
	State Credit Reservation:	
Equity Raised from Sale of State Credits	$0.650 price	-
Blended Tax Credit Price	n/a	

EXHIBIT "C"

SCHEDULE OF PERFORMANCE

TASK		TIME FOR PERFORMANCE
1.	Participant submits evidence of insurance to City (§ 9.1).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the date that is 5 days after the Effective Date.
2.	Participant submits evidence of Lessee's financial capability to develop the Project to City (§ 2.4).	No later than 5 days after the execution of the Land Trust Loan Agreement by Participant and Lessee.
3.	Funding Conditions satisfied, including without limitation the execution of the Lease and City's approval of evidence of financial capability (§2.2).	No later than November 15, 2013.
4.	Participant commences or causes the commencement of the grading of the Property (§3.7).	No later than the date that is the earlier of (a) November 20, 2013, or (b) the date that is 5 days after the closing date of the Construction Escrow, subject to extension per § 3.7.
5.	Participant commences or causes the commencement of construction of the vertical improvements for the Project (§3.7).	No later than December 18, 2013, subject to extension per § 3.7
6.	Participant completes or causes the completion of construction of the Project (§3.7).	No later than the date that is 14 months after Participant commences construction of the vertical improvements for the Project.
7.	Participant causes affordable housing Program to be operated on Property (§4).	For a period of 20 years in accordance with the Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of items of performance in the Schedule is not intended to supersede or modify any more complete description in the text; in the event of any conflict or inconsistency between this Schedule and text of the Agreement, the text of the Agreement shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant. The Contract Officer of City shall have the authority on behalf of City to approve extensions of time.

EXHIBIT "D"

SUMMARY OF LEGAL REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Participant shall comply, and shall cause all Participant Personnel to comply, with the following regulations and requirements.[1]

1. **Use of the HOME Funds.** The City Grant shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Participant.

2. **Affordability.** The units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the Regulatory Agreement, whichever is more restrictive. If the units do not meet the affordability requirements of the HOME Requirements for the specified time period, Participant shall repay the City Grant to City promptly upon demand by City. In such event, Participant and Lessee shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1.** This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Participant shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Participant shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794.**

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Participant requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. **Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*.** This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. **Executive Order 11246, as amended**. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Participant must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Participant will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members"

are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. **Nondiscrimination.** Participant shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. **Environmental.**

a. **Air and Water.** Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. **Flood Disaster Protection Act of 1973.** Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. **Lead-Based Paint.** Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. al.*

d. **Historic Preservation.** Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance.** In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance, "neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Participant. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Grant. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each

activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. **Uniform Administrative Requirements.** Participant shall comply with applicable uniform administrative requirements as described in 24 C.F.R. § 92.205.

6. **Other Program Requirements.** Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92.

7. **Project Requirements.** Participant shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

8. **Property Standards.** Participant shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

9. **Records and Reports.** Participant shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

10. **Conflict of Interest.** Participant will comply with 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Participant shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Participant shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Participant, or any designated public agency.

11. **Affirmative Marketing.** If the City Grant will be used for housing containing 5 or more assisted units, Participant shall cause Lessee to establish for City's review and approval

a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Participant shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Participant must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Participant to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Participant to affirmatively market units and records to assess the results of those actions; and

e. a description of how Participant will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

12. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Participant shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

13. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Participant shall comply with all debarment and suspension certifications.

14. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Participant's obligation to comply with the HOME Requirements.

15. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Participant shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City Grant funds are disbursed are not incurred by Participant within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Participant immediately return the City Grant proceeds to City.

16. Monitoring. Not less than once per year, City shall review Participant's activities and operations under the Agreement and Participant's compliance with the HOME Requirements. Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall

coordinate such inspection with Participant. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

17. Tenant Participation Plan. Participant shall provide to City for approval the form of the lease agreement to be used for the HOME Units, which lease must be fair and provide for a grievance procedure. In addition, Participant shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

18. Anti-Lobbying Certification. By its execution of the Agreement, Participant hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Participant shall execute a separate document that contains the certifications set forth above.

19. Drug-Free Workplace Requirements. Participant shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of

maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

20. Procurement. If applicable, Participant will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Participant shall comply with all existing and future City policies concerning the purchase of equipment.

21. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Participant shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Participant shall comply with the provisions of 24 C.F.R. § 92.354. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Participant shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40

U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Participant shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Participant shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Participant shall comply and cause Participant Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5 5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at *http://www dol gov/esa/whd/forms/wh347instr htm* or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following.

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5 5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both "

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	8182
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	11/01/2013
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of Contract	NOT TO EXCEED 837,673.00
CONTRACT NAME: As stated in 1st paragraph of contract	IRVINE COMMUNITY LAND TRUST
CONTRACT SUBJECT: As stated in Description of Services section of contract	COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT; AMCAL MULTIHOUSING, INC

COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT

This COMMUNITY DEVELOPMENT BLOCK GRANT AGREEMENT ("**Agreement**") is entered into as of this 1st day of November, 2013, between the CITY OF IRVINE, a California municipal corporation ("**City**"), and the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation ("**Participant**").

RECITALS

A. Participant is a duly organized California nonprofit public benefit corporation, certified by the United States Internal Revenue Service as a public charity under Internal Revenue Code sections 501(c)(3) and 509(a)(3).

B. AMCAL Multi-Housing, Inc., a California nonprofit public benefit corporation ("**AMCAL**") has entered into an Affordable Housing and Development Agreement ("**Original AHDA**") with Participant pursuant to which Participant has agreed to ground lease that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("**Property**") to AMCAL, and AMCAL has agreed to develop and operate thereon a 104-unit affordable residential rental project and related improvements ("**Project**"). The Original AHDA has been amended on two previous occasions (as amended, the "**AHDA**").

C. City participates in the Community Development Block Grant program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et seq.*) as amended from time to time, and the regulations promulgated thereunder (24 C.F.R. § 570 *et seq.*). Pursuant to the Community Development Block Grant program, City receives funds from HUD ("**CDBG Funds**") to be used for the support of community development activities that meet at least one of the three national objectives of the program of benefiting low and moderate income persons, preventing and eliminating slums and blight, and addressing a community development need having a particular urgency.

D. On or about April 23, 2013, as part of the City's annual CDBG funding process, the City approved an allocation of CDBG Funds to be provided to Land Trust for the Project in the amount of Seven Hundred Fifty-Five Thousand Seven Hundred Six Dollars ($755,706). On or about July 23, 2013 City increased its allocation of CDBG Funds to be provided to Land Trust for the Project to an amount not to exceed the sum of Eight Hundred Thirty-Seven Thousand Six Hundred Seventy-Three Dollars ($837,673) ("**CDBG Grant Amount**" or "**City Grant**").

E. AMCAL Multi-Housing Two LLC, a California limited liability company and Participant have entered into that certain Operating Agreement of Alegre GP, LLC, a California limited liability company ("**Alegre GP**"), dated November 1, 2013 ("**Operating Agreement**"), pursuant to which a limited partnership entity known as AMCAL Alegre Fund, L.P. ("**Lessee**") will assume AMCAL's rights and obligations under the AHDA to ground lease the Property, develop the Project, and operate the Programs. Participant and Alegre GP are members of the administrative general partner of the Lessee.

F. City's provision of the "City Grant" to Participant pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the purpose and provisions of the Community Development Block Grant program.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement (including in the Recitals above) shall have the meanings given below unless expressly provided to the contrary:

"AD 11-24 Assessment Lien" shall mean the assessment lien on the Property payable to AD-24, pursuant to the requirement of Section 3.2 of the Irvine Company Declaration.

"Affordable Rent" for the CDBG Units shall mean annual rent that does not exceed the maximum percentage of income that can be devoted to rent (including a reasonable utility allowance) by Eligible Unit CDBG Tenants under Section 42(g)(2)(A) of the United States Internal Revenue Code for Eligible Unit CDBG Tenants.

"Affordability Term" shall have the same meaning as it does in the regulatory agreement attached to the Land Trust Loan Agreement. Said regulatory agreement serves as the "Regulatory Agreement" defined below.

"Agreement" shall mean this Community Development Block Grant Agreement between City and Participant, including all exhibits and other documents attached hereto.

"AMCAL" shall mean AMCAL Multi-Housing, Inc., a California nonprofit public benefit corporation, and its successors and assigns.

"AMCAL Multi-Housing Two" shall mean AMCAL Multi-Housing Two LLC, a California limited liability company, and its successors and assigns.

"CDBG Funds" shall mean the funds allocated to City by HUD under the Community Development Block Grant program.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et seq.*) as amended from time to time, and the implementing regulations set forth in 24 C.F.R. § 570 *et seq.* as amended from time to time, and the requirements set forth and referred to in Exhibit "D" attached to this Agreement.

"CDBG Units" shall mean fifty (50) units in the Project comprised of a mix of one-bedroom, two-bedroom, three-bedroom and four-bedroom units that is proportionate to the mix of one-bedroom, two-bedroom, three-bedroom and four-bedroom units in the Project that do not

constitute CDBG Units. The CDBG Units shall be restricted to occupancy by households earning sixty percent (60%) or less of the Median Income, adjusted for family size.

"CFD No. 09-1" shall mean Community Facilities District No. 09-1 of the Irvine Unified School District.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623.

"City Grant" shall mean, for this Agreement, the CDBG Grant Amount referred to in Recital D of this Agreement to be provided by City to Participant for the Eligible Project Expenses, as more fully explained in Section 2 of this Agreement.

"Contract Officer" shall mean City's Housing Administrator or such other person as may be designated by the City Manager of City.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project and the City Grant.

"Density Bonus Agreement" shall mean that certain Density Bonus Agreement entered into by and between (i) City, and (ii) AMCAL and Participant on or about October 15, 2013 and recorded in the Official Records of the County of Orange October 16, 2013, as Instrument No. 2013-000584233.

"Effective Date" shall mean the date this Agreement is executed by the parties, which date shall be inserted into the preamble to this Agreement.

"Eligible Project Expenses" shall mean the prorated (if applicable) costs of the taxes, fees, and assessments applicable to the Property payable under or pursuant to (i) the AD 11-24 Assessment Lien, (ii) CFD No. 09-1, and (iii) the NITM Agreement, all of which taxes, fees, and assessments are to be paid at the closing of the Construction Escrow and are attributable to the residential units.

"Eligible CDBG Unit Tenant" shall mean persons and families occupying a CDBG Unit on the Property whose income does not exceed the limit permitted for a CDBG Unit.

"Escrow Holder" shall mean the title company and the escrow company responsible for the Construction Escrow.

"Funding Conditions" shall mean the conditions set forth in Section 2.2 of this Agreement that must be satisfied prior to City providing the City Grant to Participant.

"Holdback Amount" shall mean a portion of the City Grant in the amount of Six Thousand Two Hundred Fifty Dollars ($6,250).

"Irvine Company" shall mean, collectively, the Irvine Land Company, LLC, a Delaware limited liability company, and the Irvine Community Development Company, LLC, a Delaware limited liability company.

"Irvine Company Declaration" shall mean that certain Declaration of Special Land Use Restrictions entered into between City and the Irvine Company and recorded on June 1, 2012, as Instrument No. 2012-000313707, in the Official Records of the County of Orange, which, in addition to other restrictions, restricts the use of the Property for the development of affordable housing.

"Land Trust Loan Agreement" shall mean, for this Agreement, that certain Affordable Housing and Loan Agreement (CDBG Funds), of or about even date as this Agreement, entered into between Participant and Lessee providing for Participant to loan to Lessee an amount not to exceed the CDBG Grant Amount for the development of the Project.

"Lease" shall mean the binding lease agreement to be entered into between Lessee, as lessee, and Participant, as lessor, for the lease of the Property to Lessee, consistent with the terms of Section 3.1 of this Agreement, and approved by the City.

"Lessee" shall mean the limited partnership entity known as "AMCAL Alegre Fund, L.P.," formed by Alegre GP to be the "Lessee" under the Lease and to develop the Project and operate the Program, and its successors and assigns. Alegre GP and Participant must at all times be members of the administrative general partner of the Lessee. As to the AHDA and any other agreement entered into by AMCAL relating to the Project, which agreements are to be assigned to Lessee, the term "Lessee" shall also be deemed to refer to AMCAL during the period that AMCAL is obligated under said agreements.

"Median Income" shall mean the Orange County area median income, as determined by HUD and periodically published by the State of California Department of Housing and Community Development in Section 6932 of Title 25 of the California Code of Regulations, or successor regulation. Upon request by Participant, City shall provide to Participant the amount of the Median Income.

"NITM Agreement" shall mean that certain NITM Program implementing Agreement between City, on the one hand, and Irvine Community Development Company LLC and the Irvine Company, on the other hand, dated July 15, 2003, and recorded in the Official Records of the County of Orange as Instrument No. 2003-000885815.

"Notice to Proceed" shall mean the written notice from City to the Participant Representative notifying Participant that the Funding Conditions have been satisfied such that Participant can commence the activities under this Agreement for the development of the Project. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to provide any City Grant proceeds for any Eligible Project Expenses incurred prior to City's issuance of the Notice to Proceed.

"Other Land Trust and City Loan Documents" shall mean the following: (i) the AHDA, (ii) the Land Trust Loan Agreement, (iii) the Regulatory Agreement, (iv) that certain HOME Grant Agreement entered into by and between City and Participant concurrently herewith, (v) that certain Affordable Housing and Loan Agreement (HOME Funds) of or about even date hereof by and between Participant and Lessee, (vi) that certain Regulatory Agreement and Declaration of Covenants and Restrictions (HOME Funds) of or about even date hereof by and between Participant and Lessee, and (vii) that certain Affordable Housing Regulatory Agreement

of or about even date hereof and between Participant and Lessee, and as any of those aforementioned agreements may be amended from time to time.

"Participant" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation, and its successors and assigns. City agrees that it shall accept performance under this Agreement by the Lessee to the same extent as if performance was tendered by Participant.

"Participant Personnel" shall mean (a) any employee, volunteer, contractor, subcontractor, or agent of Participant or any other person under Participant's supervision and direction, including the contractors and subcontractors constructing the Project, and (b) the Lessee. Participant is responsible for the full compliance of all Participant Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Participant Representative" shall mean Mark Asturias, Executive Director, who is designated by Participant to represent Participant in the administration of this Agreement.

"Performance Reports" shall mean the semi-annual reports to be submitted by Participant to City on the status of the development of the Project and on the operation of the Program, as more fully explained in Section 8.2.1(a) of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Services.

"Program Services" shall collectively refer to the following activities and tasks to be performed by Participant under this Agreement: (a) the operation of the Program in accordance with the description set forth in this Agreement and the Regulatory Agreement; and (b) all activities, services, tasks, and operations related to the Program described in this Agreement and the Regulatory Agreement, including without limitation those set forth in Section 4.1 of this Agreement.

"Project" shall mean the acquisition of the leasehold interest in the Property and the grading of the Property and the development on the Property of a 104-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 104 units shall be comprised of one-bedroom units, two-bedroom units, three-bedroom units and four-bedroom units, and fifty (50) of the units shall be restricted to occupancy by Eligible CDBG Unit Tenants in accordance with the Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the development of the Project set forth in Exhibit"B" to this Agreement. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Property" shall mean that certain real property located at in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A."

"Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (CDBG Funds) to be entered into by and between Participant and Lessee in the form attached to and pursuant to the Land Trust Loan Agreement, which will require that the CDBG Units be rented to Eligible CDBG Unit Tenants at an Affordable Rent.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Exhibit "C" and incorporated herein by reference, setting out the dates and/or time periods by which certain obligations and tasks must be performed and completed.

"Six-Month Period" shall mean each of the two (6) month periods during a fiscal year commencing July 1 or January 1.

"Third Party Contracts" shall have the meaning ascribed in Section 5.1 of this Agreement.

2. CITY GRANT.

2.1 Grant of Funds; Eligible Project Expenses. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement, City shall provide the City Grant to Participant to be applied towards the costs of the Eligible Project Expenses. The City Grant proceeds may be used only for the Eligible Project Expenses that are actually and reasonably incurred and approved by City, and for no other purpose.

2.2 City Grant Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any City Grant proceeds until such time that all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Insurance.* Participant shall have provided to City evidence of the insurance required under Section 9.1 of this Agreement.

(b) *Plans and Permits.* Participant or Lessee shall have obtained grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(c) *Evidence of Financing.* City shall have approved Lessee's evidence of financing in accordance with Section 2.4 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Lessee.

(d) *Ground Lease.* Lessee and Participant shall have entered into the Lease and the Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Lease or the performance of either party thereunder and the

fulfillment of the Lease and Lessee's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(e) *Other Agreements.* The Other Land Trust and City Loan Documents shall have been executed by Lessee and be ready to be recorded against the Property (as applicable), there shall be no event of default under any of said agreements or the occurrence of any event which would constitute a default with the passage of time or the giving of notice, and all conditions to the initial disbursement of funds under said agreements shall have been satisfied. The Regulatory Agreement shall have been executed by Participant and Lessee and be ready to be recorded against the Property.

(f) *Assignment.* AMCAL shall have assigned its interest in the AHDA and the Other Land Trust and City Loan Documents to which it is a party to Lessee.

(g) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(h) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(i) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Participant in this Agreement remain true and correct in all material respects.

(j) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City Grant.

In the event that any of the Funding Conditions are not satisfied on or before November 15, 2013, or such later deadline as may be mutually approved by City and Participant in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Participant.

2.3 Disbursement of City Grant. Provided Participant is not in default of this Agreement, the City Grant, less the Holdback Amount, shall be deposited into the Construction Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the deposited City Grant proceeds (e.g., the City Grant less the Holdback Amount) to the Eligible Project Expenses incurred at the close of the Construction Escrow. In the event the Eligible Project Expenses are not incurred by Participant within ten (10) days after City's deposit of said funds, or such longer time as City approves in its sole discretion, City shall have the right to require that Participant return the City Grant proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City Grant proceeds were improper or made for expenditures not eligible for payment, Participant shall immediately repay to City the amounts of such disbursements. City shall release the Holdback Amount to Participant on or after the date that is twelve (12) months prior to the date City anticipates that all

building permits issued for the Project will have obtained final inspection approval (as noted on each building permit card).

2.4 Evidence of Financial Capability. No later than five (5) days after the Effective Date, Participant shall submit to City evidence reasonably satisfactory to City that Lessee has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Lessee for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Participant to City shall be certified by Lessee to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Lessee has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Lessee and its general contractor for all of the improvements required to be constructed by Lessee hereunder, certified by Lessee to be a true and correct copy thereof.

3. ACQUISITION OF LEASE AND DEVELOPMENT OF PROJECT.

3.1 Acquisition of Leasehold Interest in Property. Lessee's execution of a ground lease with Participant ("**Lease**") on the terms set forth herein is a Funding Condition. The Lease (a) shall have a term of no less than the lesser of (i) fifty-nine (59) years or (ii) fifty-six (56) years from the date that all buildings in the Project have obtained final inspection approval under the building permits issued therefor (as noted on each building permit card), (b) shall permit the Property to be developed and operated in accordance with the terms set forth in this Agreement and the Regulatory Agreement, and shall otherwise be consistent with this Agreement and the Regulatory Agreement, such that compliance with this Agreement and the Regulatory Agreement will not cause a default under the Lease and vice versa, (c) shall provide leasehold mortgagees notice and cure rights under the Lease in the event of a default by Lessee, and (d) shall recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Lessee under the Lease by foreclosure or other enforcement proceeding and to thereafter assign the Lease to a new tenant to operate the Property in accordance with the Lease. City shall have the right to approve the form of the Lease before it is executed for the limited purpose of confirming that the foregoing conditions are satisfied. Upon execution of the Lease by Participant and Lessee, Participant shall deliver or cause Lessee to deliver a copy of the executed Lease to City. Notwithstanding the foregoing, City approves the form of the ground lease attached as Attachment No. 10 to the AHDA.

3.2 Scope of Work. Participant shall develop or cause to be developed the Project on the Property in strict accordance with the plans and drawings approved by City and in accordance with all applicable law, rules and regulations, including those set forth in Exhibit "D" to this Agreement. If Participant or Lessee desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Participant shall be responsible for all construction and installation and for obtaining or causing Lessee to obtain all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Property, Participant shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Participant shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract. Participant acknowledges that the requirements of Section 5.1 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Participant shall ensure compliance with all such provisions and requirements. Participant shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project, which, if authorized by law, may be satisfied by Participant incorporating by reference said classification and wage rate determination. City shall have the right to approve the classification and wage rate that is included with the construction contract and posted for the Project.

3.5 No Debarred, Suspended, or Ineligible Parties. Participant shall not permit Lessee to employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving CDBG Funds pursuant to the CDBG Requirements and any other laws, rules and regulations. Participant shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.6 Construction Meeting. Participant shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Participant, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws.

3.7 Schedule of Performance. Participant shall submit or cause Lessee to submit all required plans and drawings, commence and complete construction of the Project, and satisfy or cause Lessee to satisfy all other obligations and conditions of this Agreement within the times established in the Schedule of Performance and this Agreement. Once construction of the Project is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned for more than ten (10) consecutive business days. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon between Participant and City, including extensions to complete the Funding Conditions (Item 3 in the Schedule of Performance), commencement of grading (Item 4 in the Schedule of Performance), and/or commencement of construction of vertical improvements for the Project (Item 5 in the

Schedule of Performance) resulting from a delay caused by a party to an agreement with Lessee in approving or disbursing that party's funding for the construction of the Project by the anticipated closing date of the Construction Escrow. During the course of construction, Participant shall, if requested by City, provide to City monthly written reports on the progress of construction.

3.8 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed and the interviewing of laborers and mechanics employed on the Project. Participant shall cooperate with, and shall cause Lessee, the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.8 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Participant. City has no obligation to Participant to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.9 Project Costs. Except to the extent City has specifically agreed to provide the City Grant pursuant to Section 2, Participant and/or Lessee shall be responsible for all costs related to the Project.

4. OPERATION OF PROGRAM; USE OF PROPERTY.

4.1 Obligation to Operate Program; Program Description. Commencing from the date the City Grant is first spent for the Property and continuing for the term of the Regulatory Agreement, Participant shall operate or cause the operation of the Program and perform the Program Services on a continuous basis and shall use the Property for no other purpose. The Program shall consist of the operation of a 104-unit affordable housing rental project, with the CDBG Units rented to Eligible CDBG Unit Tenants at an Affordable Rent in accordance with the terms set forth in this Agreement and the Regulatory Agreement.

4.2 Change in Use of Property. The parties agrees that the provisions of 24 C.F.R. 570.505 allowing a change in the use of the Property upon payment of certain amounts to City are not applicable and that the Property shall be subject to the affordability covenants in the Regulatory Agreement for the term set forth therein.

4.3 Standard of Performance. Participant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Services, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Participant shall operate the Program and perform the Program Services in compliance with the CDBG Requirements and in a manner that meets the CDBG national objective(s) under which the City Grant was awarded to Participant.

In addition to the semi-annual reports referred to in Section 8.2, Participant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Participant shall cause the Program Services to be performed by Participant or Participant Personnel under Participant's direct supervision, and shall ensure that all Participant Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Participant shall secure or cause Lessee to secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Participant shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.6 or knowingly allows such conduct to occur at the Property or by Participant Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Participant immediately replace or cause Lessee to replace such manager or supervisor of the Program.

4.5 Drug Free Covenant. Participant shall use best efforts to maintain or cause Lessee to maintain a drug free environment on the Property. Participant covenants to City that Participant shall use its best efforts to ensure that Participant Personnel and all persons working or residing on the Property shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Property.

4.6 Program Defaults. If the Participant shall or permit Participant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City;

(b) violate the provisions of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon City or City's funding programs or upon Participant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

City and Participant agree to meet and confer within ten (10) days of the request of the City to determine a resolution reasonably acceptable to the City and the Participant agrees to thereafter promptly implement the resolution. The failure of the Participant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Participant shall cause Lessee to include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Participant enforce such provision.

5. AGREEMENTS WITH THIRD PARTIES.

5.1 General. If Participant enters into any agreements ("Third Party Contracts") with contractor(s) for the construction of the Project ("Other Contacting Party"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Participant shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the CDBG Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Participant to terminate the Third Party Contract if such default occurs. In addition to the foregoing, Participant shall include in its construction contracts for the Project and cause to be included in any subcontracts a provision that City may interview laborers and mechanics employed on the Project and that the contractors and subcontractors shall require any laborers or mechanics employed or engaged by it to cooperate with City. If Participant believes that any of the CDBG Requirements are not applicable to a Third Party Contract, it is Participant's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Participant's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Participant's failure to comply with this obligation. In connection therewith, any statement made by City to Participant as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Participant and as a statement of City's opinion, but shall not be relied upon by Participant or excuse Participant from Participant's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Participant acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Participant's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Participant's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Participant shall comply with all terms of Third Party Contracts.

5.2 Lessee Regulatory Agreement. Prior to the commencement of construction of the Project and as a condition to the disbursement of any CDBG Grant Funds, Participant shall enter into with Lessee and record against the Property or deliver to City for recordation the Regulatory Agreement. The Regulatory Agreement shall constitute a Third Party Contract and shall be subject to the provisions of this Agreement, including the requirements of Third Party Contracts set forth in Section 5.1. In addition, the Regulatory Agreement shall contain provisions that it cannot be terminated or modified without the prior written consent of City. The Regulatory Agreement also shall require that the CDBG Units be rented to Eligible CDBG Unit Tenants at an Affordable Rent.

6. PROGRAM INCOME.

Participant shall submit to City semi-annual reports as set forth in Section 8.2 on all program income as defined 24 C.F.R. 570.500(a) generated by activities carried out with CDBG Funds, if any. The program income shall, at City's election, either (a) be returned to City, or (b) retained by Participant and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income or Participant shall, if required by City, enter into a separate agreement governing the use of the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

7. ADDITIONAL COVENANTS OF PARTICIPANT.

7.1 Compliance with Laws and Regulations and CDBG Requirements. Participant shall carry out or cause to be carried out the design, construction and operation of the Project, and operate or cause to be operated the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the CDBG Requirements and the legal requirements set forth in Exhibit "D" attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages and compliance with the Davis-Bacon Act unless Participant provides evidence acceptable to City that such requirements are not applicable to the Project. Because the source of the City Grant is funds received from HUD pursuant to the federal government's Community Development Block Grant program, Participant is required to comply with all applicable CDBG Requirements. In the case of any conflict between the CDBG Requirements and this Agreement, the CDBG Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the CDBG Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the CDBG Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Participant acknowledges and agrees that it shall be and remain, and shall cause the Participant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the CDBG Requirements. Participant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Participant or Participant Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the Labor Code, as the same may be amended from time to time, or any other similar law, by Participant or Participant Personnel; and/or (c) failure by Participant or Participant Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive

termination of this Agreement. It is agreed by the parties that, in connection with the development and construction of the Project, including, without limitation, any and all public works (as defined by applicable law), Participant shall bear all risks of payment or non-payment of prevailing wages under federal law and California law and/or the implementation of Labor Code Section 1781, as the same may be amended from time to time, and/or any other similar law. "Increased costs," as used in this Section 7.1, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

7.2 Maintenance. Participant shall maintain or cause to be maintained all improvements on the Property in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with any approved plans for the Project, and all other applicable laws, rules, ordinances, orders, and regulations, including without limitation the City of Irvine Municipal Code, and all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. In addition, Participant shall make or cause to be made all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate or cause to be eliminated all graffiti and debris and replace or cause to be replaced dead and diseased plants and landscaping with comparable materials. In the event that Participant breaches any of the covenants contained in this Section 7.2 and such default continues for a period of fifteen (15) days after written or verbal notice from City (with respect to landscaping, graffiti, debris, waste material, or general maintenance) or thirty (30) days after written notice from City (with respect to building improvements), then City, in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default and to protect, maintain, and preserve the improvements and landscaped areas on the Property. Participant shall, immediately upon demand therefor by City, pay to City an amount equal to the expenditures arising from such acts and work of protection, maintenance, and preservation by City and/or costs of such cure, including a ten percent (10%) administrative charge.

7.3 Obligation to Repair. If the improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Participant or Lessee, Participant shall promptly proceed to obtain or cause Lessee to obtain insurance proceeds and take all steps necessary to begin reconstruction and, immediately upon receipt of insurance proceeds, to promptly and diligently commence or cause Lessee to commence the repair or replacement of the improvements so that the Program can continue to be operated, and Participant shall complete or cause Lessee to complete the same as soon as possible thereafter.

7.4 Relocation. Participant, at its sole cost and expense, shall be responsible for providing or causing Lessee to provide any relocation assistance and paying or causing Lessee to pay all relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by law. Participant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 7.4. To the best of Participant's knowledge, there are no occupants or tenants of the Property.

7.5 Liens. Participant shall cause Lessee to pay and promptly discharge all Impositions, liens, encumbrances and charges upon the Property, or any part thereof or interest therein. As used herein, the term "**Impositions**" shall mean all (a) real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges and all other governmental charges and any interest or costs or penalties with respect thereto and charges for any agreement maintained for the benefit of the Property, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which at any time may be assessed, levied or imposed upon the Project, or the rent or income received therefrom, or any use or occupancy thereof, and (b) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Participant or the Property. In addition, Participant shall cause Lessee to timely make all payments on all loans secured by the Property or other debts which could give rise to a security interest in the Property.

8. RECORDS AND REPORTS.

8.1 Records.

8.1.1 Records to be Maintained. Participant shall keep and maintain or cause Lessee to keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement, including the development of the Project and operation of the Program, records demonstrating that the Program meets one of the CDBG program's national objectives, records demonstrating the eligibility of the activities constituting the Eligible Project Expenses, records demonstrating compliance with this Agreement and CDBG Requirements, data demonstrating client eligibility for services provided including the name, income level, family size of each client and other information for determining eligibility and a record of the services provided to each client, and such other records as may be reasonably required by City to enable City to evaluate the development of the Project and operation of the Program and Participant's compliance with the CDBG Requirements, and to identify and account for the use of the City Grant proceeds and expenditures of Eligible Project Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's record keeping and reporting requirements under the CDBG Requirements, including without limitation the records specified in 24 C.F.R. 570.506 as they pertain to the activities under this Agreement. Books and records pertaining to the Eligible Project Expenses shall be kept and prepared in accordance with generally accepted accounting principles or as otherwise required by City.

8.1.2 Retention. Participant shall retain or cause Lessee to retain the books and records required to be maintained under this Agreement for a period of five (5) years following the date that the Regulatory Agreement expires or terminates; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Participant shall retain or cause Lessee to retain the books and records until completion of the action and resolution of all issues which arise from it.

8.1.3 Location of Records. The books and records required to be maintained under this Agreement shall be kept at the Property or at the office of Lessee or Participant or such other location as approved by City.

8.1.4 Access to Records. City and its representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Agreement at all times during normal business hours.

8.1.5 Audits. Participant shall perform and cause Lessee to perform all audits of their respective books and records required by the CDBG Requirements or City or HUD and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

8.2 Reports.

8.2.1 Semi-Annual Reports. No later than fifteen (15) days after the end of each Six-Month Period, Participant shall submit or cause Lessee to submit to City the following semi-annual reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the status of the Project improvements and a summary of the Program Services undertaken by Participant under this Agreement for the previous Six-Month Period ("**Performance Report**"). The Performance Report shall, at a minimum, describe the Program Services performed, the status of the Project, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Participant to meet any obligations if any were not met, favorable developments which enabled Participant to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results that planned, and any additional pertinent information related to contract performance.

(b) *Program Income.* A report on the program income generated for the Six-Month Period, if any, as more fully explained in Section 6 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Participant is permitted to retain program income.

8.2.2 Other Reports. In addition to the reports referenced in Section 8.2.1, Participant shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the activities under this Agreement, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with CDBG Requirements, as City may reasonably require from time to time.

9. INSURANCE AND INDEMNITY.

9.1 Insurance. Participant shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policy of insurance:

Commercial General Liability Insurance. A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

Participant shall cause Lessee to procure and maintain, at Lessee's sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from the general contractor for the Project in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Participant shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 9.1 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Participant shall cause Lessee to maintain the insurance set forth in the Regulatory Agreement.

Participant agrees that the provisions of this Section 9.1 shall not be construed as limiting in any way the extent to which Participant may be held responsible for the payment of damages to any persons or property resulting from Participant's activities or the activities of any person or persons for which Participant is otherwise responsible or for Participant's indemnity obligations

set forth in Section 9.2 herein. No later than the "Insurance Approval Date" (as that term is defined below), Participant shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the earlier of (a) the date that is five (5) days prior to the anticipated closing date of the Construction Escrow; or (b) the date that is five (5) days after the Effective Date. City's approval of the insurance required hereunder is a Funding Condition.

9.2 Indemnification. Participant shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all liability, expense or damage of any kind or nature, and for, from and against any suits, claims or demands, including legal fees and expenses, on account of or arising out of this Agreement or otherwise in connection with the Property, Project or Program, except to the extent of such loss as may be caused by the sole negligence or willful misconduct of an Indemnitee. Upon receiving knowledge of any suit, claim or demand asserted by a third party that City believes is covered by this indemnity, City shall give Participant notice of the matter and an opportunity to defend it, at Participant's sole cost and expense, with legal counsel satisfactory to City.

10. REPRESENTATIONS AND WARRANTIES OF PARTICIPANT.

Participant makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Participant of this Agreement (i) are within the powers of Participant and upon its execution will constitute a legal, valid and binding obligation of Participant enforceable in accordance with its terms, and (ii) to Participant's knowledge, will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Participant is a party or by which Participant, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Participant's knowledge, all reports, papers, data and information given to City with respect to Participant and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Participant is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party.

(d) *Pending Litigation.* There is not now pending, or to Participant's knowledge threatened, against or affecting Participant any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Participant.

(e) *Compliance.* Participant has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

11. DEFAULTS AND REMEDIES.

11.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 11.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot reasonably be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse affect on the Property, and if corrective action is instituted by Participant within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 13.3, Participant does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 13.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program default described in Section 4.6.

(g) Any of the warranties or representations made by Participant herein are or become false, incorrect or misleading in any material respect and to the extent capable of being cured are not cured within the cure period set forth in subparagraph (c) above.

(h) Participant commits any act of bankruptcy or if any relief under the Bankruptcy Act is sought by or against Participant, or if a receiver is appointed to take charge of the assets or affairs of Participant, or if Participant should make an assignment

for the benefit of creditors, or if Participant should become insolvent, or upon any liquidation or termination of Participant; provided, however, that if any such proceeding is brought involuntarily against Participant, Participant shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Participant, or the recording of any abstract of judgment against Participant, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Participant, or the entry of a judgment, order or decree against Participant, any or all of which would have a material and adverse effect upon Participant's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) Participant, Alegre GP, AMCAL, AMCAL Multi-Housing Two, or Lessee shall default under any agreements, permits, development documents, construction contracts, bond agreements, or any other instrument executed in connection with the development or operation of the Project, including without limitation the Other Land Trust and City Loan Documents, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

(k) Participant, Alegre GP, AMCAL, AMCAL Multi-Housing, or Lessee shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Participant has incurred any debt or other liability to City or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

11.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) City may take one or more of the following actions:

(a) Wholly or partially suspend or terminate this Agreement.

(b) Withhold further awards for the Project, including further disbursements of the City Grant.

(c) Require Participant to repay the City Grant funds.

(d) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City Grant proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a

default of City), City may temporarily withhold disbursements of City Grant proceeds pending correction of the default by Participant.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it deprive the non-defaulting 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.

11.3 Institution of Legal Actions. In addition to any other rights or remedies, either Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

11.4 Applicable Law Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

11.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

11.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

12. TERMINATION.

In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(a) *Lack of Funding.* If, for any reason, the CDBG Funds required by City to fund the Eligible Project Expenses are withdrawn from City, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding. This subdivision shall not be applicable after the date City has disbursed to Participant (i) the funds for the City Grant or, (ii) at City's election and in its sole discretion, another source of funds.

(b) *Default.* If a default shall occur (other than a default of City), City may terminate this Agreement in whole or in part.

(c) *Failure to Receive Environmental Clearance.* In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(d) *Termination for Convenience.* This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

Notwithstanding the expiration or earlier termination of this Agreement, the following obligations of Participant shall survive the termination of this Agreement: (a) Participant's indemnity obligations; (b) the obligation to cause audits to be performed relating to Participant's activities and costs under this Agreement; (c) the obligation to repay to City any City Grant proceeds improperly disbursed to Participant or used for ineligible expenditures or otherwise required to be repaid under this Agreement; and (d) any other obligations which cannot by their nature be performed until after the expiration or termination of this Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

13. GENERAL PROVISIONS.

13.1 Notices. All notices required to be delivered under this Agreement to City or Participant shall be delivered to the respective parties at the address set forth next to the party's signature to this Agreement or to such other address as the parties may hereafter designate by written notice to the other party.

13.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under this Agreement.

13.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 13.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Participant; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Participant; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 13.3 shall be limited to the period of the enforced

delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

13.4 [Intentionally Omitted]

13.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

13.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City Grant. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant.

13.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

13.8 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to City. It is because of those qualifications and identity that City has entered into this Agreement with Participant. Accordingly, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any change in ownership or assign, transfer or convey all or any part of this Agreement or any rights hereunder or in the Property, Lessee or in the Project without City's prior written approval. In considering whether it will grant approval, City shall consider factors such as (a) whether the completion of the Project is jeopardized; (b) the financial credit, strength, and capability of the proposed transferee to perform Participant's obligations hereunder, including the operation of the Program on the Property; and (c) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects and programs. In the absence of specific written agreement by City, no transfer by Participant of all or any portion of its interest in the Property shall be deemed to relieve it or any successor party from the obligation to complete the Project or any other obligations under this Agreement. No assignment shall be

approved if Participant is in default (or a default notice has been issued) of this Agreement. Participant shall be responsible for all costs incurred by City in connection with any request for approval of an assignment. Notwithstanding any provisions in this Section to the contrary, Participant shall have the right to transfer or convey all or any part of this Agreement or any rights hereunder or in the Property or in the Project, without City's prior written approval, to Lessee, AMCAL, an affiliate of AMCAL, or a limited partnership in which AMCAL is the general partner for the development and operation of the Project, so long as the purpose of said transfer or conveyance complies with and facilitates the terms and conditions of the Land Trust Loan Agreement. Further, none of the assignments, actions, or transfers listed in Section 9.7 (a), (b), (c), (d), (e), (f), or (g) of the Land Trust Loan Agreement shall require prior City approval. As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by AMCAL.

13.9 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Participant Representative shall be the person designated by Participant to administer this Agreement on behalf of Participant.

The City Manager or his designee shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein. The Participant Executive Director or his designee shall have the authority to consent to any matter requiring Participant approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City Grant, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of Participant as specified herein.

13.10 Covenants to Run with the Land. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. This Agreement shall be binding upon the parties hereto and their respective heirs, representatives, transferees, successors, and assigns and all persons having any right, title or interest in the Property. All conditions, covenants, and restrictions contained in this Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the benefit and in favor of, and enforceable by, City and its successors and assigns, against Participant, its successors and assigns, to or of the Property or any portion thereof or any interest therein, and any party in possession or occupancy of said Property or portion thereof. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided hereinabove both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate. City shall have the right, in the event of any breach of any such agreement or covenant, to exercise all rights and

remedies, including maintaining an action at law or suit in equity or other proper proceedings to obtain damages or enforce the curing of such breach of agreement or covenant.

13.11 Monitoring. City shall monitor and evaluate Participant's performance under this Agreement to determine compliance with this Agreement and the CDBG Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide or cause to be provided to City the reasonable right of access to the Property for purposes of this Agreement and evaluating Participant's performance hereunder.

13.12 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (a) such party is duly organized and existing, (b) they are duly authorized to execute and deliver this Agreement on behalf of said party, and (c) by so executing this Agreement, such party is formally bound to the provisions of this Agreement.

13.13 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

13.14 Exhibits. This Agreement incorporates by reference the following four (4) Exhibits attached hereto:

Exhibit A	Legal Description of Property
Exhibit B	Project Budget
Exhibit C	Schedule of Performance
Exhibit D	Summary of Legal Requirements

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement to be effective as of the date set forth above.

Address:

City of Irvine
Community Development Department
Housing Division
One Civic Center Plaza
Irvine, CA 92623
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Eric Tolles, Director of Community Development

ATTEST:

_____
Marie Macias, Interim City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Todd O. Litfin, City Attorney

Address:

Irvine Community Land Trust
PO Box 19575
Irvine, CA 92623-9575
Attn: Executive Director

"PARTICIPANT"

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: _____
Mark Asturias, Executive Director

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

Lots 4 and Lettered Lot "I" of Tract No. 17394, in the City of Irvine, County of Orange, State of California, as per Map recorded in Book 902 Pages 33 through 43, Inclusive of Miscellaneous Maps, in the Office of the County Recorder of said County.

Excepting therefrom all oil, oil rights, minerals, mineral rights, natural gas rights and other hydrocarbons by whatsoever name known, geothermal steam, and all products derived from any of the foregoing, that may be within or under the land, together with the perpetual right of drilling, mining, exploring and operating therefor, and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from lands other than the land, oil or gas wells, tunnels and shafts into, through or across the subsurface of the land, and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines, without, however, the right to drill, mine, store, explore and operate through the surface or the upper 500 feet of the subsurface of the land, as reserved by The Irvine Company in the deed recorded November 30, 2005 as Instrument No. 2005000953645 of Official Records.

Also excepting therefrom any and all water, water rights or interests therein appurtenant or relating to the land or owned or used by The Irvine Company in connection with or with respect to the land (no matter how acquired by The Irvine Company), whether such water rights shall be riparian, overlying, appropriative, littoral, percolating, prescriptive, adjudicated, statutory or contractual, together with the right and power to explore, drill, redrill, remove and store the same from or in the land or to divert or otherwise utilize such water, rights or interests on any other property owned or leased by The Irvine Company; but without, however, any right to enter upon the surface of the land in the exercise of such rights, as reserved by The Irvine Company in the deed recorded November 30, 2005 as Instrument No. 2005000953645 of Official Records.

APN: 104-413-02 and 104-413-13

EXHIBIT "B"

PROJECT BUDGET

PROFORMA - LIHTC			Updated:	10/14/2013	By:	KB	Notes:	
Project name	Alegre Apartments							
City / County	Irvine	Orange	Geographic	Orange Co.	Prime	3.25%	Equity from Fed. Tax Credits	26,982,795
Type of Credits	9%		Type	Family	LIBOR	0.26%	Permanent Loan	4,450,600
Set Aside	n/a		Land Acreage	3.479	Const. Per.	15 months	DDF + Soft $	10,967,900
DDA or QCT	yes				T.C. Factor	9.00%	Annual Fed. Tax Credits	2,453,227
Affordable Units					Cap. Rate	5.00%	Fed. Tax Credit Price	$1.100

Unit Square Feet	# of Bedrooms	# of Units	Proposed Rents less Utilities	Aggregate Monthly Rents	Monthly Utility Allow.	Aggregate Rents + Utility	100% Median Rents	Aggregate 100% Rents	% AMI
665	1bd/1ba	11	224	2,464	36	2,860	1706	18,769	SSI
665	1bd/1ba	0	0	-	36	-	1706	-	45%
665	1bd/1ba	0	0	-	36	-	1706	-	45%
665	1bd/1ba	0	0	-	36	-	1706	-	50%
934	2bd/2ba	6	543	3,258	45	3,528	1919	11,513	30%
934	2bd/2ba	16	835	13,360	45	14,080	1919	30,700	45%
934	2bd/2ba	32	936	29,952	45	31,392	1919	61,400	50%
934	2bd/2ba	0	0	-	45	-	1919	-	50%
1177	3bd/2ba	4	587	2,348	67	2,616	2133	8,530	30%
1177	3bd/2ba	0	0	-	67	-	2133	-	45%
1177	3bd/2ba	30	1023	30,690	67	32,700	2133	63,975	50%
1177	3bd/2ba	0	0	-	67	-	2133	-	50%
1395	4bd/2ba	1	629	629	77	706	2303	2,303	30%
1395	4bd/2ba	0	0	-	77	-	2303	-	45%
1395	4bd/2ba	3	1100	3,300	77	3,531	2303	6,908	50%
1395	4bd/2ba	0	0	-	77	-	2303	-	50%
	Avg. Income:	44.79%	Totals:	86,001		91,413		204,097	

Market Rate Units

665	1bd/1ba	0		-		-
934	2bd/2ba	0		-		-

Manager Units

934	2bd/2ba	1	0	-		-
1177	3bd/2ba	0	0	-		-

Total Units:	104	11 1bd units	55 2bd units	34 3bd units	4 4bd units
Density:	*29.89 du/ac*	*11%*	*53%*	*33%*	*4%*

Residential Building Structures:

Sqft excl. Mgr. Units	103,349	
Sqft incl. Mgr. Units	104,283	net sf
Sqft of Aff. Units	103,349	
Efficiency loss	29,413	22%
Total Bldg Sqft	133,696	gross sf

Applicable Fraction Calculation:

Total # of units excl. Mgr	103
Total # of Aff. Units	103
Units Ratio of Aff./ ttl - mgr	100.00%
Sqft Ratio of Aff./ ttl - mgr	100.00%
Applicable Fraction	100.00%

THRESHOLD BASIS CALCULATIONS

Unit size	Unit Basis Limit	# of units	Total
1bd/1ba	161,821	11	1,780,031
2bd/2ba	195,200	54	10,540,800
3bd/2ba	249,856	34	8,495,104
4bd/2ba	278,355	4	1,113,420
Mgrs' Units:			
2bd/2ba	195,200	1	195,200
3bd/2ba	249,856	0	-
Total		104	22,124,555

Unadjusted Threshold Basis Limit			22,124,555	
Adjustments to Basis:				
Prevailing Wage	yes		4,424,911	8,628,576
New const. parking below	no		-	
Day Care	no		-	30,753,131
Elevator	yes		2,212,456	
Energy Efficiency	no		-	
Local Impact Fees	yes		5,006,464	
–	0%		-	
–	0%		-	Per unit
Adjusted Threshold Basis Limit			33,768,386	324,696

INCOME & EXPENSE (AT STABILIZED OCCUPANCY)

		(1st Trust) Annual	(Section 8) Annual			
Income from Rents		1,032,012	-			
Other Income		-	-	0	per unit/mo.	laundry
Gross Income		1,032,012	-			
Avg Inc Adj	44.79%	-	-			
Vacancy @ MHSA	5.00%	1,716	-	5.98%	Blended Vacancy Rate	
Vacancy @ All units	5.00%	51,601	-	10.00%		
Adjusted Gross Inc.		**978,695**	-			
Operating Expenses		509,344	-	4,898	/unit/year	[4,800 TCAC Minimum]
Replacement Reserves		52,000	-	500	/unit/year	[250 TCAC Minimum]
Service Provider		18,000	-	173	/unit/year	[10,000 Annual TCAC Minimum]
Internet Payment		18,700	-	180	/unit/year	
Total Expenses		**598,044**	-	5,571		
Net Operating Income		**380,651**	-			
Debt Service - Perm Loan		326,301	-	1.17	DCR - Perm	
Debt Service - Section 8		-	-	-	DCR - Section 8	
Debt Service - MHSA		5,405	-	0.42%	Service Fee	
Cash Flow		**48,945**	-			
MHSA COSR		34,347				
Total Cash Flow		83,292				

COST BREAKDOWN

	103 Affordable Units		1 Mgr. Units	0 Market Rate Units		
	Project Cost	Basis	Non Basis	Per D.U.	% Proj. Cost	$ per gross sf
Acquisition						
Land Cost	8,350,000		8,350,000	80,288	19.59%	62.46
Land Closing Cost	20,000		20,000	192	0.05%	0.15
Land Carrying Cost	-		-	-	0.00%	0.00
Remedial work, demolition			-	-	0.00%	0.00
Off Site Development	230,683	230,683		2,218	0.54%	1.73
New Construction						
Sitework						
Onsites/Common Area	2,068,425	2,068,425	-	19,889	4.85%	15.47
Parking and Drive Aisles	-	-		-	0.00%	0.00
Structures						
Parking Garage		-		-	0.00%	0.00
Community Building		-				
Direct Building Cost	16,603,475	16,603,475	-	159,649	38.95%	124.19
	-	-		-	0.00%	0.00
General Requirements	755,906	755,906		7,268	1.77%	5.65
Contractor Overhead	983,023	983,023		9,452	2.31%	7.35
Contractor Profit	983,023	983,023		9,452	2.31%	7.35
Commercial (non-basis)	-		-	-	0.00%	0.00
Total: 21,624,535						
Architectural Fees						
Design	578,207	578,207		5,560	1.36%	4.32
Supervision	-	-		-	0.00%	0.00
Survey & Engineering	717,681	717,681		6,901	1.68%	5.37
Construction Interest and Fees						
Constr'n Loan Origination Fee	237,674	237,674		2,285	0.56%	1.78
Constr'n Loan Interest Reserve	928,434	567,898	360,537	8,927	2.16%	6.94
–						0.00
–						0.00
G. C. Credit Enhancement none	-	-		-	0.00%	0.00
Closing Costs	47,000	47,000		452	0.11%	0.35
Property Taxes	26,094	26,094		251	0.06%	0.20
Insurance	270,307	270,307		2,599	0.63%	2.02
Title and Recording	25,000	25,000		240	0.06%	0.19
Permanent Financing						
Loan Origination Fee	44,506		44,506	428	0.10%	0.33

Permanent Loan Closing Costs		25,000		25,000	240	0.06%	0.19
–		-		-	-	0.00%	0.00
–		-		-	-	0.00%	0.00
Legal Fees							
Legal and Audit (Construction)		80,000	55,000	25,000	769	0.19%	0.60
Reserves							
Operating Reserves		233,561		233,561	2,246	0.55%	1.75
Transition Reserve		112,819		112,819	1,085	0.26%	0.84
Appraisal Costs & Mkt Study		18,000	18,000		173	0.04%	0.13
Other							
TCAC Fees							
Application Fee		2,000		2,000	19	0.00%	0.01
Alloc./Reserv. Fee		98,129		98,129	944	0.23%	0.73
Compliance Monitoring Fee		42,230		42,230	406	0.10%	0.32
Permit Processing Fees							
Onsite (impact) Fees		5,006,464	5,006,464	-	48,139	11.75%	37.45
Bldg. Permit Fees		559,912	559,912		5,384	1.31%	4.19
Marketing		72,800		72,800	550	0.17%	0.54
Furnishings/Appliances		130,900	130,900		1,100	0.31%	0.98
HACOLA Fees		-		-	-	0.00%	0.00
Soft Cost Contingency		215,427	215,427		2,071	0.51%	1.61
Hard Cost Contingency	5%	1,081,227	1,081,227		10,396	2.54%	8.09
			-		-	0.00%	0.00
MHSA Fees		30,273	18,214	12,059	291	0.07%	0.23
Predevelopment Carrying Costs		40,591	40,591	-	390	0.10%	0.30
Misc. Consultants		6,750	6,750	-	65	0.02%	0.05
Developer Costs							
Developer Overhead/Profit		1,399,999	800,000	599,999	13,462	3.28%	10.47
Irvine Land Trust		500,000	500,000		4,808	1.17%	3.74
Project Administration		-	-		-	0.00%	0.00
Other: Non-profit Partner		100,000	100,000		962	0.23%	0.75
Total Project Costs		42,625,519	32,626,879	9,998,640	409,861	100.00%	318.82
		0					

SOURCES & USES OF FUNDS

SOURCES	CONSTRUCTION PERIOD		Per Project
Construction Loan	*81% LTV*	*68% LTC*	27,961,820
Permanent Loan during construction			-
Deferred Uses During Construction			346,380
Deferred Developer Fee			900,000
MHSA			1,286,835
Irvine Community Land Trust			8,350,000
Irvine Community Land Trust (HOME)			416,930
Irvine Community Land Trust (CDBG)			837,673
Construction Period Bridge Amount			
Investor Bridge Loan/Tax Credit Equity:	9.362% of Tax Credit Equity		2,526,081
			42,625,519
USES			
Project costs at construction completion	42,625,519		0

SOURCES	PERMANENT PERIOD	
Federal Tax Credit Equity		26,982,795
State Tax Credit Equity		-
Permanent Loan (1st Trust Deed)		4,450,600
Permanent Loan (Section 8)		
Foothill Eastern Transportation Corridor Fee Refund		224,224
Deferred Developer Fee		76,462
MHSA		1,286,835
Irvine Community Land Trust		8,350,000
Irvine Community Land Trust (HOME)		416,930
Irvine Community Land Trust (CDBG)		837,673
		42,625,519
USES		
Total Project Costs	42,625,519	
	Gap (deficit) or surplus:	0

TAX CREDIT CALCULATIONS - Federal		basis	credits/equity
Total Eligible Basis		32,626,879	
Lesser of Total Eligible Basis or Threshold Basis Limit		32,626,879	
Deduct Ineligible Amounts and Voluntary Basis Reduction		9,840,256	
Requested Unadjusted Eligible Basis		22,786,623	
Total Adjusted Eligible Basis	130%	29,622,610	
Qualified Basis	100%	29,622,610	
Voluntary Credit Reduction	0%	-	
Total Adjusted Qualified Basis		29,622,610	26,660,348.83
Maximum Federal Credits Available	9.00%		25,000,000

		10 Yr. Federal Credit Reservation:	24,532,267
Equity Raised from Sale of Fed Credits	$1.100 price		26,982,795

TAX CREDIT CALCULATIONS - State			
Maximum State Credits Available			-
State Credits Necessary for Feasibility			-
		State Credit Reservation:	
Equity Raised from Sale of State Credits	$0.650 price		-
Blended Tax Credit Price	n/a		

EXHIBIT "C"

SCHEDULE OF PERFORMANCE

	TASK	TIME FOR PERFORMANCE
1.	Participant submits evidence of insurance to City (§ 9.1).	No later than the date that is the earlier of (a) the date that is 5 days prior to the anticipated closing date of the Construction Escrow; or (b) the date that is 5 days after the Effective Date.
2.	Participant submits evidence of Lessee's financial capability to develop the Project to City (§ 2.4).	No later than 5 days after the execution of the Land Trust Loan Agreement by Participant and Lessee.
3.	Funding Conditions satisfied, including without limitation the execution of the Lease and City's approval of evidence of financial capability (§2.2).	No later than November 15, 2013.
4.	Participant commences or causes the commencement of the grading of the Property (§3.7).	No later than the date that is the earlier of (a) November 20, 2013, or (b) the date that is 5 days after the closing date of the Construction Escrow, subject to extension per § 3.7.
5.	Participant commences or causes the commencement of construction of the vertical improvements for the Project (§3.7).	No later than December 18, 2013, subject to extension per § 3.7.
6.	Participant completes or causes the completion of construction of the Project (§3.7).	No later than the date that is 14 months after Participant commences construction of the vertical improvements for the Project.
7.	Participant causes affordable housing Program to be operated on Property (§ 4).	For a period of 20 years in accordance with the Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of items of performance in the Schedule is not intended to supersede or modify any more complete description in the text; in the event of any conflict or inconsistency between this Schedule and text of the Agreement, the text of the Agreement shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant. The Contract Officer of City shall have the authority on behalf of City to approve extensions of time.

EXHIBIT "D"

SUMMARY OF LEGAL REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Participant shall comply, and shall cause all Participant Personnel to comply, with the following regulations and requirements.[1]

1. Equal Opportunity and Nondiscrimination.

a. Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Participant shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Participant shall enforce such covenant and shall not itself so discriminate.

b. Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234. The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*. This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. Executive Order 11246, as amended. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Participant requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Participant must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Participant will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

2. **Environmental.**

a. **Air and Water**. Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. Flood Disaster Protection Act of 1973. Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. Lead-Based Paint. Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 570.608, including 24 C.F.R. Part 35, *et. al.*

d. Historic Preservation. Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. Limitation on Activities Pending Clearance. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance, "neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Participant. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City Grant. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

3. Uniform Administrative Requirements. Participant shall comply with the applicable uniform administrative requirements described in 24 C.F.R. § 570.502.

4. Other Program Requirements. Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 C.F.R. § 570 except for City's environmental responsibilities under 24 C.F.R. § 570.604 and City's responsibility for initiating the review process under the provisions of 24 C.F.R. Part 52.

5. Reversion of Assets. Upon the completion of the Project or the date the Project is required to be completed, or sooner termination of the Agreement, Participant shall transfer to City (a) any and all unexpended CDBG Funds, (b) any accounts receivable attributable to the use of CDBG Funds. In all cases in which equipment acquired, in whole or in part, with funds under this Agreement is sold, the proceeds shall be program income (prorated to reflect the extent to that funds received under this Agreement were used to acquire the equipment). Equipment not needed by Participant for activities under this Agreement shall at the election of City either be (a) transferred to City for the CDBG program, or (b) retained by Participant after compensating City an amount equal

to the current fair market value of the equipment less the percentage of non-CDBG funds used to acquire the equipment.

6. Relocation. City shall not be responsible for relocating any occupants from the Property in connection with the Program or Project. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601 *et seq.*, as amended, and implementing regulations, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to the provision of relocation assistance.

7. Allowable Costs and Audits. Participant shall comply with and administer the Project and Program in accordance with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable. If Participant is a governmental or quasi-governmental agency, the applicable sections of 24 CFR Part 85, "Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments," and OMB Circular A-87 shall apply. Participant shall have an annual audit conducted in accordance with OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

8. Records and Reports. Participant shall provide to City and shall cause each of its contractors, subcontractors and subrecipients to provide to City all records and reports relating to the Project and Program that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements, including but not limited to those described in the Agreement and 24 CFR 570.506.

9. Religious Organizations. If Participant is a religious organization as defined by the CDBG Requirements, Participant shall comply with all conditions prescribed by HUD for the use of CDBG funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. § 570.200(j).

10. Conflict of Interest. Participant will comply with 24 C.F.R. 84.42, 85.36 and 570.611 regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Participant shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Participant shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Participant, or any designated public agency.

11. Political Activity (24 CFR 570.207(a)(3)). Participant is prohibited from using CDBG funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration.

12. Anti-Lobbying Certification. By its execution of the Agreement, Participant hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Participant shall execute a separate document that contains the certifications set forth above.

13. Drug-Free Workplace Requirements. Participant shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

14. Procurement. If applicable, Participant will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Participant shall comply with all existing and future City policies concerning the purchase of equipment.

15. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Participant shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u),

the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

b. Labor Standards. Participant shall comply with the provisions of 24 C.F.R. 570.603 and related requirements. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Participant shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327 *et seq.* and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 *et seq.*), the implementing regulations of the U.S. Department of Labor including 29 CFR Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of this Agreement. Participant shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Participant shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

c. HUD Form 4010. Participant shall comply and cause Participant Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S Department of Labor, Washington, D.C 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5 5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at *http://www.dol.gov/esa/whd/forms/wh347instr.htm* or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5 5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A 3 (i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . Influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

Supporting Documents from Table 1

Documents 34, 38-42, 45-46, 49-50, 54

Project Name: ICLT

Year: 2014

DRAFT

REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: JANUARY 26, 2016

TITLE: FUNDING FOR AFFORDABLE HOUSING

Director of Community Development

City Manager

RECOMMENDED ACTION

Consider the request by Councilmember Krom to increase the percentage of funds for affordable housing from five percent to twenty percent as permitted in the "Dismissal Agreement in Connection with the State of California Department of Finance Settlement Negotiations by and between City of Irvine Successor Agency to the Dissolved Irvine Redevelopment Agency and Irvine Community Land Trust".

EXECUTIVE SUMMARY

Councilmember Krom submitted the attached memorandum requesting the City Council support her recommendation to increase the percentage of funding for affordable housing as provided by the "Dismissal Agreement in Connection with the State of California Department of Finance Settlement Negotiations by and between City of Irvine Successor Agency to the Dissolved Irvine Redevelopment Agency and Irvine Community Land Trust" (Dismissal Agreement). In the Dismissal Agreement, the City designated five percent of the settlement to go to the Land Trust to meet the City's housing objective. Subsequent to the approval of the Dismissal Agreement, the City Council has supported recommendations to consider the housing needs for persons with developmental disabilities and veterans. To ensure the City has the resources needed to achieve its goals, Councilmember Krom requests the Council consider increasing the five percent to twenty percent.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

History

The City of Irvine and the Successor Agency to the Dissolved Irvine Redevelopment Agency (collectively 'City') filed actions in 2013 against the State of California (State) to enforce agreements the State had alleged were not valid. Concurrently, the Irvine Community Land Trust (Land Trust) filed its own action to enforce an agreement with the Irvine Redevelopment Agency the State had deemed invalid. The City entered into

settlement negotiations with the State and as part of the negotiations, the State requested the City bring all parties, including the Land Trust, toward a settlement. On July 9, 2014, the City and State executed a Settlement Agreement and Release of Claims (Settlement Agreement) by which terms the City would receive approximately $292 million to be paid over time from Redevelopment Property Tax Trust Fund money. Concurrent with the Settlement Agreement, the City, State and Land Trust executed the Dismissal Agreement referenced above.

Dismissal Agreement

The Dismissal Agreement provides that five percent ($14.6 million) of the funds received by the City are to be dedicated to the Land Trust for affordable housing purposes. Section 2 of the Dismissal Agreement states, in part:

> "Upon its receipt of each periodic payment in satisfaction of the Judgment Amount, the City shall pay to the Land Trust an amount equal to five percent (5%) of such periodic payment."

Section 2 also states:

> "Nothing in the foregoing prevents the City, in its sole and absolute discretion, from paying more than five percent (5%) to the Land Trust and/or accelerating payments to the Land Trust".

Request for Funding for Affordable Housing

Councilmember Krom is requesting the City Council consider increasing the percentage of funding to the twenty percent level that would have been required had redevelopment agencies not been dissolved by the State. She notes this would help to ensure that the City has as many tools as possible to achieve its affordable housing goals.

ALTERNATIVES CONSIDERED

No alternatives are suggested as this item is presented for consideration by City Councilmember Krom.

FINANCIAL IMPACT

The current dedicated amount of funds to the Land Trust for affordable housing from the Dismissal Agreement is $14.6 million (five percent). Increasing the percentage to twenty percent would dedicate $58.4 million for affordable housing purposes.

REPORT PREPARED BY Mark Asturias, Housing Manager

ATTACHMENTS

Attachment 1: Memorandum – Funding for Affordable Housing, from Councilmember Beth Krom

Memo

RECEIVED
JAN 11 2016
CITY OF IRVINE
CITY MANAGER'S OFFICE

To: City Manager Sean Joyce

From: Councilmember Beth Krom BK

Date: January 11, 2016

Re: Funding for Affordable Housing

When the Irvine Redevelopment Agency was in place, 20% of the redevelopment funds generated were to be set aside by statute for affordable housing. Following the settlement by the State to the City of Irvine, the City Council was asked to designate a percentage of the settlement funds of $292 million to continue the important work we have been doing to create high quality affordable housing in the City of Irvine through the Irvine Community Land Trust.

At the time, a majority of the City Council favored dedicating 5% of the settlement funds for that purpose. Since that time the City Council has supported recommendations to consider the needs of the developmentally disabled and veterans when planning for new affordable housing projects. To ensure that we have as many tools as possible to achieve our ambitious goals, I would like to place an item on the agenda for the January 26th City Council meeting requesting that the City Council consider increasing the percentage of funding from the settlement funds to the 20% level that would have been required had the Redevelopment Agency remained intact.

Given that there has been City Council support for affordable housing, the Irvine Community Land Trust and the needs of special populations such as veterans and the developmentally disabled, my hope is that the City Council will support my recommendation.

Thank you.

cc: City Clerk
City Council

ATTACHMENT 1

Steven Choi
Mayor

Lynn Schott
Mayor Pro Tempore

Beth Krom
Councilmember

Jeffrey Lalloway
Councilmember

Christina Shea
Councilmember

MINUTES

CITY COUNCIL REGULAR MEETING

January 26, 2016
4:00 PM
City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

CALL TO ORDER

The regular meeting of the Irvine City Council was called to order at 4:04 p.m. on January 26, 2016 in the City Council Chamber, Irvine Civic Center, One Civic Center Plaza, Irvine, California; Mayor Choi presiding.

ROLL CALL

Present:	5	Councilmember:	Beth Krom
		Councilmember:	Jeffrey Lalloway
		Councilmember:	Christina Shea
		Mayor Pro Tempore:	Lynn Schott
		Mayor:	Steven Choi

1. CLOSED SESSION

City Attorney Litfin announced the following Closed Session items:

1.1 CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION - Significant exposure to litigation pursuant to Government Code Section 54956.9(d)(2): two (2) potential cases

1.2 PUBLIC EMPLOYEE PERFORMANCE EVALUATION: Government Code Section 54957 - Title: City Attorney

There were no requests to speak to the Closed Session items.

RECESS

Mayor Choi reconvened the City Council meeting to Closed Session at 4:05 p.m.

RECONVENE TO THE CITY COUNCIL MEETING

Mayor Choi reconvened the regular City Council meeting at 5:06 p.m. City Manager Joyce, on behalf of the City Council, announced that no reportable action was taken in Closed Session.

PLEDGE OF ALLEGIANCE

Mayor Choi led the Pledge of Allegiance.

INVOCATION

Mayor Choi invited Pastor Frank Winans from Woodbridge Community Church in Irvine to provide the invocation.

MUSICAL PRESENTATION

Mayor Choi introduced Serena Yu, sophomore from Northwood High School and music student from Young Musician's Ensemble, who performed "When Johnny Comes Marching Home Again" followed by "Passepied" by C.A. Debussy.

2. PRESENTATIONS

2.1 Proclaim February 11, 2016 as "Irvine 2/11 Marine Battalion Day"

Mayor Choi introduced Commanding Officer Lieutenant Colonel Daniel Whitley, Sergeant Major Justin Ezell, and Lieutenant Matthew Miller from the Irvine 2nd Battalion, 11th Marine Regiment, 1st Marine Division (Irvine 2/11); as well as members of the Irvine 2/11 Marine Adoption Committee and presented a proclamation recognizing February 11, 2016 as "Irvine 2/11 Marine Battalion Day."

Mayor Choi and Councilmembers Krom, Lalloway and Shea each pledged grant funding from their respective Community Partnership Grant Funds in support of the Irvine 2/11 Marines. Mayor Pro Tempore Schott noted her pledge in the amount of $1,000 that was approved at the January 12, 2016 City Council meeting.

2.2 Commend Vivian Clecak, Chief Executive Officer, Human Options

Mayor Choi introduced Vivian Clecak, Chief Executive Officer, Human Options, and presented a Commendation in recognition of her upcoming retirement and over 30 years of serving victims of domestic abuse.

CITY MANAGER'S REPORT

City Manager Joyce introduced Grace Leung, his new appointee as the City's Director of Administrative Services. He also introduced Barbara Arenado, Management Analyst II, who provided a status report on the performance of the City's plan to retire its unfunded pension liability.

City Council discussion included: estimated vs. actual projections and how these projections impacted the timeline to retire the City's unfunded pension liability; requested a follow-up with a more detailed update at a future City Council meeting; steps that the City Council could take, such as using additional carryover funds, to stay on course and maintain its goal of reaching 97% within ten years; and noted that the City is one of the first in the state to address the issue of unfunded pension liability.

Stephen Wontrobski, Mission Viejo resident, expressed opposition to proposed legislation introduced by Orange County Fire Authority employee unions to make member cities liable for OCFA's unfunded pension liability.

Additional City Council discussion included: whether the proposed legislation would be limited to firefighters or all public safety personnel; clarification that the proposed legislation was introduced by a legislator and not union personnel; and noted that the proposed legislation was not currently active.

City Manager Joyce noted that staff continues to monitor the proposed legislation and would continue to keep the City Council informed of any legislative changes.

ANNOUNCEMENTS/COMMITTEE REPORTS/COUNCIL REPORTS

Councilmember Shea announced that the City will host the County of Orange Veteran Advisory Council meeting on Friday, February 10 in the Council Chamber. Those interested in housing issues for veterans are encouraged to attend to hear a presentation by the City on veteran housing policies.

Councilmember Schott, as the City's delegate to the Orange County Mosquito and Vector Control District, noted that several mosquito-borne diseases were currently active in Orange County and provided suggestions on how to prevent the breeding of mosquitos. She further noted that more detailed information on mosquito-borne diseases would be forthcoming at a future City Council meeting.

Mayor Choi made the following announcements:

- The Mayor's annual State of the City Address will be held on Tuesday, February 9 at the Irvine Civic Center, which will highlight the major accomplishments of 2015 and look ahead to what the New Year holds for the City. A public reception begins at 5 p.m. in the Main Lobby followed by the Address at 6 p.m. The regular City Council meeting will be held at 4 p.m.

- The City is celebrating its 45th Anniversary with a photo contest, aiming to capture the essence of Irvine. A grand prize winner, as well as winners in five categories, will be revealed in the Fall issue of *Inside Irvine* magazine. The grand prize winner will receive a $250 gift card. For information on how to submit photos, visit *cityofirvine.org.*

- Registration has begun for the 2016 Irvine Junior Games, presented by Irvine Children's Fund. This key fundraising effort provides scholarships for before- and after-school child care to low-income working families in the school district. Parents of Irvine Unified School District students are invited to register their child online at *irvinejuniorgames.com.* Registration closes February 19 for grades 4 through 6, and March 11 for grades 7 through 8.

- The Public Information Office is launching a "Ring the Bell" campaign, reminding the community to be courteous and safe while enjoying beautiful trails and bikeways in the City. Bicyclists are encouraged to ring their bike bells to alert pedestrians or other cyclists and slowly pass on the left.

ADDITIONS AND DELETIONS

City Manager Joyce asked that Item No. 3.9 (Jeffrey/Alton Intersection Improvement Project) and 3.13 (Waste Disposal Agreement Extension) be removed from the agenda, which would return at a date to be determined. He also noted that with respect to Item No. 3.6, the Orange County Great Park Board took action to recommend that the City Council direct that funds received pursuant to the Fire Station 20 Site Acquisition Agreement be allocated to the Great Park Fund at a future date (as reflected in Recommended Action Item No. 2).

3. CONSENT CALENDAR

ACTION: Moved by Councilmember Shea, seconded by Mayor Choi, and unanimously carried to approve City Council Calendar Item Nos. 3.1 through 3.13. Councilmember Krom abstained on Consent Calendar Item No. 3.3. Consent Calendar Item Nos. 3.9 and 3.12 were removed from the agenda at the request of City Manager Joyce. See Additions and Deletions.

3.1 MINUTES

ACTION:
Approved the minutes of a regular meeting of the Irvine City Council and regular joint meeting with the City of Irvine as Successor Agency to the dissolved Irvine Redevelopment Agency held on January 12, 2016.

3.2 WARRANT AND WIRE TRANSFER RESOLUTION

ACTION:
Adopted RESOLUTION NO. 16-07 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ALLOWING CERTAIN CLAIMS AND DEMANDS AND SPECIFYING THE FUNDS OUT OF WHICH THE SAME ARE TO BE PAID

3.3 WARRANT AND WIRE TRANSFER RESOLUTION - AT&T

ACTION:
Adopted RESOLUTION NO. 16-08 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ALLOWING CERTAIN CLAIMS AN DEMANDS OF AT&T AND SPECIFYING THE FUNDS OUT OF WHICH THE SAME ARE TO BE PAID

Councilmember Krom abstained.

3.4 ORANGE COUNTY GREAT PARK FINANCIAL STATEMENT AUDIT – FISCAL YEAR 2014-15

ACTION:
Received and filed.

(Unless otherwise directed by a member of the City Council, the vote on this matter will reflect the prior action of each Councilmember when he or she sat and voted as a member of the Board of Directors of the Orange County Great Park Corporation. However, if a Councilmember is not present at the City Council meeting, his or her vote will be reflected as absent.)

Approved 5-0.

3.5 AMENDMENT TO LEASE WITH GUARDIAN TECHNICAL SERVICES, INC.

ACTION:
Approved the Tenth Amendment to the Lease with Guardian Technical Services, Inc.

(Unless otherwise directed by a member of the City Council, the vote on this matter will reflect the prior action of each Councilmember when he or she sat and voted as a member of the Board of Directors of the Orange County Great Park Corporation. However, if a Councilmember is not present at the City Council meeting, his or her vote will be reflected as absent.)

Approved 5-0.

3.6 AGREEMENT TO LOCATE ORANGE COUNTY FIRE AUTHORITY STATION 20 AT THE ORANGE COUNTY GREAT PARK

ACTION:
1) Approved the Fire Station 20 Site Acquisition Agreement with Irvine Land Company LLC providing for the conveyance of a fire station parcel to the Orange County Fire Authority.
2) Directed that funds received pursuant to the Fire Station 20 Site Acquisition Agreement be allocated to the Great Park Fund **at a future date**.*

(Unless otherwise directed by a member of the City Council, the vote on this matter will reflect the prior action of each Councilmember when he or she sat and voted as a member of the Board of Directors of the Orange County Great Park Corporation. However, if a Councilmember is not present at the City Council meeting, his or her vote will be reflected as absent.)

Approved 5-0.

* See Additions and Deletions

3.7 FISCAL YEARS 2014-15 AND 2015-16 AMENDMENTS FOR EDUCATIONAL PARTNERSHIP FUND AND CHALLENGE MATCH GRANT PROGRAMS AND FISCAL YEAR 2014-15 YEAR-END SUMMARY REPORT

ACTION:
1) Approved a request from Irvine Unified School District to reallocate $10,132 in unspent Fiscal Year 2014-15 Category 10 Sports Facilities funds toward portable lighting equipment in Fiscal Year 2015-16.

2) Approved a request from Tustin Unified School District for Fiscal Year 2015-16 amendment to purchase portable bleachers for $5,500, rather than a portable scoreboard from Category 10 Sports Facilities funds.
3) Received and filed Fiscal Year 2014-15 Year-End Summary Report for the Educational Partnership Fund program.
4) Approved amended Challenge Match Grant Memorandum of Understanding with Tustin Unified School District.

3.8 IRVINE GATEWAY APARTMENTS AND TOWNHOMES DENSITY BONUS HOUSING AGREEMENT

ACTION:
Adopted RESOLUTION NO. 16-09 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, APPROVING THE DENSITY BONUS HOUSING AGREEMENT FOR IRVINE GATEWAY APARTMENTS AND TOWNHOMES; FILED BY FAIRFIELD VON KARMAN LLC

3.9 JEFFREY/ALTON INTERSECTION IMPROVEMENT PROJECT

This item was removed from the agenda at the request of City Manager Joyce. See Additions and Deletions.

3.10 NOTICE OF REVIEW FOR A TRACT MAP IN CYPRESS VILLAGE

ACTION:
Received and filed.

3.11 SECOND READING AND ADOPTION OF ORDINANCE NO. 16-01 ADDING CHAPTER 3-39 TO THE ZONING CODE TO PROHIBIT ALL CANNABIS RELATED USES, COMMERCIAL CANNABIS ACTIVITIES AND THE DELIVERY AND CULTIVATION OF CANNABIS IN THE CITY

ACTION:
Read by title only, second reading and adoption of ORDINANCE NO. 16-01 - AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ADDING CHAPTER 3-39 TO THE IRVINE ZONING CODE TO PROHIBIT ALL CANNABIS RELATED USES, COMMERCIAL CANNABIS ACTIVITIES, AND THE DELIVERY AND CULTIVATION OF CANNABIS IN THE CITY

(Unless otherwise directed by a Member of the City Council, the vote at second reading will reflect the same vote as at first reading. However, if a Councilmember was absent at first reading, his or her vote cast at second reading will be reflected. If a Councilmember is not present at the second reading/adoption, the vote will be reflected as absent.)

Approved 5-0.

3.12 COMMUNITY PARTNERSHIP FUND GRANT NOMINATIONS

ACTION:

1) Approved Councilmember Shea's request for Community Partnership Fund Grant nominations to Lupus LA in the amount of $600 and Rainbow Rising Alderwood in the amount of $250 in support of program costs.
2) Approved Councilmember Krom's request for Community Partnership Fund Grant nomination to Team Kids in the amount of $1,000 in support of program costs.
3) Approved Mayor Choi's request for Community Partnership Fund Grant nomination to Northwood High School Athletic Boosters in the amount of $500 in support of its 7th Annual Timberwolf 5K Run/Walk.
4) Approved Mayor Pro Tem Schott's request for Community Partnership Fund Grant nominations to Irvine Adult Day Health in the amount of $1,000 in support of program costs and Irvine Children's Fund in the amount of $1,000 in support of the 2016 Irvine Junior Games.
5) Authorized the City Manager to prepare and sign funding agreements listed in Actions 1, 2, 3 and 4.

3.13 WASTE DISPOSAL AGREEMENT EXTENSION

This item was removed at the request of City Manager Joyce. See Additions and Deletions.

4. PUBLIC HEARINGS

4.1 REQUEST FINDING THAT THERE ARE NO NONPROFIT AGENCIES READILY AVAILABLE TO PROVIDE PARATRANSIT SERVICES

Laurie Hoffman, Director of Community Services, presented the staff report and was available for questions.

Mayor Choi opened the public hearing at 6:06 p.m. There were no requests to speak.

ACTION: Moved by Mayor Choi, seconded by Councilmember Lalloway, and unanimously carried to close the public hearing at 6:07 p.m.

There was no City Council discussion.

ACTION: Moved by Councilmember Lalloway, seconded by Councilmember Shea, and unanimously carried to:

Adopt RESOLUTION NO. 16-10 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, FINDING THAT THERE ARE NO NONPROFIT AGENCIES READILY AVAILABLE TO PROVIDE PARATRANSIT SERVICES TO SENIORS AND INDIVIDUALS WITH DISABILITIES, AS REQUIRED BY THE FEDERAL TRANSIT ADMINISTRATION FOR A SECTION 5310 GRANT APPLICATION

4.2 APPEAL OF PLANNING COMMISSION ACTION APPROVING VESTING TENTATIVE TRACT MAPS IN DEVELOPMENT DISTRICTS 5 AND A PORTION OF 6 (00648088-PTT), 1-NORTH (00647883-PTT) AND 1-SOUTH (00647880-PTT) LOCATED IN THE GREAT PARK NEIGHBORHOODS (PLANNING AREA 51)

Mayor Choi turned to Councilmember Krom, who summarized her concerns for filing the appeal as reflected in her memo dated January 4, 2016.

Barry Curtis, Manager of Planning Services, and Tim Gehrich, Deputy Director of Community Development, presented the staff report and responded to questions.

Mayor Choi opened the public hearing at 6:22 p.m.

Patrick Strader, representing Starpointe Ventures and on behalf of the applicant, spoke in opposition to the appeal, clarifying that the number of units reflected in the appeal memo were previously approved and not an additional amount of units; and noted mitigation measures and conditions approved by the Planning Commission to address concerns noted in the appeal.

Harvey Liss, Irvine resident, spoke in support of the appeal, expressing concern about contaminants found near the future Portola High School as well as other potential contamination issues that could arise in the future.

Mary Ann Gaido, Planning Commissioner, spoke in support of the appeal, noting concerns about a substantial increase in vehicle trips and traffic impacts to surrounding areas.

City Council discussion included: Planning Commission approval of the vesting tentative tract maps without the proper level of specificity; noted that public hearing notices were only mailed to those within 500 feet of the project, thereby excluding those in surrounding neighborhoods, and occurred one week prior to the Christmas holiday; potential traffic impacts to major arterial roadways; noted the citywide traffic study currently underway to address traffic circulation in the City; comparing traffic circulation patterns of this project to Turtle Rock and Turtle Ridge; importance of the completion of Marine Way to mitigate traffic concerns; noted that the impacts of development could not be accurately determined without a Master Plan; and the remedies used related to contaminants that had been found near the future Portola High School.

ACTION: Moved by Councilmember Krom to:

Send this matter back to the Planning Commission with instructions to do the following before taking any further action:

1) To require the concurrent submittal of a master plan so that a more complete and holistic vision of the proposed development may be evaluated by the Planning Commission before any approvals are issued.
2) That more specifically and thoroughly, the Planning Commission must consider the design and content of the tract maps, which it now does not have the information to do.
3) To consider deferral of a final determination on the applications until such time as the results of the now pending Citywide traffic analysis can be studied and factored into the Planning Commission's evaluation of the vested tentative tract maps.

The motion failed for lack of second.

ACTION: By consensus of the members present (Councilmember Lalloway absent for vote), Mayor Choi closed the public hearing at 6:47 p.m.

Additional City Council discussion included: findings in the environmental review of the south end of the Great Park near the soccer fields; whether the Planning Commission was a policy level body and able to create and approve policy; comparison of standards since the development of Woodbridge Village; other contaminants discovered on the proposed alternative high school site (Site B); which agencies reviewed contamination concerns near the future Portola High School site (Portola High School), their roles in the review process, and the accuracy of their reports; noted that the City had done everything possible to investigate concerns related to contaminants at Portola High School; clarification of

the date and time of when the Planning Commission heard this item; noted that Portola High School had been deemed safe by multiple agencies; clarified that all concerns noted in the appeal have already been reviewed and addressed by the Planning Commission; noted the responsibility of the school district to ensure safety of its school sites; recent comments made in the Irvine Community News and Views regarding contaminates at the future Portola High School; clarification that the appeal was not to deny the project, but rather, to send back to the Planning Commission for further evaluation; whether a commercial shopping center, child care center, and places of worship were planned as part of the project; and comments made by a City consultant related to concerns about safety at Portola High School.

City Attorney Litfin noted that the Planning Commission is a body designated in State law and tasked to address planning type needs; however, it does not have independent authority to create and approve ordinances. He further clarified that the Planning Commission implements the laws in place that govern the jurisdiction as directed by State law or the City Council.

City Manager Joyce noted a public statement he had made at a prior City Council meeting regarding an unqualified opinion from a field crew member of an environmental firm about the safety of the Portola High School site. He then clarified what had been discovered and cleaned up and that the soil left behind was deemed safe. Assistant City Manager Tolles noted that the substance found was adjacent to, and not on, the school site and that construction had immediately stopped in order to go through the proper protocol process.

ACTION: Moved by Councilmember Lalloway, seconded by Councilmember Shea, to:

Deny the appeal, thereby upholding the Planning Commission's decisions:

A. Adopt RESOLUTION NO. 16-11- A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, DENYING AN APPEAL THEREBY UPHOLDING PLANNING COMMISSION APPROVAL OF VESTING TENTATIVE TRACT MAP NO. 17940 (FILE NO. 00648088-PTT) TO SUBDIVIDE APPROXIMATELY 448 GROSS-ACRES INTO 76 NUMBERED LOTS AND 11 LETTERED LOTS FOR THE DEVELOPMENT OF SINGLE-FAMILY RESIDENTIAL, MULTI-FAMILY RESIDENTIAL, PRIVATE PARK, MULTI-USE PURPOSES AND A K-8 SCHOOL, LOCATED IN DEVELOPMENT

DISTRICT 5 AND A PORTION OF DEVELOPMENT DISTRICT 6 OF THE GREAT PARK NEIGHBORHOODS IN PLANNING AREA 51; FILED BY FIVE POINT COMMUNITIES MANAGEMENT, INC. ON BEHALF OF HERITAGE FIELDS EL TORO, LLC

B. Adopt RESOLUTION NO. 16-12 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, DENYING AN APPEAL THEREBY UPHOLDING PLANNING COMMISSION APPROVAL OF VESTING TENTATIVE TRACT MAP NO. 17939 (FILE NO. 00647883-PTT) TO SUBDIVIDE APPROXIMATELY 62 GROSS-ACRES INTO 23 NUMBERED LOTS AND 15 LETTERED LOTS FOR THE DEVELOPMENT OF MULTI-FAMILY RESIDENTIAL, PRIVATE PARK, PLACE OF WORSHIP AND CHILDCARE PURPOSES, LOCATED IN DEVELOPMENT DISTRICT 1-NORTH OF THE GREAT PARK NEIGHBORHOODS IN PLANNING AREA 51; FILED BY FIVE POINT COMMUNITIES MANAGEMENT, INC. ON BEHALF OF HERITAGE FIELDS EL TORO, LLC

C. Adopt RESOLUTION NO. 16-13 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, DENYING AN APPEAL THEREBY UPHOLDING PLANNING COMMISSION APPROVAL OF AMENDED VESTING TENTATIVE TRACT MAP 17368 (FILE NO. 00647880-PTT) TO SUBDIVIDE APPROXIMATELY 73 GROSS-ACRES INTO 31 NUMBERED LOTS AND SEVEN LETTERED LOTS FOR THE DEVELOPMENT OF MULTI-USE, MEDICAL AND SCIENCE AND COMMUNITY COMMERCIAL PURPOSES, LOCATED IN DEVELOPMENT DISTRICT 1-SOUTH OF THE GREAT PARK NEIGHBORHOODS IN PLANNING AREA 51; FILED BY FIVE POINT COMMUNITIES MANAGEMENT, INC. ON BEHALF OF HERITAGE FIELDS EL TORO, LLC

The motion carried as follows:

AYES:	4	COUNCILMEMBERS:	Lalloway, Schott, Shea and Choi
NOES:	1	COUNCILMEMBERS:	Krom
ABSENT:	0	COUNCILMEMBERS:	None

5. COUNCIL BUSINESS

5.1 PARTNERSHIP FOR EDUCATIONAL EXCELLENCE FUNDING FOR FISCAL YEAR 2016-17 AND FISCAL YEAR 2017-18

Veronica Dolleschel, Senior Management Analyst, presented the staff report and responded to questions. Michelle Grettenberg, Assistant to the City Manager, and Laurie Gruschka, Senior Management Analyst, were also available for questions.

The following individuals expressed their appreciation to the City Council for its support of Irvine and Tustin Unified School Districts:

Neda Eaton, President and CEO, Irvine Public Schools Foundation
Stan Machesky, Irvine Unified School District
Mike Williams, Principal, Orchard Hills Elementary School, Tustin Unified School District

City Council discussion included: compliance with Measure BB and streamlining the Educational Partnership Fund Program; noted that Irvine is a high education city and a top reason why people choose to move to Irvine; priorities established when the Irvine Educational Partnership Fund Program was created; providing additional funding for health clerks and nurses; whether review of the program would come to the City Council to ensure compliance with the program; and noted that the new streamlined process would allow schools to independently allocate more for health clerks and nurses at their discretion.

ACTION: Moved by Councilmember Shea, seconded by Councilmember Lalloway, and unanimously carried to:

1) Adopt RESOLUTION NO. 16-14 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, SUPERSEDING RESOLUTION NO. 06-08, RESOLUTION NO. 06-72 AND RESOLUTION NO. 07-14 PERTAINING TO IMPLEMENTING THE EDUCATIONAL PARTNERSHIP FUND PARTNERSHIP FOR EDUCATIONAL EXCELLENCE PROGRAM FOR FISCAL YEARS 2016-17 AND 2017-18; authorizing $2.5 million for the Educational Partnership Fund annually for Fiscal Years 2016-17 and 2017-18.
2) Adopt RESOLUTION NO. 16-15 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, IMPLEMENTING THE CHALLENGE MATCH GRANT PARTNERSHIP FOR EDUCATIONAL EXCELLENCE PROGRAM FOR FISCAL YEARS 2016-17 AND 2017-18; authorizing $1.5 million for the Challenge Match Grant program annually for Fiscal Years 2016-17 and 2017-18.
3) Authorize the Mayor to execute the Memorandum of Understanding for the Educational Partnership Fund program for Fiscal Years 2016-17 and 2017-18 with Irvine Unified and Tustin Unified School Districts.
4) Authorize the Mayor to execute the Memorandum of Understanding for the Challenge Match Grant Program for Fiscal Years 2016-17 and 2017-18 with Irvine Unified School District/Irvine Public Educational Foundation, Tustin Unified School District and Santa Ana Unified School District/Santa Ana Public Educational Foundation.
5) Sunset the Educational Partnership Fund Advisory Committee.

Councilmember Lalloway left the meeting at 8:25 p.m.

5.2 FUNDING FOR AFFORDABLE HOUSING

This item was agendized at the request of Councilmember Krom, who asked for City Council consideration of increasing the percentage of redevelopment settlement funds from the State of California from five percent to twenty percent for affordable housing.

City Council discussion included: interests in affordable housing to also include veterans and the developmentally disabled populations; increasing the level of funding to twenty percent was consistent with prior requirements of redevelopment agencies; expressed concern about whether the settlement payment schedule would be adhered to by the State and noted future reconsideration should payments be made in a

timely manner; clarification of when the repayment period commenced and whether payments have been received on time thus far; how funding is disseminated to the Irvine Community Land Trust (Land Trust) based on the current payment schedule and how much has been transferred to the Land Trust to date; increasing funding to ten vs. twenty percent; and noted the outstanding and future projects at the Orange County Great Park and the potential to use settlement funds for those projects.

ACTION: Moved by Councilmember Krom to:

> Increase the percentage of funds for affordable housing from five percent to twenty percent as permitted in the "Dismissal Agreement in Connection with the State of California Department of Finance Settlement Negotiations by and between the City of Irvine, City of Irvine Successor Agency to the Dissolved Irvine Redevelopment Agency and Irvine Community Land Trust".

Motion failed for lack of second.

ACTION: Moved by Councilmember Shea, seconded by Councilmember Krom, to:

> Increase the percentage of funds for affordable housing from five percent to ten percent as permitted in the "Dismissal Agreement in Connection with the State of California Department of Finance Settlement Negotiations by and between the City of Irvine, City of Irvine Successor Agency to the Dissolved Irvine Redevelopment Agency and Irvine Community Land Trust".

The motion carried as follows:

AYES:	3	COUNCILMEMBERS:	Krom, Schott, and Shea
NOES:	1	COUNCILMEMBERS:	Choi
ABSENT:	1	COUNCILMEMBERS:	Lalloway

PUBLIC COMMENTS

Michael Klubniken noted recent actions by the Orange County Board of Supervisors, and spoke on behalf of the Tseglin family, who continue experiencing a domestic issue related to an autistic family member.

Stephen Wontrobski, Mission Viejo resident, spoke in opposition to labor agreements and salaries of personnel at the Orange County Fire Authority.

Ilya and Robert Tseglin reiterated a domestic issue related to an autistic family member.

Gang Chen, Irvine resident, spoke about the need for additional cell towers in villages with poor reception and in support of citywide Wi-Fi.

ADJOURNMENT

Moved by Councilmember Krom, seconded by Councilmember Shea, and unanimously carried by those members present (Councilmember Lalloway absent) to adjourn the regular City Council meeting at 8:41 p.m.

MAYOR OF THE CITY OF IRVINE

CITY CLERK OF THE CITY OF IRVINE

February 9, 2016

Supporting Documents from Table 1

Documents 36–37

Project Name: Parc Derian

Year: 2015

DRAFT

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	8708
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in Terms section of Contract	02/10/2015
EXPIRATION DATE: As stated in Terms section of Contract	
MEETING DATE: Date of meeting where contract was approved	02/10/2015
ITEM NUMBER: Item number of meeting where contract was approved	4.3
CONTRACT AMOUNT: As stated in Budget section of Contract	
CONTRACT NAME: As stated in 1st paragraph of contract	17275 DERIAN LLC; LENNAR CENTRAL PARK, LLC
CONTRACT SUBJECT: As stated in Description of Services section of contract	AFFORDABLE HOUSING LAND DISPOSITION, LOAN AND DEVELOPMENT AGREEMENT

AFFORDABLE HOUSING LAND DISPOSITION, LOAN AND DEVELOPMENT AGREEMENT

(Donations, Option to Lease, Trip Credit Transfers and City Loan)

by and among

CITY OF IRVINE,
a municipal corporation

LENNAR CENTRAL PARK, LLC,
a Delaware limited liability company

and

17275 Derian LLC,
a California limited liability company

8708

TABLE OF CONTENTS

Page

1. DEFINITIONS 2

2. LCP'S CASH DONATION FOR THE PROJECT; PURCHASE OF TRANSPORTATION TRIP CREDITS 7
   - 2.1 Cash Donation 7
   - 2.2 Transportation Trip Credits 7

3. CITY LOAN 7
   - 3.1 Amount and Source of City Loan. 7
   - 3.2 Permissible Uses of City Loan 7
   - 3.3 City Loan Funding Conditions. 7
   - 3.4 Disbursement of City Loan. 8
   - 3.5 City Loan Interest Rate. 9
   - 3.6 City Loan Term. 9
   - 3.7 Repayment of City Loan; Leasehold Deed of Trust. 9
   - 3.8 Subordination. 9
   - 3.9 Non-Recourse. 10

4. ACQUISITION, DONATION AND GROUND LEASE OF PROPERTY 10
   - 4.1 Acquisition of Property 10
   - 4.2 Donation of Property 10
   - 4.3 City Assignment of Rights to Property and Interests Therein. 11
   - 4.4 Acquisition of Leasehold Interest in Property. 11

5. CLOSE OF ESCROW 11
   - 5.1 Opening and Closing of Escrow. 11
   - 5.2 Condition of Title; Title Insurance. 12
   - 5.3 Conditions to Close of Escrow. 12
   - 5.4 Costs; Escrow Holder Settlement Statement. 13
   - 5.5 Condition of the Property to City Assign. 13
   - 5.6 Condition of the Property to Developer. 15
   - 5.7 Deposits into Escrow. 18
   - 5.8 Authorization to Record Documents and Disburse Funds 19
   - 5.9 Escrow Holder's Closing Actions. 19
   - 5.10 Additional Instructions 20

6. DEVELOPMENT OF THE PROJECT 21
   - 6.1 Scope of Development. 21
   - 6.2 Development Approvals and Permits. 21
   - 6.3 Rights of Inspection. 21
   - 6.4 Insurance. 21
   - 6.5 Financing the Project. 23

7. LIMITATIONS ON TRANSFERS; SECURITY INTERESTS; INVESTOR RIGHTS 23

Page

7.1 Restriction on Transfer of Developer's Rights and Obligations. 23
7.2 Holders of Deeds of Trust. 24
7.3 Rights of Holders. 24
7.4 Noninterference with Holders. 25
7.5 Right of City to Cure 25
7.6 Right of City and City Assign to Satisfy Other Liens. 25
7.7 Investor Limited Partner Provisions. 25

8. LCP'S ROLE 26
8.1 Inclusionary Affordable Housing Obligation. 26
8.2 LCP's Termination. 26

9. USE OF THE PROPERTY 27
9.1 General. 27
9.2 Other Agreements. 27
9.3 Compliance with Laws and Regulations 27
9.4 Affordability Covenants 27
9.5 Indemnification. 27
9.6 Extended Use Agreement. 27

10. RECORDS 28
10.1 Records. 28
10.2 Retention of Records 28
10.3 Location of Records. 28
10.4 Access to Records. 28

11. TERMINATION 28
11.1 Termination. 28
11.2 Obligations Survive Termination. 29

12. DEFAULTS AND REMEDIES 29
12.1 Defaults. 29
12.2 Remedies Upon Default. 30
12.3 Institution of Legal Actions. 30
12.4 Applicable Law and Venue. 30
12.5 Rights and Remedies are Cumulative. 31
12.6 Attorney's Fees. 31

13. REPRESENTATIONS AND WARRANTIES 31

14. GENERAL PROVISIONS 33
14.1 Notices, Demands, and Communications Between the Parties. 33
14.2 Nonliability of Officials and Employees. 34
14.3 Enforced Delay; Extension of Times of Performance. 34
14.4 Interpretation. 35
14.5 Entire Agreement, Waivers and Amendments 35
14.6 Severability. 35

Page

14.7 Prohibition Against Assignment and Transfer by LCP or City. 35
14.8 Third Party Beneficiaries. 35
14.9 Authority to Execute Agreement. 35
14.10 Contract Administration and Approvals. 35
14.11 Further Actions and Instruments. 36
14.12 Time of the Essence. 36
14.13 Counterparts. 36
14.14 Attachments. 36

ATTACHMENT NO.

1 Legal Description of Property
2 Map of Property
3 Form Memorandum of Agreement
4 Form of Ground Lease
5 Form of City Note
6 Form of Leasehold Deed of Trust
7 Form of Regulatory Agreement

AFFORDABLE HOUSING LAND DISPOSITION, LOAN AND DEVELOPMENT AGREEMENT
(Donations, Option to Lease, Trip Credit Transfers and City Loan)

This AFFORDABLE HOUSING LAND DISPOSITION, LOAN AND DEVELOPMENT AGREEMENT ("Agreement") is entered into this 10th day of February 2015, by and among the CITY OF IRVINE, a municipal corporation ("City"), LENNAR CENTRAL PARK, LLC, a Delaware limited liability company ("LCP") and 17275 DERIAN, LLC, a California limited liability company ("Developer"). City, LCP and Developer are sometimes referred to collectively as "Parties" and individually as a "Party."

RECITALS

A. These Recitals utilize certain capitalized terms which are defined in Section 1.

B. City is a municipal corporation organized and existing pursuant to the City's Charter and the Constitution and laws of the State of California.

C. LCP is the developer of the Central Park West ("CPW") development within the City.

D. Developer's members are experienced developers and operators of multifamily rental affordable projects in California.

E. LCP has certain inclusionary affordable housing obligations to the City related to its development of CPW pursuant to Chapter 2-3 of the City Municipal Code.

F. On November 6, 2014, the City Planning Commission approved a Revised Affordable Housing Plan ("CPW Housing Plan") for the CPW development. This Agreement implements the CPW Housing Plan, including the conveyance of the Property as recommended by the City Planning Commission.

G. Pursuant to the CPW Housing Plan, LCP will meet its inclusionary affordable housing obligations for the CPW development through the Developer's development of 80 units of affordable housing, including one management unit, ("Project") on the real property located at 17275 Derian in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 and more particularly depicted in the map attached as Attachment No. 2, ("Property"). Under the CPW Housing Plan, LCP will donate the Property to City Assign to be ground leased by City Assign to the Developer for ninety-nine (99) years for annual ground rent in the amount of One Dollar, LCP will donate funds to the City to be loaned to the Developer for development of the Project, and LCP will sell transportation trip credits to the Developer for the Project.

H. Under this Agreement, the Developer agrees to be ground lessee of the Property for ninety-nine (99) years and to develop and operate the Project as affordable housing as further provided in this Agreement.

I. The Project will be subject to affordability covenants requiring that certain Residential Units be rented to income eligible households at an affordable rent.

J. On March 14, 2006, the City adopted a policy document entitled "Housing Strategy and Implementation Plan", which sets a community goal to create permanent affordable housing. The Project is proposed to assist the City in meeting this goal.

K. This Agreement is in furtherance of City's goals to provide and preserve affordable housing units in the City, is in furtherance of LCP's obligations to provide affordable housing within the City to allow it to develop the CPW development, and in furtherance of Developer's purpose to develop, operate, and manage affordable housing for very low income households.

L. Pursuant to Section 15161 of the State California Environmental Quality Act (CEQA) Guidelines, this project is covered by a previously certified Environmental Impact Report (SCH No. 91011023), which was certified on August 24, 2004.

AGREEMENT

Based upon the foregoing Recitals, which are incorporated herein by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by all Parties, LCP, City and Developer hereby agree as follows:

1. DEFINITIONS

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below:

"Agreement" shall mean this Affordable Housing Land Disposition, Loan and Development Agreement among City, LCP and Developer, including all exhibits and other documents attached hereto.

"Approved Title Exceptions" is defined in Section 5.2(a).

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Assign" is defined in Section 4.3.

"City Assign Released Parties" is defined in Section 5.6(c).

"City Loan" shall mean the loan from the City to the Developer an aggregate amount not to exceed the sum of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775) for predevelopment, development and construction costs for the Project, including with limitation purchase of transportation trip credits.

"City Loan Documents" shall mean this Agreement, the City Note, the Leasehold Deed of Trust and the Regulatory Agreement.

"City Loan Title Policy" is defined in Section 3.3(b).

"City Manager" shall mean the City Manager of the City or his or her designee or such other person as may be designated by the City Council to administer this Agreement.

"City Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, substantially in the form attached as Attachment No. 5, which sets for the terms for Developer's repayment of the City Loan to City.

"City Assign Owners Title Policy" is defined in Section 5.3(d).

"Close of Escrow" is defined in Section 5.1.

"Closing Conditions" is defined in Section 5.3.

"County" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"CPW" shall mean LCP's Central Park West development in the City of Irvine.

"CPW Housing Plan" is defined in Recital F.

"Credits" is defined in Section 2.2.

"Density Bonus Agreement" shall mean the Density Bonus Agreement between the Developer and the City to be recorded upon the leasehold interest of the Property upon the Close of Escrow. Nothing in this Agreement obligates the City to approve the Density Bonus Agreement.

"Developer" shall mean 17275 Derian, LLC., a California limited liability company, having its offices at 14211 Yorba Street, Suite 200, Tustin, CA 92780. The term "Developer" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"Developer Representative" shall mean a member of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Todd Cottle is the Developer Representative. Developer may change the Developer Representative by delivering written notice thereof to the other Parties.

"Developer Title Policy" is defined in Section 5.3(e).

"Donation Amount" is defined in Section 2.1.

"Effective Date" shall mean the date in the first paragraph of this Agreement.

"Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the conveyance of the Property to the City Assign by LCP, the ground lease of the Property by the City Assign to the Developer, the donation of the Donation Amount to the City from LCP, and the City Loan from the City to the Developer.

"Escrow Holder" shall mean Fidelity National Title Company at 1300 Dove Street, Suite 310, Newport Beach, California 92660.

"Extended Use Agreement" is defined in Section 9.6.

"FIRPTA Certificate" is defined in Section 5.7(a)(iii).

"Foreclosure" is defined in Section 9.6.

"Funding Conditions" shall mean the conditions set forth in Section 3.3 of this Agreement that must be satisfied prior to City providing the City Loan to Developer.

"Grant Deed" is defined in Section 5.2(b).

"Ground Lease" shall mean the binding lease agreement to be entered into between Developer, as lessee, and City Assign, as lessor, for the lease of the Property, substantially in the form attached as Attachment No. 4.

"Hazardous Materials" means any chemical, material or substance now or hereafter defined as or included in the definition of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous waste, restricted hazardous waste, toxic substances, pollutant or contaminant, imminently hazardous chemical substance or mixture, hazardous air pollutant, toxic pollutant, or words of similar import under any local, state or federal law or under the regulations adopted or publications promulgated pursuant thereto applicable to the Property, including, without limitation: the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901, et seq. ("RCRA"). The term Hazardous Materials shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and in any and all amendments thereto in effect as of the date of Close of Escrow; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or

synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by product material as defined at 42 U.S.C. 2011, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated byphenyls; radon gas; or any other chemical, material or substance (i) which poses a hazard to the Property, to adjacent properties, or to persons on or about the Property, (ii) which causes the Property to be in violation of any of the aforementioned laws or regulations, or (iii) the presence of which on or in the Property requires investigation, reporting or remediation under any such laws or regulations. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, development or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner generally used in other comparable residential developments, or substances commonly ingested by a significant population living within the Project including, without limitation, alcohol, aspirin, tobacco and saccharine provided that in each case, the products are used, stored, transported and disposed of in compliance with applicable law.

"Holder" is defined in Section 7.2.

"Indemnitee" is defined in Section 9.5.

"Insurance Approval Date" is defined in Section 6.4.

"Irvine Community Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Land Use Approvals" is defined in Section 2.1

"LCP" shall mean Lennar Central Park, LLC, a Delaware limited liability company, having its offices at 25 Enterprise, Aliso Viejo, CA 92656.

"LCP Released Parties" is defined in Section 5.5(c).

"LCP Representative" shall mean a member of LCP who is designated by LCP to represent LCP in the administration of this Agreement. As of the Effective Date, Donna Kelly is the LCP Representative. LCP may change the LCP Representative by delivering written notice thereof to the other Parties.

"Lease Assignment" is defined in Section 5.7(a)(iv).

"Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents, substantially in the form attached as Attachment No. 6, which secures, among other things, Developer's payment obligations under the City Note.

"Memorandum of Agreement" shall mean the memorandum of this Agreement, substantially in the form attached hereto as Attachment No. 3, to be executed and acknowledged by all Parties and to be recorded upon the Property.

"Memo of Lease" is defined in Section 5.2(c).

"Parties" shall mean City, LCP and Developer collectively.

"Party" shall mean any of City, LCP and Developer individually.

"Permitted Encumbrances" is defined in Section 6.5.2.

"Permitted Transfer" is defined in Section 7.1.

"Project" shall mean the acquisition of the leasehold interest in the Property and the grading of the Property and the development on the Property of an 80 unit apartment project with landscaping, driveways, and related improvements, and all other on-Property and off-Property improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The 80 units shall be comprised of one-bedroom units, two-bedroom units, and three-bedroom units, and shall be restricted to occupancy by low income eligible tenants at affordable rent, other than one management unit, as provided in the Density Bonus Agreement and the Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Regulatory Agreement" shall mean the Regulatory Agreement and Declaration of Covenants and Restrictions, substantially in the form attached as Attachment No. 7.

"Residential Unit(s)" shall mean the eighty (80) residential units to be developed on the Property.

"Partnership" is defined in Section 7.1(c).

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached as Attachment No. 1 and shown on the map attached Attachment No. 2.

"Title Company" shall mean Fidelity National Title Company at 1300 Dove Street, Suite 310, Newport Beach, California 92660 (Title Officer: Trent Cornell).

"Transfer" is defined in Section 7.1.

"Withholding Affidavit" is defined in Section 5.7(a)(ii).

2. LCP'S CASH DONATION FOR THE PROJECT; PURCHASE OF TRANSPORTATION TRIP CREDITS

2.1 Cash Donation. In partial satisfaction of the CPW inclusionary affordable housing obligations and on the terms and conditions set forth in this Agreement, LCP will provide a cash donation to the City in the amount of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775) ("Donation Amount") to assist the Project. LCP will deposit the Donation Amount into Escrow no later than five (5) days after the latter to occur of the approval of the First Amendment of the Development Agreement for CPW, the approval of the Density Bonus Agreement for the Project, and the approval of the Conditional Use Permit and Park Plan for the Project and the running of the administrative appeal period for each approval with no appeal being filed ("Land Use Approvals").

2.2 Transportation Trip Credits. The Property is currently assigned transportation trip credits sufficient to build 62 units. For the 80-unit Project, the Developer will need to purchase an additional 18 transportation trip credits ("Credits"). LCP agrees to sell to Developer, and Developer agrees to purchase from LCP, the 18 Credits for the Project for the amount of Two Hundred Seven Thousand Six Hundred Seventy-Five Dollars ($207,675) through the Close of Escrow. The Developer shall pay for the Credits through the proceeds of the City Loan. LCP agrees to provide evidence of the transfer of the Credits into Escrow. Developer and LCP will provide mutually acceptable escrow instructions to the Escrow Holder with regard to the transfer of the Credits and payment therefor.

3. CITY LOAN

3.1 Amount and Source of City Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance in the form of a predevelopment, construction and permanent loan not to exceed the sum of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775). The documentation for the City Loan shall be entered into through the Close of Escrow. The City Loan Documents shall provide that the Developer can immediately draw funds from the City Loan proceeds to purchase the Credits from LCP, to reimburse Developer for incurred predevelopment costs for the Project, and to pay closing costs.

3.2 Permissible Uses of City Loan. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City Loan proceeds only for premiums for the City Assign Owners Title Policy, the Developer Title Policy, and the City Loan Title Policy, the escrow fees, any recording fees, any other closing fees, predevelopment expenses and soft costs for the Project that are actually and reasonably incurred by Developer, and for no other purposes.

3.3 City Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City Loan proceeds to Developer unless all of the following conditions (collectively "Funding Conditions") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to Escrow Holder the documents referred to in Section 5.7(c)(ii), (iii), (iv) and (v) of this Agreement.

(b) *City Loan Title Policy.* Title Company is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("City Loan Title Policy"), with liability in the amount of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775), showing the leasehold interest in the Property vested in Developer, insuring in favor of City the Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; (iii) the Density Bonus Agreement and (iv) such other matters as may be approved by City in its sole and absolute discretion.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 6.4 of this Agreement.

(d) *Ground Lease.* Developer and City or its successor shall have entered into the Ground Lease and the Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance of either party thereunder and the fulfillment of the Ground Lease and Developer's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(e) *Donation Amount and Trip Credits Transfer Evidence.* LCP has deposited the Donation Amount into Escrow pursuant to Section 2.1, and LCP has deposited into Escrow evidence of the transfer of the Credits pursuant to Section 2.2.

(f) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement shall remain true and correct in all material respects.

In the event that any of the Funding Conditions are not satisfied on or before March 31, 2016, or such later deadline as may be mutually approved in writing by the Parties in the sole and absolute discretion of each of them, any Party may terminate this Agreement by delivering written notice to all other Parties.

3.4 Disbursement of City Loan. Provided Developer is not in default of this Agreement, the City Loan proceeds shall be deposited into Escrow upon the satisfaction of all of the Funding Conditions and the parties shall instruct the Escrow Holder to apply the deposited City Loan proceeds as set forth in the approved settlement statement. Upon Close of Escrow, Escrow Holder shall deliver the remainder of the City Loan proceeds (i) to an escrow agent to be held, invested and disbursed under the terms of an escrow agreement reasonably acceptable to the City Manager if required by Developer's other construction lenders or tax credit investor; or (ii) to the City to be disbursed based on monthly draw requests from Developer. If an escrow agreement is used, City shall authorize disbursements of City Loan proceeds by the escrow agent

in accordance with the applicable provisions of the escrow agreement for payment of Project predevelopment, development and construction costs, but if an escrow agreement is not used, City shall disburse the City Loan proceeds itself. However, the City shall not be obligated to authorize disbursement or disburse, as applicable, remaining Loan Proceeds unless: (i) Developer is not in default under this Agreement or any of the documents executed by Developer under this Agreement, (ii) the disbursement is not less than thirty (30) days since the last disbursement of City Loan proceeds, (iii) the City has received unconditional lien releases from contractors/subcontractors for the work covered by the previous disbursement of City Loan proceeds and conditional lien releases for the work covered by the current requested disbursement, (iv) the City has received a written disbursement request from Developer describing the amount requested and the specific work for which it is requested and copies of invoices from the contractor(s) for such work.

3.5 City Loan Interest Rate. Simple interest at the rate of one-quarter percent (0.25%) per annum will accrue on the outstanding principal under the City Loan except as provided in the City Note in the event of default but in no event greater than the maximum rate permitted by law. If required by investors or lenders to the Project, the City and Developer agree that the interest under the City Loan can be reset to one-half percent (0.5%) simple interest through an administrative amendment to this Agreement and the City Note signed by the City Manager and the Developer's Representative.

3.6 City Loan Term. The term of the City Loan shall end fifty-five (55) years after the date of the last certificate of occupancy to be issued for the Project.

3.7 Repayment of City Loan; Leasehold Deed of Trust. Developer's obligation to repay the City Loan shall be as set forth in the City Note. The City Note generally provides that all payments under the City Note shall be deferred until expiration of the term of the City Loan. Developer's obligation to repay the City Loan will be secured by the Leasehold Deed of Trust. The Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the Leasehold Deed of Trust.

3.8 Subordination. Subject to City's rights reserved pursuant to Section 4.3, City will execute reasonable subordination agreements subordinating the Leasehold Deed of Trust and Regulatory Agreement, if requested by the construction or permanent lender to the Project, to such lender's deed of trust and any refinancing thereof that meets the requirements in the following paragraph; provided, however neither City nor its successors or assigns to the Ground Lease shall have any obligation to subordinate either the fee interest in the Property or the Density Bonus Agreement.

For purposes of this Section 3.8, a "reasonable subordination agreement" provides that Developer's (or its successor's or assign's) obligations to perform in accordance with the Leasehold Deed of Trust and Regulatory Agreement will not be modified, limited, or impaired under the subordination agreement as long as Developer (or its successor or assign) timely pays the construction or permanent lender under the applicable instrument to be benefitted by the subordination agreement. Any subordination agreement requested to be executed by City in

connection with any refinancing of all or any part of a construction or permanent loan shall be subject to the following limitations (which limits include reasonable and necessary costs associated with the closing and/or the refinancing): (i) the outstanding debt secured by the deed of trust securing such new loan does not exceed a combined loan-to-value ratio of 80% of the fair market value of the Property (based on rental restrictions in place) at the time of the refinancing as determined by an independent appraisal commissioned by the lender originating such new loan, (ii) the refinancing results in a maximum debt service coverage ratio of 1.15 using for basis of calculation the actual proposed interest rate for the new loan which must be at a fixed rate of interest, and (iii) Developer's obligations to perform in accordance with the Leasehold Deed of Trust and Regulatory Agreement are not materially modified, limited, or impaired by such refinancing. Developer shall have the obligation to deliver to City notice of such refinancing and any supporting documents reasonably requested by City to ensure the terms and conditions authorized in this Section 3.8 have been followed. Nothing in this Section 3 does or shall be construed to limit the terms and conditions subject to City review and approval in its reasonable discretion.

3.9 Non-Recourse. The Developer shall not have any direct or indirect personal liability for payment of the principal of, or interest on, the City Loan and City Note or the performance of the covenants of the Developer under this Agreement, the Leasehold Deed of Trust or the Regulatory Agreement. The sole recourse of the City with respect to the principal of, or interest on, the City Loan and Promissory Note and defaults by Developer in the performance of its covenants under this Agreement, the City Note, the Leasehold Deed of Trust and the Regulatory Agreement shall be to the property described in the Leasehold Deed of Trust.

4. ACQUISITION, DONATION AND GROUND LEASE OF PROPERTY

4.1 Acquisition of Property. To secure the land needed for the Project, an affiliate of two members of Derian, C&C Development Co., LLC, a California limited liability company, and LCP have entered into an agreement of purchase and sale and joint escrow instructions, as amended, with the current owner of the Property. LCP agrees to complete the purchase of the Property as set forth in purchase and sale agreement for the Property provided that all Land Use Approvals have been obtained. All Parties to this Agreement agree to deliver counterpart originals of the Memorandum of Agreement, duly executed and acknowledged by each Party to LCP. As part of the close of escrow on the Property for LCP's acquisition of the Property, LCP will cause the recordation of the Memorandum of this Agreement on the Property, evidencing LCP's commitment to donate the Property to the City Assign upon the terms and conditions of this Agreement.

4.2 Donation of Property. Within five (5) days after the occurrence of the Land Use Approvals, LCP will convey the Property to the City Assign at no cost to meet the CPW inclusionary affordable housing obligations on the terms and conditions set forth in this Agreement. If the Land Use Approvals are not obtained on or before March 31, 2016, LCP shall have the right, by written notice to Developer and City, to terminate this Agreement. Notwithstanding any other provision of this Agreement and if this Agreement has not been earlier terminated, LCP agrees to dedicate the Property and donate the Donation Amount to the City by December 31, 2017, provided that the Land Use Approvals have been granted.

4.3 City Assignment of Rights to Property and Interests Therein. City shall, as administrative actions that may be implemented by instruments executed by the City Manager, assign its rights and obligations related to: (a) the no cost conveyance of the Property from LCP, and (b) the ground lease of the Property to the Developer as set forth in this Agreement and the Ground Lease, to the Irvine Community Land Trust or to another entity affiliated with the Developer without Developer's consent ("City Assign").

4.4 Acquisition of Leasehold Interest in Property. City Assign and Developer shall enter into the Ground Lease through the Close of Escrow. The Ground Lease shall, among other terms and conditions mutually agreed upon by City Assign and Developer, provide for the following: (a) have a term of ninety-nine (99) years, (b) provide for annual ground rent in the amount of $1 a year, (c) require the Property to be developed and operated in accordance with the terms set forth in the Regulatory Agreement and Density Bonus Agreement, and shall otherwise be consistent with this Agreement, such that compliance with this Agreement will not cause a default under the Ground Lease and vice versa, (d) provide for severance of improvements from land so Developer owns the improvements in fee during the Ground Lease term, (e) will not permit the subordination of the fee interest in the Property nor the Density Bonus Agreement to any lender or loan, (f) permit the subordination and/or encumbrance of the Leasehold Deed of Trust and Regulatory Agreement to construction and permanent loans necessary of the Project, (g) provide leasehold mortgagees notice and cure rights under the Ground Lease in the event of a default by Developer, (h) recognize the rights of leasehold mortgagees to become the legal holder and owner of the interest of Developer under the Ground Lease by foreclosure or other enforcement proceeding and to thereafter assign the Ground Lease to a new tenant to operate the Property in accordance with the Ground Lease, and (i) include provisions consistent with this Agreement, including without limitation Sections 5.5, 6, 7 and 9. The Ground Lease will provide a schedule for the development of the Project.

5. CLOSE OF ESCROW

5.1 Opening and Closing of Escrow. Within two (2) business days of the Effective Date, LCP shall cause an escrow ("Escrow") to be opened with Escrow Holder for the donation of the Property by LCP to City Assign, the ground lease of the Property by the City Assign to the Developer, the donation of the Donation Amount to the City from LCP, the sale of the Credits by LCP to the Developer and the closing on the City Loan from the City to the Developer. The Parties agree that Escrow may close simultaneously with the close of escrow for LCP's acquisition of the Property. The Parties shall deposit with Escrow Holder a fully executed duplicate original of this Agreement as the escrow instructions for the Escrow. The Parties shall provide such additional instructions as shall be necessary and consistent with this Agreement. Provided that each of the conditions to closing described in Section 5.3 below have been satisfied, Escrow shall close ("Close of Escrow") the next business day after satisfaction of all the closing conditions described in Section 5.3, but no later than March 31, 2016. If the Escrow does not occur by such date, any Party not then in default may terminate this Agreement by written notice to the other and all the funds and documents deposited with Escrow Agent shall be promptly refunded or returned, as the case may be, by Escrow Agent to the depositing party, except that all escrow and title cancellation fees shall be paid by LCP.

5.2 Condition of Title; Title Insurance.

(a) City (for itself and the City Assign) and Developer each hereby approve title exceptions A, B and 1-6 of that certain amended preliminary title report dated December 15, 2014 issued by the Fidelity National Title Company as Order No.: 010-23045136-B-TC1 and the Memorandum of Agreement ("Approved Title Exceptions"). Except for the Memorandum of Agreement, LCP shall not further encumber the Property unless and until the Property is donated by LCP to City Assign.

(b) At the Close of Escrow, LCP shall convey fee title to the Property to City Assign by grant deed at no cost to City Assign ("Grant Deed"). Title to the Property shall be conveyed subject to all Approved Title Exceptions.

(c) At the Close of Escrow, City Assign and Developer shall enter into the Ground Lease and shall record a Memorandum of Ground Lease on the leasehold interest in the Property ("Memo of Lease"). Leasehold title to the Property shall be conveyed subject to all Approved Title Exceptions.

5.3 Conditions to Close of Escrow. The obligations of the Parties under this Agreement to close Escrow shall be subject to the satisfaction (or express written waiver by the benefited party) of each of the following conditions (collectively, "Closing Conditions"):

(a) There shall have been no change to the physical condition of the Property that would materially and adversely affect the development, construction, use or operation of the Project.

(b) The representations and warranties of each Party contained in this Agreement being true and correct.

(c) The delivery by each Party of all documents and funds required to be delivered by it pursuant to Section 5.7 below.

(d) The Title Company shall have committed to issue at the Close of Escrow an Owner's Title Insurance Policy to City Assign in the amount of the fair market value of the Property, as established by appraisal which is Seven Million, Six Hundred Fifty Thousand Dollars ($7,650,000), with any endorsements reasonably requested by City Assign, showing fee simple title to the Property vested in City Assign, subject only to the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company and the Approved Title Exceptions ("City Assign Owners Title Policy").

(e) The Title Company shall have committed to issue at the Close of Escrow a Leasehold Owner's Title Insurance Policy to Developer in the amount of the fair market value of the Property, as established by appraisal which is Seven Million, Six Hundred Fifty Thousand Dollars ($7,650,000), with any endorsements reasonably requested by Developer, showing leasehold title to the Property and fee title to any improvements vested in Developer, subject only to the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company and the Approved Title Exceptions and the Density Bonus Agreement ("Developer Title Policy").

(f) The Title Company shall have committed to issue at the Close of Escrow the City Loan Title Policy.

(g) All tenants and other occupants of the Property shall have vacated, and shall have no rights to occupy the Property, other than Riviera Beverages, LLC, which, according to representations and warranties from Developer, is on a month-to-month lease and, based on representations and warranties from Developer, has waived any right to relocation benefits.

5.4 Costs; Escrow Holder Settlement Statement.

(a) The Developer shall use the proceeds of the City Loan to pay the premiums for the City Assign Owners Title Policy, the Developer Title Policy, and the City Loan Title Policy, the escrow fees, any recording fees and any other closing fees.

(b) Escrow Holder is authorized on the Close of Escrow to pay and charge Developer for such fees, charges and costs as set forth on settlement statement approved by the Parties.

5.5 Condition of the Property to City Assign.

(a) Disclosure of Reports. Developer, not LCP nor City, is conducting the due diligence review of the Property. Prior to the Effective Date, Developer shall provide copies of all reports it has obtained regarding the Property to LCP and City.

(b) "As-Is" Conveyance. City acknowledges and agrees on behalf of City Assign that City Assign is acquiring the Property in its "AS IS" condition, WITH ALL FAULTS, IF ANY, AND, EXCEPT AS EXPRESSLY SET FORTH HEREIN, WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED and neither LCP nor any agents, representatives, officers, or employees of LCP have made any representations or warranties, direct or indirect, oral or written, express or implied, to City Assign or any agents, representatives, or employees of City Assign with respect to the condition of the Property, its fitness for any particular purpose, or its compliance with any laws, and City Assign is not aware of and does not rely upon any such representation. Neither LCP nor any of its representatives is making or shall be deemed to have made any express or implied representation or warranty, of any kind or nature, as to (a) the physical, legal or financial status of the Property, (b) the Property's compliance with applicable laws, or (c) any other matter relating to the Property.

(c) Releases and Waivers. City on behalf of the City Assign hereby waives its right to recover from and fully and irrevocably releases LCP and its employees, officers, directors, representatives, agents, servants, attorneys, successors and assigns ("LCP Released Parties") from any and all claims, responsibility and/or liability that it may now have or hereafter acquire against any of the LCP Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the condition (including any defects, errors, omissions or other conditions, latent or otherwise, and the presence in the soil, air, structures and surface and subsurface waters of materials or substances that have been or may in the future be determined to be Hazardous Materials or otherwise toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from the

Property under current or future federal, state and local laws regulations or guidelines), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever. This release includes claims of which City is presently unaware or which City does not presently suspect to exist which, if known by City, would materially affect City's release to LCP. In that regard, City specifically waives the provision of California Civil Code Section 1542, which provides as follows:

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

In this connection and to the extent permitted by law, City on behalf of City Assign hereby agrees, represents and warrants that City realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and City further agrees, represents and warrants on behalf of City Assign that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that City on behalf of City Assign nevertheless hereby intends to release, discharge and acquit LCP Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to LCP by City Assign in exchange for LCP's performance hereunder.

City on behalf of City Assign hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold City Assign responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials in, on, above or beneath the Property or emanating therefrom, then City on behalf of City Assign waives any rights it may have against LCP in connection therewith, including, without limitation, under CERCLA (as defined in the definition of "Hazardous Materials" in Section 1.1) and City on behalf of City Assign agrees that it shall not (i) implead LCP, (ii) bring a contribution action or similar action against LCP, or (iii) attempt in any way to hold LCP responsible with respect to any such matter. The provisions of this Section 5.5(c) shall survive the Close of Escrow.

LCP has given City Assign material concessions regarding this transaction in exchange for City agreeing to the provisions of this Section 5.5(c). City on behalf of City Assign and LCP have each initialed this Section 5.5(c) to further indicate their awareness and acceptance of each and every provision hereof.

SJ

CITY'S INITIALS _____ LCP'S INITIALS _____

(d) Environmental Indemnity. From and after the recordation of the Memo of Lease, Developer shall indemnify, protect, defend and hold harmless LCP and its members, officers, employees, consultants, agents and representatives, from and against any and all claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and costs, arising directly or indirectly out of any claim for loss or damage to any property,

Property under current or future federal, state and local laws regulations or guidelines), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever. This release includes claims of which City is presently unaware or which City does not presently suspect to exist which, if known by City, would materially affect City's release to LCP. In that regard, City specifically waives the provision of California Civil Code Section 1542, which provides as follows:

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

In this connection and to the extent permitted by law, City on behalf of City Assign hereby agrees, represents and warrants that City realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and City further agrees, represents and warrants on behalf of City Assign that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that City on behalf of City Assign nevertheless hereby intends to release, discharge and acquit LCP Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to LCP by City Assign in exchange for LCP's performance hereunder.

City on behalf of City Assign hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold City Assign responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials in, on, above or beneath the Property or emanating therefrom, then City on behalf of City Assign waives any rights it may have against LCP in connection therewith, including, without limitation, under CERCLA (as defined in the definition of "Hazardous Materials" in Section 1.1) and City on behalf of City Assign agrees that it shall not (i) implead LCP, (ii) bring a contribution action or similar action against LCP, or (iii) attempt in any way to hold LCP responsible with respect to any such matter. The provisions of this Section 5.5(c) shall survive the Close of Escrow.

LCP has given City Assign material concessions regarding this transaction in exchange for City agreeing to the provisions of this Section 5.5(c). City on behalf of City Assign and LCP have each initialed this Section 5.5(c) to further indicate their awareness and acceptance of each and every provision hereof.

_____ _____

CITY'S INITIALS LCP'S INITIALS

(d) Environmental Indemnity. From and after the recordation of the Memo of Lease, Developer shall indemnify, protect, defend and hold harmless LCP and its members, officers, employees, consultants, agents and representatives, from and against any and all claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and costs, arising directly or indirectly out of any claim for loss or damage to any property,

including the Property, injuries to or death of persons, or for the cost of cleaning up the Property and removing Hazardous Materials or toxic substances, materials and waste therefrom, by reason of contamination or adverse effects on the environment, or by reason of any statutes, ordinances, orders, rules or regulations of any governmental entity or agency requiring the clean-up of any Hazardous Materials caused by or resulting from any Hazardous Material, or toxic substances or waste existing on or under, any portion of the Property to the extent the presence or release of the Hazardous Materials was not caused by any LCP Released Party.

(e) Delivery of Possession. Upon the Close of Escrow, LCP shall deliver possession of the Property to City Assign free of occupants, other than Riviera Beverages, LLC, the current existing tenant which, according to representations and warranties from Developer, is on a month-to-month lease and, based on representations and warranties from Developer, has waived any right to relocation benefits.

5.6 Condition of the Property to Developer.

(a) Disclosure of Reports. Developer, not LCP nor City, is conducting the due diligence review of the Property.

(b) "As-Is" Conveyance. Developer acknowledges and agrees that), Developer is acquiring a leasehold interest in the Property in its "AS IS" condition, WITH ALL FAULTS, IF ANY, AND, EXCEPT AS EXPRESSLY SET FORTH HEREIN, WITHOUT ANY WARRANTY, EXPRESS OR IMPLIED and neither City nor any agents, representatives, officers, or employees of City, and neither the Irvine Community Land Trust nor any of its agents, representatives, officers, or employees have made any representations or warranties, direct or indirect, oral or written, express or implied, to Developer or any agents, representatives, or employees of Developer with respect to the condition of the Property, its fitness for any particular purpose, or its compliance with any laws, and Developer is not aware of and does not rely upon any such representation. Neither City nor Irvine Community Land Trust, or any of their respective agents, representatives, officers, or employees is making or shall be deemed to have made any express or implied representation or warranty, of any kind or nature, as to (a) the physical, legal or financial status of the Property, (b) the Property's compliance with applicable laws, or (c) any other matter relating to the Property.

(c) Releases and Waivers. Developer hereby waives its right to recover from and fully and irrevocably releases City, Irvine Community Land Trust and their respective employees, officers, directors, representatives, agents, servants, attorneys, successors and assigns ("City Assign Released Parties") from any and all claims, responsibility and/or liability that it may now have or hereafter acquire against any of the City Assign Released Parties for any costs, loss, liability, damage, expenses, demand, action or cause of action arising from or related to the condition (including any defects, errors, omissions or other conditions, latent or otherwise, and the presence in the soil, air, structures and surface and subsurface waters of materials or substances that have been or may in the future be determined to be Hazardous Materials or otherwise toxic, hazardous, undesirable or subject to regulation and that may need to be specially treated, handled and/or removed from the Property under current or future federal, state and local laws regulations or guidelines), valuation, salability or utility of the Property, or its suitability for any purpose whatsoever. This release includes claims of which Developer is presently unaware

or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release to City on behalf of City Assign. In that regard, Developer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

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

In this connection and to the extent permitted by law, Developer hereby agrees, represents and warrants that Developer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Developer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge and acquit City Assign Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to City Assign by Developer in exchange for City Assign's performance hereunder.

Developer hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold Developer responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials in, on, above or beneath the Property or emanating therefrom, then Developer waives any rights it may have against City Assign Released Parties in connection therewith, including, without limitation, under CERCLA (as defined in the definition of "Hazardous Materials" in Section 1.1) and Developer agrees that it shall not (i) implead any of the City Assign Released Parties, (ii) bring a contribution action or similar action against any of the City Assign Released Parties, or (iii) attempt in any way to hold any of the City Assign Released Parties responsible with respect to any such matter. The provisions of this Section 5.6(c) shall survive Close of Escrow.

City on behalf of City Assign has given Developer material concessions regarding this transaction in exchange for Developer agreeing to the provisions of this Section 5.6(c). City on behalf of City Assign and Developer have each initialed this Section 5.6(c) to further indicate their awareness and acceptance of each and every provision hereof.

SJ

CITY'S INITIALS

DEVELOPER'S INITIALS

(d) Environmental Indemnity. From and after the recordation of the Memo of Lease, Developer shall indemnify, protect, defend and hold harmless any and all City Assign Released Parties from and against any and all claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and costs, arising directly or indirectly out of any claim for loss or damage to any property, including the Property, injuries to or death of persons, or for the cost of cleaning up the Property and removing Hazardous Materials or toxic

or which Developer does not presently suspect to exist which, if known by Developer, would materially affect Developer's release to City on behalf of City Assign. In that regard, Developer specifically waives the provision of California Civil Code Section 1542, which provides as follows:

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

In this connection and to the extent permitted by law, Developer hereby agrees, represents and warrants that Developer realizes and acknowledges that factual matters now unknown to it may have given or may hereafter give rise to causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which are presently unknown, unanticipated and unsuspected, and Developer further agrees, represents and warrants that the waivers and releases herein have been negotiated and agreed upon in light of that realization and that Developer nevertheless hereby intends to release, discharge and acquit City Assign Released Parties from any such unknown causes of action, claims, demands, debts, controversies, damages, costs, losses and expenses which might in any way be included as a material portion of the consideration given to City Assign by Developer in exchange for City Assign's performance hereunder.

Developer hereby agrees that, if at any time after the Close of Escrow any third party or any governmental agency seeks to hold Developer responsible for the presence of, or any loss, cost or damage associated with, Hazardous Materials in, on, above or beneath the Property or emanating therefrom, then Developer waives any rights it may have against City Assign Released Parties in connection therewith, including, without limitation, under CERCLA (as defined in the definition of "Hazardous Materials" in Section 1.1) and Developer agrees that it shall not (i) implead any of the City Assign Released Parties, (ii) bring a contribution action or similar action against any of the City Assign Released Parties, or (iii) attempt in any way to hold any of the City Assign Released Parties responsible with respect to any such matter. The provisions of this Section 5.6(c) shall survive Close of Escrow.

City on behalf of City Assign has given Developer material concessions regarding this transaction in exchange for Developer agreeing to the provisions of this Section 5.6(c). City on behalf of City Assign and Developer have each initialed this Section 5.6(c) to further indicate their awareness and acceptance of each and every provision hereof.

_____	TC _____
CITY'S INITIALS	DEVELOPER'S INITIALS

(d) Environmental Indemnity. From and after the recordation of the Memo of Lease, Developer shall indemnify, protect, defend and hold harmless any and all City Assign Released Parties from and against any and all claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and costs, arising directly or indirectly out of any claim for loss or damage to any property, including the Property, injuries to or death of persons, or for the cost of cleaning up the Property and removing Hazardous Materials or toxic

substances, materials and waste therefrom, by reason of contamination or adverse effects on the environment, or by reason of any statutes, ordinances, orders, rules or regulations of any governmental entity or agency requiring the clean-up of any Hazardous Materials caused by or resulting from any Hazardous Material, or toxic substances or waste existing on or under, any portion of the Property to the extent the presence or release of the Hazardous Materials was not caused by any City Assign Released Party. Developer shall extend the releases, waivers, and indemnity provided for in Sections 5.6(c) and (d) to any other entity not affiliated with Developer but approved to be a successor or assignee of City pursuant to Section 4.3, and such other entity shall be deemed a "City Assign Released Party" as provided herein.

(e) Delivery of Possession. Upon the Close of Escrow, City Assign shall deliver possession of the Property to Developer free of occupants, other than Riviera Beverages, LLC, the current existing tenant which, according to representations and warranties from Developer, is on a month-to-month lease and, based on representations and warranties from Developer, has waived any right to relocation benefits.

(f) Existing Tenant; Relocation Obligations. Developer acknowledges and agrees that City and Irvine Community Land Trust are materially relying on the representations and warranties of Developer that (i) Riviera Beverages, LLC, is the only existing tenant on the Property as of the Effective Date, (ii) Riviera Beverages, LLC, is on a month-to-month tenancy, and (iii) Riviera Beverages, LLC, has waived any right to relocation benefits. In light of the foregoing, Developer shall be liable for any and all claims for relocation benefits sought by any existing or former tenants on the Property pursuant to any federal, state, or local relocation law, regulation, or policy, including but not limited to the Uniform Relocation Act (42 U.S.C. § 4601 *et seq.*) and implementing regulations, California Government Code Section 7260 *et seq.*, and implementing regulations (collectively referred to herein as "Relocation Laws"). The City Assign Released Parties shall have no obligation to pay or provide any relocation assistance under the Relocation Laws to any third party, former or current tenants (including Riviera Beverages, LLC), or any person or entity claiming a right to occupancy or use of the Property. Developer shall indemnify, protect, defend (with legal counsel of City's choosing), and hold harmless any and all City Assign Released Parties from and against any and all alleged or actual claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and cost, arising directly or indirectly from the transfer of the Property to the City Assign and subsequent conveyance to Developer as set forth in this Agreement, including without limitation claims for property and franchise rights and interest, relocation benefits and assistance under any Relocation Laws, all leasehold interests and rights of tenancy or occupancy, any bonus value, business goodwill, lost income (past or future), failure to locate a suitable replacement residential or business location, lost rental income or sublease or license income, severance damages (if any), pre-condemnation damages (if any), economic or consequential damages, professional consultant fees, attorney's fees and costs, expert witness fees and costs, and any and all compensable interests, and/or damages, and/or claims, of any kind and nature, claimed or to be claimed, suffered or to be suffered, by any person or entity that is or claims to be a current or former tenant or sub-tenant or occupant with a right to use or occupy the Property.

5.7 Deposits into Escrow.

(a) LCP hereby covenants and agrees to deliver to Escrow Holder prior to the Close of Escrow the following funds, instruments and documents, the delivery of each of which shall be a condition of the Close of Escrow:

(i) The LCP Grant Deed, duly executed and acknowledged by LCP;

(ii) The affidavit as contemplated by California Revenue and Taxation Code Section 18662 (a "Withholding Affidavit");

(iii) Certification of Non Foreign Status in accordance with I.R.C. Section 1445 (a "FIRPTA Certificate");

(iv) An original counterpart assignment of the lease to Riviera Beverages, LLC to the Developer (either from LCP's seller, if LCP is acquiring the Property simultaneously with the Close of Escrow or from LCP), duly executed by LCP's seller or LCP as applicable ("Lease Assignment");

(v) Cash funds in the amount of the Donation Amount; and

(vi) Such proof of LCP's authority and authorization to enter into this transaction as the Title Company may reasonably require to issue the City Assign Owners Title Policy.

(b) City (on behalf of City Assign) hereby covenants and agrees to deliver to Escrow Holder prior to the Close of Escrow the following instruments and documents, the delivery of each of which shall be a condition of the Close of Escrow:

(i) Two original counterparts of the Ground Lease, duly executed by City Assign;

(ii) Original Memo of Lease, duly executed and acknowledged by City Assign;

(iii) Three original counterparts of the Regulatory Agreement, executed and acknowledged by City;

(iv) Three original counterparts of the Density Bonus Agreement, executed and acknowledged by City; and

(v) Such proof of City's and City Assign's authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue the City Assign Owners Title Policy and the City Loan Title Policy.

(c) Developer hereby covenants and agrees to deliver to Escrow Holder prior to the Close of Escrow the following instruments and documents, the delivery of each of which shall be a condition of the Close of Escrow:

(i) Two original counterparts of the Ground Lease, duly executed by Developer;

(ii) Original Memo of Lease, duly executed and acknowledged by Developer;

(iii) Original City Note, executed by Developer;

(iv) Original Leasehold Deed of Trust, executed and acknowledged by Developer;

(v) Three original counterparts of the Regulatory Agreement, executed and acknowledged by Developer;

(vi) Three original counterparts of the Density Bonus Agreement, executed and acknowledged by Developer;

(vii) An original counterpart assignment of the lease to Riviera Beverages, LLC to the Developer (either from LCP's seller, if LCP is acquiring the Property simultaneously with the Close of Escrow or from LCP), duly executed by Developer ("Lease Assignment");

(viii) Such proof of Developer's authority and authorization to enter into this transaction as the Title Company may reasonably require in order to issue Developer Title Policy.

5.8 Authorization to Record Documents and Disburse Funds. Escrow Holder is hereby authorized to record the documents and disburse the funds and documents called for hereunder upon the Close of Escrow, provided each of the following conditions has then been fulfilled:

(a) The Title Company can issue the City Assign Owners Title Policy, the Developer Title Policy and the City Loan Title Policy.

(b) All Parties have deposited into Escrow the documents and funds required pursuant to Section 5.7.

(c) The Parties shall have confirmed to Escrow Holder that all of the other Funding Conditions set forth in Section 3.3 and the Closing Conditions set forth in Section 5.3 have been satisfied or expressly waived in writing.

Unless otherwise instructed in writing, Escrow Holder is authorized to record at the Close of Escrow any instrument delivered through the Escrow if necessary or proper for issuance of the City Assign Owners Title Policy, the Developer Title Policy and the City Loan Title Policy.

5.9 Escrow Holder's Closing Actions. On Close of Escrow, Escrow Holder shall:

(a) Record the following documents in the following Order with the Orange County Recorder:

(i) Grant Deed on fee interest of the Property (which shall be deemed delivery of said instrument to City Assign);

(ii) Memo of Lease on fee interest of the Property;

(iii) Density Bonus Agreement on the leasehold interest of the Property;

(iv) Leasehold Deed of Trust on the leasehold interest of the Property; and

(v) Regulatory Agreement on the leasehold interest of the Property.

(b) Issue the City Assign Owners Title Policy, Developer Title Policy and City Loan Title Policy (or cause the Title Company to issue the City Assign Owners Title Policy, Developer Title Policy and City Loan Title Policy).

(c) Prorate taxes, assessments, rents, and other charges as of the Close of Escrow in accordance with the settlement statements approved by the Parties.

(d) Pay prorated amounts and charges to be paid by or on behalf of the Parties.

(e) Prepare and deliver to all Parties one signed copy of Escrow Holder's closing statement showing all receipts and disbursements of the Escrow.

(f) Deliver to City Assign the original City Assign Owners Title Policy

(g) Deliver to City the original City Loan Title Policy and original City Note.

(h) Prepare and deliver to each of the City and Developer one fully executed original of the Density Bonus Agreement.

(i) Prepare and deliver to each of the City Assign and Developer one fully executed original of the Ground Lease.

(j) Deliver to Developer the original Developer Title Policy and the original Lease Assignment.

(k) Prepare and deliver to all Parties, a set of all escrow instructions delivered into Escrow countersigned by the Escrow Company, copies of all the documents submitted into Escrow, which are to include, where applicable, recording information certified as correct by Title Company, and copies of each of the Title Policies.

5.10 Additional Instructions. If required by the Escrow Holder or if deemed appropriate by the Parties, the Parties shall execute appropriate escrow instructions, prepared by

the Escrow Holder, which are not inconsistent herewith. If there is any inconsistency between the terms hereof and the terms of the escrow instructions, the terms hereof shall control unless an intent to amend the terms hereof is expressly stated in such instructions.

6. DEVELOPMENT OF THE PROJECT

6.1 Scope of Development. Developer shall develop the Project on the Property in strict accordance with the plans and drawings approved by the City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

6.2 Development Approvals and Permits. Prior to commencement of the grading of the Property, Developer shall secure or cause to be secured the grading permit from the City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Developer shall have obtained approval of the final plans for the Project and the building permits for the Project.

6.3 Rights of Inspection. Representatives of City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 6.3 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

6.4 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof except as provided below, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California to extent Developer has employees.

(c) *Builder's Risk.* Upon commencement of construction of the Project, builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined to the extent Developer owns any automobiles.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City and, if applicable, Irvine Community Land Trust (if the City Assign pursuant to this Agreement) and its (or, if applicable, their respective) officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as loss payee(s). Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City and, if applicable, Irvine Community Land Trust, and its (or, if applicable, their respective) officers, employees and agents and its respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice to City or, if applicable, Irvine Community Land Trust. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 6.4 to the City Manager and, if applicable, the Executive Director of the Irvine Community Land Trust. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the Regulatory Agreement and/or the Ground Lease.

Developer agrees that the provisions of this Section 6.4 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. No later than Insurance Approval Date (as that term is defined below), Developer shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the City Manager and, if applicable, the Executive Director of the Irvine Community Land Trust, which approval shall not be unreasonably withheld or delayed and may be waived in City Manager's (and, if applicable, Executive Director's) reasonable discretion. As used herein, the term "Insurance Approval Date" shall mean the date that is five (5) days prior to the anticipated date of the Close of Escrow for all insurance other than builder's risk insurance and the date that is five (5) days prior to the anticipated date of commencement of construction for builder's risk insurance.

6.5 Financing the Project.

(a) Cost of Development. Neither LCP nor the City are required to provide for any of the costs of financing the Project except as otherwise agreed in writing between LCP and Developer prior to the Effective Date and as provided in this Agreement. Developer shall use its best commercial efforts to obtain financing for all others costs of developing the Project.

(b) Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Property under the Ground Lease and its fee interest in the improvements thereon to finance the development and operation of the Project ("Permitted Encumbrances"). No deed of trust or mortgage shall encumber the City Assign's fee interest in the Property.

(c) Subordination. The City Manager shall have the authority on behalf of the City to enter into subordination agreements, intercreditor agreements, and other similar agreements subordinating the City's interest in the Leasehold Deed of Trust and Regulatory Agreement (but not the fee interest in the Property) to construction and permanent loans necessary of the Project, provided that any such agreements shall provide that the Density Bonus Agreement recorded on the leasehold interest in the Property shall be and remain senior to the lien(s) (deeds of trust) securing any financing obtained by Developer for development of the Project. Subordination agreements shall comply with Section 3.8 of this Agreement.

7. LIMITATIONS ON TRANSFERS; SECURITY INTERESTS; INVESTOR RIGHTS

7.1 Restriction on Transfer of Developer's Rights and Obligations. Developer shall not sell, assign, transfer, mortgage, lease, hypothecate, or convey (collectively, a "Transfer") the leasehold interest in Property, or any part thereof or any of Developer's rights or obligations hereunder without the City's or City Assign's prior written consent, which consent may be granted or withheld in the City's or City Assign's reasonable discretion except for the following ("Permitted Transfers"):

(a) Permitted Encumbrances;

(b) a conveyance of the Developer's leasehold interest in the Property under the Ground Lease and/or the Developer's interest in the fee interest in the improvements thereon resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) the transfer of the Developer's interest in this Agreement, the Developer's leasehold interest in the Property under the Ground Lease and the Developer's fee interest in the improvements thereon by the Developer to a to-be-formed limited partnership in which at least two members of the Developer or their affiliates serve as general partners, and at least two members of the Developer or their affiliates have and maintains a controlling interest in the management and ownership of the limited partnership ("Partnership");

(d) any transfer of equity in the Developer that does not change management or operational control of the Project other than to permit the admittance of an affiliate of Innovative Housing Opportunities, Inc. as the managing general partner of the Partnership;

(e) the lease of the Residential Units consistent with the Regulatory Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by City or City Assign, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the Effective Date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Developer or an affiliate of the general partners the Developer at the end of the tax credit compliance period for the Project; and

(i) any dilution of a General Partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by City Assign in its reasonable discretion.

Developer acknowledges that the identity of Developer is of particular concern to the City, and it is because of Developer's identity that the City has entered into this Agreement with Developer. Except for pursuant to any Permitted Transfer (defined in this Section 7.1), no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement.

7.2 Holders of Deeds of Trust. Developer shall notify the City and City Assign of the name and address of any lender of record holding any secured interest in Developer's leasehold interest in the Property under the Ground Lease or its interest in the improvements on the Property, including a Permitted Encumbrance (a "Holder").

7.3 Rights of Holders. The City and City Assign shall deliver a copy of any notice or demand to Developer concerning any breach or default by Developer under this Agreement, the Ground Lease, or the City Loan Documents to each Holder. Any notice of breach or default by Developer shall not be effective against any such Holder unless given to such Holder. Such Holder shall have the right at its option to cure or remedy any such default and to add the cost thereof to the secured debt and the lien of its security interest. If such breach or default can only be remedied or cured by such Holder upon obtaining possession, such Holder may remedy or cure such breach or default within a reasonable period of time after obtaining possession, provided such Holder seeks possession with diligence through a receiver or foreclosure. Such Holder shall not undertake or continue the construction or completion of the Project beyond the

extent necessary to conserve or complete the Project. No Holder shall have a right of possession to City Assign's fee interest in the Property.

7.4 Noninterference with Holders. The provisions of this Agreement do not limit the right of Holders (a) to foreclose or otherwise enforce any mortgage, deed of trust, or other security instrument encumbering Developer's leasehold interest under the Ground Lease to the Property, and the improvements owned by Developer thereon, (b) to pursue any remedies for the enforcement of any pledge or lien encumbering Developer's leasehold interest under the Ground Lease to the Property or improvements owned by Developer thereon, or (c) to accept, or cause its nominee to accept, a deed or other conveyance in lieu of foreclosure or other realization. The City for itself and on behalf of the City Assign agrees to execute such further documentation regarding the rights of any Holder as is customary with respect to construction or permanent financing, as the case may be, to the extent that such documentation complies with the terms and conditions of this Agreement, is reasonably requested by any Holder, and is approved by the City and City Assign in their reasonable discretion.

7.5 Right of City to Cure. In the event of a default or breach by the Developer of a loan by a senior lienholder prior to the completion of the Project, the City may, upon prior written notice to the Developer, cure the default, prior to the completion of any foreclosure. In such event the City shall be entitled to reimbursement from the Developer of all costs and expenses incurred by the City in curing the default. The City shall also be entitled to add such costs and expenses to the obligations secured by the Leasehold Deed of Trust.

7.6 Right of City and City Assign to Satisfy Other Liens. After the Close of Escrow and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on Developer's leasehold interest under the Ground Lease to the Property or any improvements owned by Developer thereon, and has failed to do so, in whole or in part, the City and City Assign each shall, upon prior written notice to the Developer, have the right to satisfy any such lien or encumbrances; however, nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount therein and so long as such delay in payment shall not subject the Property or any portion thereof to forfeiture or sale.

7.7 Investor Limited Partner Provisions. If and when the Developer admits an investor limited partner into Developer's partnership, the other Parties agree to the following provisions, in addition to the Permitted Transfers relating to the investor limited partner, for the benefit of the Developer's investor limited partner:

(a) Each Party will give the limited partner a copy of any notice (provided the limited partner's address has been provided in a written notice by Developer to the other Parries) that such Party gives to the Developer under this Agreement, the Density Bonus Agreement, the Ground Lease and the City Loan Documents;

(b) Each applicable Party will give the limited partner thirty (30) days after such notice is given to cure a non-payment of any sum due under this Agreement, the Density Bonus Agreement, the Ground Lease and the City Loan Documents;

(c) Each applicable Party will give the limited partner sixty (60) days after such notice is given to cure any other default under this Agreement, the Density Bonus Agreement, the Ground Lease and the City Loan Documents;

(d) If a non-monetary default is incapable of being cured within said sixty (60) days, each applicable Party will give the limited partner an additional ninety (90) days to cure such default provided the limited partner has commenced to cure such default and is diligently proceeding to cure such default through the end of the additional 90-day period;

(e) If the limited partner makes any such payment or otherwise cures such default, each applicable Party will accept such action as curing such default as if such payment or cure were made by the Developer;

(f) The other Parties will permit the limited partner to transfer the limited partner's interest to any person or entity at any time provided that, if at the time of such transfer the limited partner has not made one hundred percent (100%) of the capital contributions the limited partner is required to make to the Partnership, the limited partner shall remain liable to the Developer for such capital contributions;

(g) The other Parties will permit the limited partner to remove the general partner of the Partnership in accordance with the partnership agreement, provided that the substitute general partner is reasonably acceptable to the other Parties and the substitute general partner meets the requirements for completing a Permitted Transfer pursuant to Section 7.1(g); and

(h) The other Parties will permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Development to a lawful affordable housing multi-family complex consistent with the requirements of this Agreement, and (ii) subject to the rights of any senior lenders, City shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as City may impose.

8. LCP'S ROLE

8.1 Inclusionary Affordable Housing Obligation. Upon LCP's conveyance of the Property to the City Assign at no cost, the donation of the Donation Amount to the City and sale of the Credits, or if this Agreement is terminated before the Developer purchases the Credits, upon LCP's conveyance of the Property to the City Assign at no cost, the transfer of the Credits to the City at no cost, and the donation of the Donation Amount less $207,675 (the cost of the Credits) to the City, LCP will have fulfilled all of its inclusionary affordable housing obligations to the City related to the CPW development.

8.2 LCP's Termination. LCP will cease to be a Party to this Agreement upon Close of Escrow and all rights and obligations of LCP under this Agreement shall terminate upon Close of Escrow, except for Section 8.1 and any indemnification provisions applicable to LCP.

9. USE OF THE PROPERTY

9.1 General. Developer and its successors and assigns shall use, operate, and maintain the Property as a rental housing project in accordance with the provisions of the Ground Lease, the Density Bonus Agreement and the Regulatory Agreement. The Developer agrees to provide a preference to veterans in the leasing of the residential units in the Project, to the extent permitted under applicable fair housing laws and regulations.

9.2 Other Agreements. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease, the Density Bonus Agreement and the Regulatory Agreement.

9.3 Compliance with Laws and Regulations. Developer shall carry out the design, construction and operation of the Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code.

9.4 Affordability Covenants. Developer acknowledges and agrees that rental units on the Property will be required to be maintained as affordable rental units in accordance with the Ground Lease, the Density Bonus Agreement and the Regulatory Agreement.

9.5 Indemnification. Developer shall indemnify, defend, and hold harmless City, the City Assign and their respective officers, officials, employees, representatives and agents (collectively, "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Property including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

9.6 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("Extended Use Agreement") which will be recorded against the Developer's leasehold interest in the Property under the Ground Lease and its ownership interest in the improvements on the Property that constitute the Project. City acknowledges that, in the event of a foreclosure of its interest under the Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "Foreclosure"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

10. RECORDS

10.1 Records. Developer shall keep and maintain records to identify and account for the use of the City Loan proceeds and all costs pertaining to this Agreement. Books and records shall be kept and prepared in accordance with generally accepted accounting principles.

10.2 Retention of Records. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all certificates of occupancy have been issued for the Project; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

10.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at an office of Developer located in Orange County, California.

10.4 Access to Records. City, City Assign and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours.

11. TERMINATION

11.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated as follows:

(a) *Termination of Purchase and Sale Agreement.* If the purchase and sale agreement with the current owner of the Property is terminated by its terms, LCP and/or Developer shall have the right to terminate this Agreement by written notice to the other Party(ies).

(b) *Failure to Secure Land Use Entitlements.* If the City approval for the First Amendment of the Development Agreement for the CPW development and the running of the administrative appeal period for such approval with no appeal filed have not occurred on or before March 31, 2016, LCP shall have the right, by written notice to Developer and City, to terminate this Agreement.

(c) *Lack of Funding.* If, for any reason beyond the control of Developer, the Developer has been unable to secure full funding for the Project by December 31, 2017, any Party may terminate this Agreement in which case the Ground Lease will be terminated, possession of Developer's leasehold interest under the Ground Lease to the Property and the Credits shall be returned to the City, the Density Bonus Agreement and Regulatory Agreement shall be released from title, the City Leasehold Deed of Trust shall be reconveyed, Developer shall return any unused City Loan proceeds to the City, the City Note and City Loan shall be forgiven, and Developer shall not owe any other Party any monetary or other obligations under this Agreement. If there is a termination of this Agreement pursuant to this Section 11.1(c), none of the Property (including fee interest owned by City Assign), Donation Amount or Credits will be returned to LCP under such termination, it being expressly understood and agreed by the

Parties that, after Close of Escrow, LCP has no right of reversion to any interest in the Property, the Donation Amount, and the Credits, and that the City Assign shall retain the Property and the City shall retain the Donation Amount, and Credits upon such termination.

(d) *Default.* If a default shall occur under this Agreement that is not cured within an applicable notice and cure period, any Party may terminate this Agreement.

(e) *Termination Date.* This Agreement will terminate upon the end of the term of the City Loan if not sooner terminated under the terms of this Agreement.

11.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, the following obligations shall survive the termination of this Agreement: (a) any indemnity obligations; (b) if Close of Escrow occurred prior to termination of this Agreement, the provisions of Section 8.1; (c) any provision of this Agreement that states it survives termination of this Agreement; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release any Party then in default from liability for such default except as otherwise provided in this Agreement.

12. DEFAULTS AND REMEDIES

12.1 Defaults. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by any Party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subsections of this Section 12.1) within ten (10) days after the nonperforming Party's receipt of written notice from another Party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 12.1) within thirty (30) days after the nonperforming Party's receipt of written notice from the other Party(ies) specifying the nature of the default; provided, however, that if the failure cannot reasonably be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Property, and if corrective action is instituted by the non-performing Party within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Any of the warranties or representations made by any Party herein are or become false, incorrect, or misleading in any material respect, and to the extent capable of being cured are not cured within the cure period set forth in subsection (c) above.

(e) Any Party commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against any Party, or if a receiver is appointed to take charge of the assets or affairs of any Party or if any Party should make an assignment for the benefit of creditors, or if any Party should become insolvent, or upon any liquidation or termination of any Party; provided, however, that if any such proceeding is brought involuntarily against a Party, such Party shall have ninety (90) days to obtain the dismissal of such proceeding.

(f) There is a default under any of the City Loan Documents, after expiration of any notice and cure periods in the applicable agreement(s).

(g) There is a default under the Ground Lease and such default is not cured within any grace and cure period expressly provided in the Ground Lease.

(h) There is a default under the Density Bonus Agreement and such default is not cured within any grace and cure period expressly provided in the Density Bonus Agreement.

The Party in default shall provide to the other Party immediate written notice of the occurrence of any event that would constitute a default hereunder.

Nothing in this Section 12.1 or this Agreement does or shall be construed as abdicating any discretionary authority of the City, or requiring the performance of the City, to review and approve, approve with conditions, or deny the Land Use Approvals, which shall be governed as provided by applicable law.

12.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement that is not cured within any applicable notice and cure periods herein, a non-defaulting Party may take one or more of the following actions:

(a) Terminate this Agreement.

(b) Withhold further disbursements of the City Loan.

(c) Institute legal action to cure, correct, or remedy any default or to obtain any other remedy consistent with the purposes of this Agreement.

Except as otherwise expressly provided in this Agreement, any failure or delay by a Party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

12.3 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

12.4 Applicable Law and Venue. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this

Agreement. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

12.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party(ies).

12.6 Attorney's Fees. If any Party(ies) to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party(ies) in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing Party(ies). If any Party(ies) to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other Party(ies), then the Party(ies) so litigating shall be entitled to reasonable attorney's fees from the other Party(ies) to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition any Party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

13. REPRESENTATIONS AND WARRANTIES

(a) LCP. LCP makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties are material provisions in this Agreement, upon which the other Parties materially rely, and shall survive and continue thereafter:

(i) *Authorization and Validation.* The execution, delivery and performance by LCP of this Agreement (i) are within the powers of LCP and upon its execution will constitute a legal, valid and binding obligation of LCP enforceable in accordance with its terms, and (ii) to LCP's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which LCP is a party or by which LCP, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(ii) *Defaults.* LCP is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(iii) *Pending Litigation.* To LCP's knowledge, there is not now pending or threatened, against or affecting LCP any claim, investigation, action, suit or

proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or LCP.

(b) Developer. Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties are material provisions in this Agreement, upon which the other Parties materially rely, and shall survive and continue thereafter:

(i) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(ii) *Defaults.* Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(iii) *Pending Litigation.* To Developer's knowledge, there is not now pending, or threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Developer.

(iv) *Existing Tenant.* No persons or entities have any current or future rights of tenancy, sub-tenancy, license or other right to occupancy or use of the Property except Riviera Beverages, LLC, which is on a month-to-month tenancy, and has waived any right to relocation benefits.

(c) City. City makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties are material provisions in this Agreement, upon which the other Parties materially rely, and shall survive and continue thereafter:

(i) *Authorization and Validation.* The execution, delivery and performance by City of this Agreement (i) are within the powers of City and upon its execution will constitute a legal, valid and binding obligation of City enforceable in accordance with its terms, and (ii) to City's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which City is a party or by which City, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such

indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(ii) *Defaults.* City is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(iii) *Pending Litigation.* To City's knowledge, there is not now pending, or threatened, against or affecting City any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or this Agreement.

14. GENERAL PROVISIONS

14.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications among City, Developer and LCP shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified or first class mail, postage prepaid, addressed to:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Director of Community Development
With copies to:	Rutan & Tucker, LLP 611 Anton Boulevard, Suite 1400 Costa Mesa, CA 92626 Attn: William H. Ihrke
To Developer:	17275 Derian, LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attention: Todd Cottle
With copies to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins

To LCP:	Lennar Central Park, LLC 25 Enterprise Aliso Viejo, CA 92656 Attn: Donna Kelly
With copies to:	Samuels, Green and Steel LLP 19800 MacArthur Blvd. Irvine, CA 92612 Attn: Herb Samuels

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

14.2 Nonliability of Officials and Employees. No member, official, employee, or contractor of any Party shall be personally liable in the event of any default or breach by such Party or for any amount which may become due to other Parties or on any of such Party's obligations under the terms of this Agreement.

14.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the Parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 14.3, performance by any Party hereunder shall not be deemed to be in default and such Party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such Party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation brought by third parties against one or more of the Parties that pertains to the Property; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplies that are not caused by any Party; acts of the other Parties; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by LCP or Developer; or other causes beyond the reasonable control of the Party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 14.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other Party. Times of performance under this Agreement may be extended by mutual written agreement of the affected Parties.

14.4 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any Party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

14.5 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the Parties with respect to the matters addressed in this Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of each Party.

14.6 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the Parties; and the Parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

14.7 Prohibition Against Assignment and Transfer by LCP or City. None of LCP or City shall voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld, except such assignments and transfers expressly authorized in this Agreement.

14.8 Third Party Beneficiaries. Except as provided in this Agreement with regard to any investor limited partner in Developer's partnership, no other person or entity other than Developer, LCP or City and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

14.9 Authority to Execute Agreement. The persons executing this Agreement on behalf of each Party represents and warrants to the other Parties that by proper action such persons have been duly authorized to execute and deliver this Agreement.

14.10 Contract Administration and Approvals. The City Manager shall be the person designated by City to administer this Agreement on behalf of City, the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer and the LCP Representative shall be the person designated by LCP to administer this Agreement on behalf of LCP. The City Manager shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning this Agreement, the Density Bonus Agreement, the Ground Lease or the City Loan, including but not limited to, the execution of any additional agreements,

addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

14.11 Further Actions and Instruments. Each of the Parties shall cooperate with and provide reasonable assistance to the other Parties to the extent contemplated hereunder in the performance of all obligations under this Agreement and the satisfaction of the conditions of this Agreement. Upon the request of any Party at any time, the requested Party(ies) shall promptly execute, with acknowledgment or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary under the terms of this Agreement to carry out the intent and to fulfill the provisions of this Agreement or to evidence or consummate the transactions contemplated by this Agreement. City hereby authorizes City Manager to take such other actions and negotiate and execute any additional agreements as may be necessary or proper to fulfill the City's obligations under this Agreement. The City Manager may delegate her or his powers and duties under this Agreement to an authorized management level employee of the City.

14.12 Time of the Essence. Time is of the essence in the performance of this Agreement.

14.13 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

14.14 Attachments. This Agreement contains seven (7) Attachments, attached hereto and made a part hereof and incorporated herein by this reference. Said Attachments are identified as follows:

Attachment No. 1	Legal Description of Property
Attachment No. 2	Map of Property
Attachment No. 3	Form of Memorandum of Agreement
Attachment No. 4	Form of Ground Lease
Attachment No. 5	Form of City Note
Attachment No. 6	Form of Leasehold Deed of Trust
Attachment No. 7	Form of Regulatory Agreement

(Signatures on Following Page)

IN WITNESS WHEREOF, City, Developer and LCP have entered into this Agreement as of the date set forth above.

ATTEST:

City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

City Attorney

CITY:

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce, City Manager

DEVELOPER:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

LCP:

LENNAR CENTRAL PARK, LLC, a Delaware limited liability company

By: Lennar Homes of California, Inc., a California corporation, Manager

By: _____
Ryan Gatchalian, Vice President

IN WITNESS WHEREOF, City, Developer and LCP have entered into this Agreement as of the date set forth above.

ATTEST:

_____
City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

CITY:

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce, City Manager

DEVELOPER:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

LCP:

LENNAR CENTRAL PARK, LLC, a Delaware limited liability company

By: Lennar Homes of California, Inc., a California corporation, Manager

By: _____
Ryan Gatchalian, Vice President

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No : 010-23045136-TC1

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

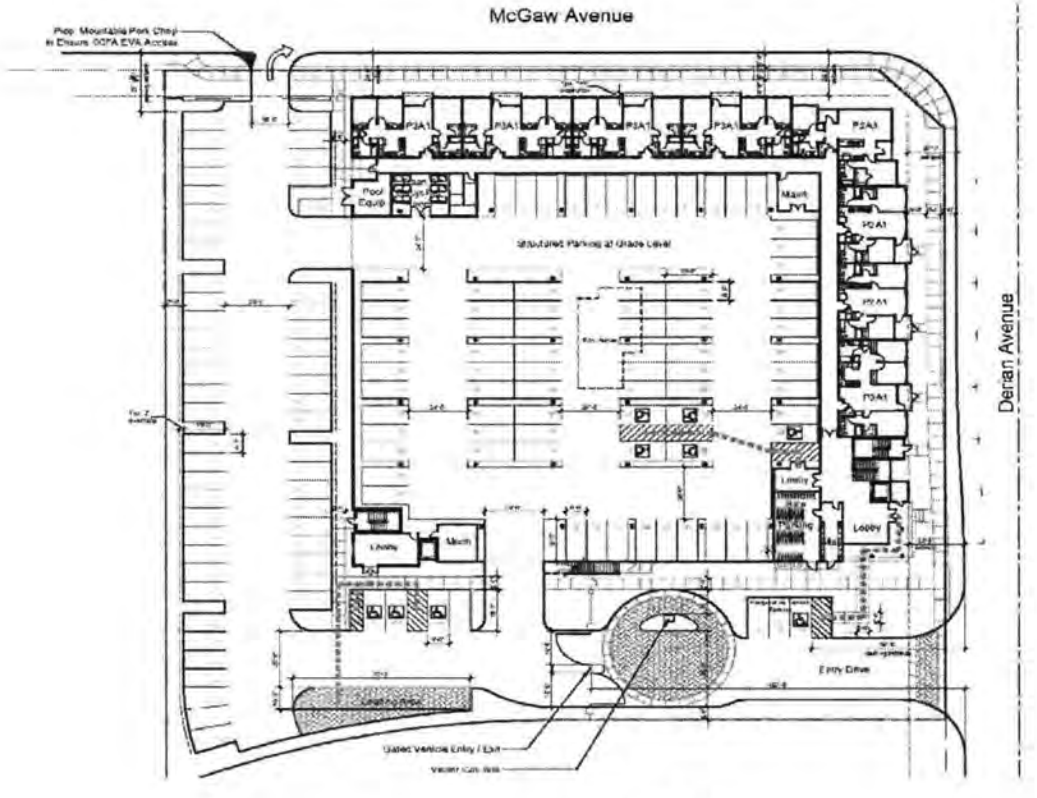
EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

ATTACHMENT NO. 2

MAP OF PROPERTY

(Attached on Following Page)



17275 DERIAN

SITE PLAN

A1.0

C&C Development
14211 Yorba Street, Suite 200
Tustin, CA 92780
714.288.7800

IRVINE, CALIFORNIA

KTGY Group, Inc.
Architecture+Planning
17922 Fitch
Irvine, CA 92614
949.851.2133
ktgy.com

ATTACHMENT NO. 3

FORM OF MEMORANDUM OF AGREEMENT

Intentionally Omitted and Requirement Waived

ATTACHMENT NO. 4

FORM OF GROUND LEASE

(Attached on Following Page)

GROUND LEASE

between

Irvine Community Land Trust, as Lessor

and

17275 DERIAN, LLC, as Lessee

Dated as of March 27, 2015

1603\16\1612461.4

Table of Contents

Page

ARTICLE 1. Definitions: 1

Section 1.1 Definitions 1
Section 1.2 Exhibits. 6

ARTICLE 2. Lease of the Leased Premises 6

Section 2.1 Leased Premises 6
Section 2.2 Term. 6
Section 2.3 Use. 6
Section 2.4 Possession. 7
Section 2.5 Memorandum of Lease. 7

ARTICLE 3. The Improvements 7

Section 3.1 Construction. 7
Section 3.2 Liens. 7
Section 3.3 Permits, Licenses and Easements. 9
Section 3.4 Title to Improvements. 9
Section 3.5 Benefits of Improvement During Term. 9

ARTICLE 4. Rents 10

Section 4.1 Ground Rent. 10
Section 4.2 Payments. 10

ARTICLE 5. Taxes and Other Impositions: Utilities 10

Section 5.1 Payment of Impositions. 10
Section 5.2 Lessor's Estate. 10
Section 5.3 Contested Taxes and Other Impositions. 10
Section 5.4 Valuation Assessment/Property Tax Exemption. 11
Section 5.5 Failure to Pay Impositions. 11
Section 5.6 Utilities. 11

ARTICLE 6. Insurance 11

Section 6.1 Required Insurance Coverage. 11
Section 6.2 Insurance Policies and Premiums. 12
Section 6.3 Proceeds of Insurance. 12
Section 6.4 Limitation of Liability 13

ARTICLE 7. MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS 13

Section 7.1 Maintenance of Leased Premises. 13
Section 7.2 Alterations to Leased Premises. 14
Section 7.3 Indemnifications. 14

ARTICLE 8. MORTGAGE LOANS. 15

Section 8.1 Loan Obligations. 15
Section 8.2 Liens and Encumbrances Against the Leasehold Estate. 15
Section 8.3 Cost of Approved Loans to be Paid by Tenant. 18
Section 8.4 Proceeds of Approved Loans. 18
Section 8.5 Notice and Right to Cure Defaults Under Approved Loans. 18
Section 8.6 No Fee Subordination. 19
Section 8.7 Rights of Investor. 19
Section 8.8 Right to Pay Taxes and Senior Mortgage. 19

ARTICLE 9. REPRESENTATIONS, WARRANTIES AND COVENANTS. 19

Section 9.1 Representations, Warranties and Covenants of Lessor. 19
Section 9.2 Representations, Warranties and Covenants of Lessee. 20
Section 9.3 Hazardous Materials Indemnification. 21

ARTICLE 10. EMINENT DOMAIN. 22

Section 10.1 Termination of Lease. 22
Section 10.2 Continuation of Lease and Presumption of Restoration. 22
Section 10.3 Temporary Taking. 22
Section 10.4 Apportionment of Award. 22
Section 10.5 Joinder. 23
Section 10.6 City Reservation of Rights. 23

ARTICLE 11. DAMAGE OR DESTRUCTION. 23

Section 11.1 Damage or Destruction to Leased Premises. 23
Section 11.2 Damage or Destruction Near End of Term. 24
Section 11.3 Distribution of Insurance Proceeds. 24
Section 11.4 Insurance Requirements. 24

ARTICLE 12. EVENTS OF DEFAULT. 24

Section 12.1 Events of Default. 24
Section 12.2 Rights and Remedies. 26
Section 12.3 Default by Lessor. 26
Section 12.4 Notices. 27

ARTICLE 13. QUIET ENJOYMENT AND POSSESSION; INSPECTIONS. 27

Section 13.1 Quiet Enjoyment. 27
Section 13.2 Lessor's Right of Inspection. 27

ARTICLE 14. VACATION OF LEASED PREMISES 27

Section 14.1 Vacation Upon Termination. 27

ARTICLE 15. NON-MERGER 28

Section 15.1 Non-Merger 28

ARTICLE 16. TRANSFERS 28

Section 16.1 Permitted Transfer by Lessee 28
Section 16.2 Transfer by Lessor. 29

ARTICLE 17. MISCELLANEOUS PROVISIONS 29

Section 17.1 Nonliability of Officials and Employees. 29
Section 17.2 Enforced Delay; Extension of Times of Performance. 30
Section 17.3 Interpretation. 30
Section 17.4 Entire Agreement; Modifications. 30
Section 17.5 Governing Law. 30
Section 17.6 Binding Effect. 30
Section 17.7 Severability. 31
Section 17.8 Further Assurances. 31
Section 17.9 Authority to Execute Agreement. 31
Section 17.10 Lease Administration and Approvals. 31
Section 17.11 Captions. 31
Section 17.12 Gender. 31
Section 17.13 Exhibits. 31
Section 17.14 References. 31
Section 17.15 Cumulative. 32
Section 17.16 Notices. 32
Section 17.17 Counterparts. 32
Section 17.18 Time of Essence. 32
Section 17.19 Attorneys Fees. 32

Exhibit A: Legal Description of the Leased Premises
Exhibit B: Site Map of the Leased Premises
Exhibit C: Memorandum of Lease

GROUND LEASE
(17275 Derian, Irvine, California)

This Ground Lease (the "Lease") is entered into as of March 27, 2015, by and between Irvine Community Land Trust, a California nonprofit public benefit corporation ("Lessor") and 17275 DERIAN, LLC, a California limited liability company, and its successors and assigns ("Lessee").

RECITALS

A. Lessee entered into that certain Affordable Housing, Land Disposition, Loan and Development Agreement ("AHLDLDA") with the City of Irvine, a charter city and municipal corporation ("City"), and Lennar Central Park, LLC, a California limited liability company ("Lennar"). Pursuant to the AHLDLDA and to meet some of Lennar's affordable housing obligations to the City under the City's inclusionary housing ordinance as set forth in Chapter 2-3 of the City's Municipal Code, Lennar has donated to the Lessor that certain real property located at 17275 Derian Avenue in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit A and depicted on the map attached as Exhibit B ("Leased Premises"). Under the AHLDLDA, the City agreed that the City or its successor or assign will ground lease the Leased Premises to Lessee for 99 years and Lessee has agreed to develop and operate thereon an 80-unit multifamily affordable rental housing development, with all of such units, other than the one management unit, affordable residential units.

B. As permitted under the AHLDLDA, the City has assigned its rights and obligations to ground lease the Leased Premises as set forth in the AHLDLDA to the Lessor.

C. Lessor desires to lease the Leased Premises to Lessee for a period of ninety-nine (99) years pursuant to the terms of this Lease.

D. Capitalized terms which are referred to and utilized throughout this Lease are defined in Article 1 of this Lease.

NOW, THEREFORE, for and in consideration of the foregoing premises, the covenants, representations, warranties and agreements set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE 1.
DEFINITIONS

Section 1.1 Definitions. For the purposes of this Lease, the following defined terms shall have the meanings ascribed thereto in this Article 1:

(a) AHLDLDA: As defined in Recital A.

(b) Approved Loans: All loans obtained from time to time by Lessee for the construction and permanent financing of the Project in compliance with the AHLDLDA and all executed attachments entered pursuant thereto.

(c) Casualty: As defined in Article 11 hereof.

(d) City: The City of Irvine, California.

(e) County: The County of Orange, California.

(f) Commencement Date: The date set forth in the first paragraph of this Lease.

(g) Density Bonus Regulatory Agreement: The Density Bonus Regulatory Agreement between the City and the Lessee, dated as of March 27, 2015 to be recorded upon the Lessee's leasehold interest of the Leased Premises in connection with the land use approvals for the Project.

(h) Environmental Laws: All federal, state or local statutes, ordinances, rules, regulations, orders, decrees, judgments or common law doctrines, and provisions and conditions of permits, licenses and other operating authorizations regulating, or relating to, or imposing liability or standards of conduct concerning (i) pollution or protection of the environment, including natural resources; (ii) exposure of persons, including employees and agents, to Hazardous Materials or other products, raw materials, chemicals or other substances; (iii) protection of the public health or welfare from the effects of by-products, wastes, emissions, discharges or releases of chemical substances from industrial or commercial activities; (iv) the manufacture, use or introduction into commerce of Hazardous Materials, including without limitation, their manufacture, formulation, labeling, distribution, transportation, handling, storage and disposal; or (iv) the use, release or disposal of Hazardous Materials or the remediation of air, surface waters, groundwaters or soil, as now or may at any later time be in effect, together with any regulations promulgated thereunder.

(i) Event of Default: As described in Article 12 of this Lease.

(j) Governmental Authorities: Any applicable federal, State or local governmental or quasi-governmental entities, subdivisions, agencies, authorities or instrumentalities having jurisdiction over the Leased Premises, the Improvements, Lessor or Lessee.

(k) Hazardous Materials: Any chemical, material or substance now or hereafter defined as or included in the definition of hazardous substances, hazardous wastes, hazardous materials, extremely hazardous waste, restricted hazardous waste, toxic substances, pollutant or contaminant, imminently hazardous chemical substance or mixture, hazardous air pollutant, toxic pollutant, or words of similar import under any local, state or federal law or

under the regulations adopted or publications promulgated pursuant thereto applicable to the Leased Premises, including, without limitation the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. 9601, et seq. ("CERCLA"); the Hazardous Materials Transportation Act, as amended, 49 U.S.C. 1801, et seq.; the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, et seq.; and the Resource Conservation and Recovery Act of 1976, 42 U.S.C. 6901, et seq. ("RCRA"). The term Hazardous Materials shall also include any of the following: any and all toxic or hazardous substances, materials or wastes listed in the United States Department of Transportation Table (49 CFR 172.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and in any and all amendments thereto; oil, petroleum, petroleum products (including, without limitation, crude oil or any fraction thereof), natural gas, natural gas liquids, liquefied natural gas or synthetic gas usable for fuel, not otherwise designated as a hazardous substance under CERCLA; any substance which is toxic, explosive, corrosive, reactive, flammable, infectious or radioactive (including any source, special nuclear or by product material as defined at 42 U.S.C. 2011, et seq.), carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority; asbestos in any form; urea formaldehyde foam insulation; transformers or other equipment which contain dielectric fluid containing levels of polychlorinated byphenyls; radon gas; or any other chemical, material or substance (i) which poses a hazard to the Leased Premises, to adjacent properties, or to persons on or about the Leased Premises, (ii) which causes the Leased Premises to be in violation of any of the aforementioned laws or regulations, or (iii) the presence of which on or in the Leased Premises requires investigation, reporting or remediation under any such laws or regulations. Notwithstanding the foregoing, "Hazardous Materials" shall not include such products in quantities as are customarily used in the construction, maintenance, development or management of residential developments or associated buildings and grounds, or typically used in residential activities in a manner generally used in other comparable residential developments, or substances commonly ingested by a significant population living within the Project including, without limitation, alcohol, aspirin, tobacco and saccharine provided that in each case, the products are used, stored, transported and disposed of in compliance with applicable law.

(l) Impositions: All taxes, assessments, water and sewer charges, charges for public utilities, excises, levies, license and permit fees and other charges that shall or may be assessed, levied or imposed during the Term by any Governmental Authorities upon the Leased Premises or any part thereof, including the buildings or improvements now or hereafter located thereon. "Impositions" shall not include any income tax, capital levy, estate, succession, inheritance, transfer or similar taxes of Lessor. Except for a tax, assessment, or charge resulting from Lessee's use of the Leased Premises pursuant to this Lease, "impositions" shall not include any franchise tax imposed upon any owner of the fee of the Leased Premises, or any income, profits or revenue tax, assessment or charge imposed upon the rent or other benefit received by Lessor under this Lease by any Governmental Authorities.

(m) Improvements: The multifamily rental housing complex comprised of up to eighty (80) residential units, which will be restricted for occupancy by Tax Credit Eligible Households except for one managers unit, to be developed on the Leased Premises, including, without limitation the following: community space, parking, tenant related space and related ancillary facilities, together with any and all replacements or substitutions therefor or

modifications thereto, in accordance with all approvals and conditions for use by the City for the Leased Premises.

(n) Insurance Requirements: The requirements, whether now or hereafter in force, of any insurer or insurance carrier, any board of fire underwriters or any other company, bureau, organization or entity performing the same or similar functions, applicable to the Leased Premises and/or the Improvements, or any portion thereof, to the extent so applicable

(o) Investor: The low income housing tax credit investor that will provide equity to the Project.

(p) Lease Year: A calendar year.

(q) Leased Premises: That certain real property located in the City, as more particularly described on Exhibit A and as depicted on Exhibit B, both of which are attached hereto and made a part hereof, together with the Improvements and any other improvements now or hereafter located thereon, and together with all and singular rights, easements, licenses, privileges and appurtenances thereunto attaching or in any way belonging thereto.

(r) Leasehold Mortgage: Any mortgage, deed of trust, security agreement or collateral assignment pursuant to an Approved Loan encumbering Lessee's Estate created hereunder as a leasehold mortgage lien.

(s) Legal Requirements. All laws, statutes, codes, ordinances, orders, rules, regulations and requirements of all Governmental Authorities and the appropriate agencies, officers, departments, boards and commissions thereof, whether now or hereafter in force, applicable to Lessor, Lessee, the Leased Premises, the Improvements, or any portion thereof, to the extent so applicable.

(t) Lender: The holder, mortgagee, grantee or secured party under any Leasehold Mortgage.

(u) Lennar: As defined in Recital A.

(v) Lessee's Estate or Leasehold Estate: Lessee's leasehold interest in the Leased Premises acquired pursuant to this Lease and Lessee's ownership interest in the Improvements on the Leased Premises acquired by Lessee hereafter.

(w) Lessor's Estate: Lessor's fee estate in the land underlying the Leased Premises.

(x) Loan Documents. All documents executed by Lessee evidencing or securing a Leasehold Mortgage.

(y) Management Agent: The Person designated from time to time as "Management Agent" of all or any portion of the Improvements under any management

agreement entered into from time to time with Lessee. The initial Management Agent will be Advanced Property Services, LLC.

(z) Net Condemnation Award: The net amounts owed or paid to the Parties or to which either of the Parties may be or become entitled by reason of any Taking or pursuant to any agreement with any condemning authority which has been made in settlement of any proceeding relating to a Taking, less any costs and expenses incurred by the Parties in collecting such award or payment.

(aa) Partnership: The limited partnership that is the Lessee or will be formed by the Lessee to facilitate the Investor's investment in the Project.

(bb) Party: Lessor or Lessee, as applicable. Lessor and Lessee shall be referred to collectively as the "Parties."

(cc) Permitted Encumbrances: Permitted title encumbrances as defined in Section 9.1(a).

(y) Person: An individual, partnership, corporation, limited liability company, trust, unincorporated association, or other entity or association.

(dd) Plans and Specifications: Those plans and specifications approved by the Lessor, for the construction of the Improvements, as they may be amended from time to time and as approved by Lessor.

(ee) Project. Project shall have the same meaning set forth in the AHLDLDA.

(ff) Regulatory Agreement: The Regulatory Agreement between the City and the Lessee, dated as of March 27, 2015, to be recorded upon the Lessee's leasehold interest of the Leased Premises in connection with a loan to be made by the City to the Lessee for the Project pursuant to the AHLDLDA.

(gg) Rent: As described in Section 4.1 hereof.

(hh) Taking: A taking during the Term hereof of all or any part of the Leased Premises and/or the Improvements, or any interest therein or right accruing thereto, as a result of the exercise of the right of condemnation or eminent domain or a change in grade materially affecting the Leased Premises or any part thereof. A conveyance in lieu of or in anticipation of the exercise of any such right of condemnation or eminent domain shall be considered a Taking. Any such Taking shall be deemed to have occurred upon the earlier to occur of (a) the date on which the property, right or interest so taken must be surrendered to the condemning authority, or (b) the date title vested in a condemning authority or other party pursuant to any Taking.

(ii) Tax Credit Eligible Household: A household that is eligible to rent and occupy a qualified low income dwelling unit under Section 42 of the Internal Revenue Code and

any Legal Requirements of the State of California or the California Tax Credit Allocation Committee relating to low income housing tax credits.

(jj) Tax Credit Restrictive Covenant: The agreement with the California Tax Credit Allocation Committee to be executed by Lessee and properly recorded against the Lessee's leasehold interest in the Leased Premises the in the land records of the County, setting forth certain terms and conditions under which seventy-nine (79) of the residential units in the Improvements will be operated.

(kk) Tenant(s): Any tenant, sublessee or licensee of Lessee under any Tenant Lease(s).

(ll) Tenant Lease(s): Any lease or license agreement entered into by Lessee with residents of the residential units to be developed on the Leased Premises.

(mm) Term: The period of time described in Section 2.2 hereof.

(nn) Transfer: Any sale, assignment, transfer, conveyance, encumbrance, mortgage, or hypothecation, in any manner or form or any agreement to do any of the foregoing.

Section 1.2 Exhibits. The Exhibits referred to in this Agreement and attached hereto are:

Exhibit A: Legal Description of the Leased Premises
Exhibit B: Site Map of the Leased Premises
Exhibit C: Memorandum of Lease

ARTICLE 2.
LEASE OF THE LEASED PREMISES

Section 2.1 Leased Premises. Subject to the terms hereof and in consideration of the covenants of payment and performance stipulated herein, Lessor leases the Leases Premises to Lessee, and in consideration thereof, Lessee takes, hires and leases the Leased Premises from the Lessor, pursuant to the terms of this Lease.

Section 2.2 Term. Unless sooner terminated pursuant to the provisions hereof, this Lease shall continue in full force and effect for a term ("Term"), commencing on the Commencement Date and expiring on midnight the day immediately preceding the ninety ninth (99^{th}) anniversary thereof.

Section 2.3 Use. Subject to the provisions hereof, Lessee shall use the Leased Premises for the Project, which includes the construction, development and operation of the Improvements for the Project on the Leased Premises in accordance with the restrictions and requirements set forth in Article 3 hereof. Further, Lessee agrees:

(a) not to use the Leased Premises for any disorderly or unlawful purpose;

(b) to use its best efforts to prevent any action by any Tenants from committing or maintaining any nuisance or unlawful conduct on or about the Leased Premises;

(c) to use its best efforts to prevent any action by any Tenant that would cause Lessee to violate any of the covenants and conditions of this Lease with respect to the Improvements;

(d) upon notice from Lessor, to take reasonable action, if necessary, to abate any action by any Tenant that would cause Lessee to violate this Lease; and

(e) subject to the laws of the State of California and the rights of Tenants, to permit Lessor and its agents to inspect the Leased Premises or any part thereof at any reasonable time during the Term.

Section 2.4 Possession. Lessor agrees to and shall provide possession of the Leased Premises to Lessee immediately following the date of this Lease, free and clear of all rights to possession or use by any tenants or other individuals or entities other than Lessee, other than Riviera Beverages, LLC, the current existing tenant which, as represented and warranted by Lessee, is on a month-to-month lease, and free and clear of any encumbrances except as expressly approved by Lessee in writing, such as the Density Bonus Regulatory Agreement and the Regulatory Agreement.

Section 2.5 Memorandum of Lease. The Parties shall execute and acknowledge a memorandum of ground lease, which shall be recorded at Lessee's expense pursuant to the AHLDLDA.

ARTICLE 3.
THE IMPROVEMENTS

Section 3.1 Construction. Lessee shall cause the Improvements to be constructed in substantial compliance with the construction Plans and Specifications for the Improvements to be approved by Lessor, within twenty-four (24) months from the award of a preliminary reservation of low income housing tax credits for the Improvements from the California Tax Credit Allocation Committee. Any and all Improvements constructed by or on behalf of Lessee shall be constructed in a good and workerlike manner, in compliance with all applicable Legal Requirements. With the exception of the City Loan provided to Lessee pursuant to the AHLDLDA and implementing executed attachments, Lessee shall bear the entire and sole cost (through other loans, equity or other sources of funding) of planning, designing, engineering, financing, constructing, supervising, and inspecting the Improvements, including all fees and mitigation measures.

Section 3.2 Liens. Lessee shall not have any right, authority or power to bind Lessor, Lessor's Estate or any other interest of Lessor in the Leased Premises, for any claim for labor or material or for any other charge or expense, lien or security interest incurred in

connection with the development, construction or operation of the Improvements or any change, alteration of addition thereto. Lessee shall have the right to encumber Lessee's Estate with the Approved Financing, utility easements and other customary easements necessary and incidental to, the development, construction and operation of the Improvements, which easements are subject to the approval of Lessor, which shall not be unreasonably withheld, conditioned or delayed.

The Lessee shall not create or permit or suffer to be created or to remain, and will discharge, any lien, including, but not limited to, the liens of mechanics, laborers, materialmen, suppliers or vendors for work or materials alleged to be done or furnished in connection with the Leased Premises and the Project, or any part thereof, upon the Lessor's Estate or any other interest of Lessor in the Leased Premises. If any claim of lien is filed against the Lessor's Estate or any other interest of Lessor in the Leased Premises, or a stop notice is served on any other lender or other third party in connection with the Leased Premises and the Project, then the Lessee shall, within twenty (20) days after such filing or service, either pay and fully discharge the lien or stop notice, effect the release of such lien or stop notice by delivering to the Lessor a surety bond in sufficient form and amount, or provide the Lessor with other assurance satisfactory to the Lessor that the claim of lien or stop notice will be paid or discharged. If the Lessee fails to discharge any lien, encumbrance, charge, or claim in the manner required in this Lease, then in addition to any other right or remedy, the Lessor may (but shall be under no obligation to) discharge such lien, encumbrance, charge, or claim at the Lessee's expense. The Lessee shall have the right to contest in good faith and by appropriate legal proceedings the validity or amount of any mechanics', laborers', materialmen's, suppliers' or vendors' lien or claimed lien; provided that the Lessee shall utilize all reasonable means (including the posting of adequate security for payment) to protect the Lessor's Estate or any other interest of Lessor in the Leased Premises against foreclosure. In addition to any other indemnities provided in this Lease and the AHLDEDA, Lessee shall indemnify, protect, defend (with counsel of Lessor's choosing), and hold harmless Lessor and all of its officials, officers, employees, representatives, volunteers and agents from any and all alleged or actual claims, causes of action, liabilities, and damages from any third party by reason of a mechanic's lien or work, labor, services, or materials supplied or claimed to have been supplied to Lessee or anyone holding the Leased Premises or Project, or any part thereof, through or under Lessee.

Nothing in this Lease shall be construed as constituting the consent of the Lessor, expressed or implied, to the performance of any labor or the furnishing of any materials or any specific improvements, alterations of or repairs to the Leased Premises or Project, or any part thereof, by any contractor, subcontractor, laborer or materialman, nor as giving the Lessee or any other person any right, power or authority to act as agent of or to contract for, or permit the rendering of, any services or the furnishing of any materials in such manner as would give rise to the filing of mechanics' liens or other claims against the Lessor's Estate or any other interest of Lessor in the Leased Premises. The Lessor shall have the right at all reasonable times to post and keep posted on the Leased Premises any notices which the Lessor may deem necessary for the protection of the Lessor and of Lessor's Estate or any other interest of Lessor in the Leased Premises from mechanics' liens or other claims. In addition, but subject to the paragraph above, the Lessee shall make, or cause to be made, prompt payment of all monies due and legally owing to all persons doing any work or furnishing any materials or supplies to the Lessee, or any of its respective contractors or subcontractors in connection with the Leased Premises and the Project.

Section 3.3 Permits, Licenses and Easements. Lessor agrees to use Lessor's best reasonable efforts to assist Lessee in obtaining any and all permits, licenses, easements and other authorizations required by any Governmental Authority with respect to any construction or other work to be performed on the Leased Premises and to grant or cause to be granted all permits, licenses, easements and other governmental authorizations that are necessary or helpful for electric, telephone, gas, cable television, water, sewer, drainage, access and such other public or private utilities or facilities as may be reasonably necessary or desirable in connection with the construction or operation of the Improvements.

Section 3.4 Title to Improvements.

(a) During the Term. Lessor hereby grants to Lessee, without warranty express or implied, any right, title, or interest that Lessor may have in the Improvements now or hereafter located on the Leased Premises. Notwithstanding any provision in this Lease to the contrary, the Improvements and all alterations, additions, equipment, and fixtures built, made or installed by Lessee in, on, under or to the Leased Premises or Improvements shall be the sole property of Lessee until the expiration of the Term or other termination of this Lease; provided, however, that Lessee shall have no right to destroy, demolish or remove the Improvements except as specifically provided for in this Lease or as approved in writing by Lessor. It is the intent of the parties hereto that this Lease shall create a constructive notice of severance of the Improvements from the Leased Premises without the necessity of a deed from Lessor after the Improvements have been constructed.

(b) After the Term. Upon the expiration of the Term or other termination of the Lease, the Improvements and all alterations, additions, equipment and fixtures shall be deemed to be and shall automatically become the property of Lessor, without cost or charge to Lessor. Lessor agrees that Lessee, at any time prior to the ninetieth (90th) day after the expiration or other termination of this Lease, may remove from the Leased Premises any and all equipment which Lessee has furnished for maintenance purposes or for the use of the Management Agent, provided that Lessee shall repair any physical damage to the Leased Premises caused by the removal of such equipment and property. Lessee agrees to execute, at the request of Lessor at the end of the Term, a confirmatory quitclaim deed of the Improvements to Lessor to be recorded at Lessor's option and expense and any other documents that may be reasonably required by Lessor or Lessor's title company to provide Lessor title to the Leased Premises and the Improvements free and clear of all monetary liens and monetary encumbrances not caused or agreed to by Lessor.

Section 3.5 Benefits of Improvement During Term. Lessor acknowledges and agrees that any and all depreciation, amortization and tax credits for federal or state tax purposes relating to the Improvements located on the Leased Premises and any and all additions thereto, substitutions therefor, fixtures therein and other property relating thereto shall be deducted or credited exclusively by Lessee during the Term and for the tax years during which the Term begins and ends.

ARTICLE 4.
RENTS

Section 4.1 Ground Rent. Lessee shall pay to Lessor on the Commencement Date of this Lease and on each succeeding anniversary thereof during the Term rent in advance for the next succeeding Lease Year ("Rent") in the amount of $1.00 per Lease Year or partial Lease Year.

Section 4.2 Payments. All Rents or other sums, if any, due Lessor hereunder shall be paid by Lessee to Lessor at the address of Lessor set forth hereinafter for notices, or to such other person and/or at such other address as Lessor may direct by written notice to Lessee, without notice or demand, and without abatement, deduction or set off.

ARTICLE 5.
TAXES AND OTHER IMPOSITIONS; UTILITIES

Section 5.1 Payment of Impositions. As and when the same shall become due, Lessee will pay all of the Impositions, except that if any Imposition that Lessee is obligated to pay in whole or in part is permitted by law to be paid in installments, Lessee may pay or cause to be paid such Imposition (or its proportionate part thereof) in installments as and when such installments become due. Upon the written request of Lessor, Lessee shall provide to Lessor evidence satisfactory to Lessor of payment of all Impositions. During the first and last years of the Term, all Impositions shall become payable during each calendar, fiscal, tax or Lease Year, as applicable, shall be ratably adjusted on a per diem basis between Lessor and Lessee in accordance with the respective portions of such calendar, fiscal, tax, assessment or Lease Year during the Term. If any special assessments are payable in installments, Lessee shall pay only those installments that are due and payable during the Term.

Section 5.2 Lessor's Estate. Notwithstanding anything contained in this Lease to the contrary, any and all Impositions for taxes and assessments charged against the value of Lessor's Estate shall be the responsibility and obligation of Lessor.

Section 5.3 Contested Taxes and Other Impositions.

(a) Lessee, in its own name or in the name of Lessor if prior written consent of Lessor is obtained by Lessee, may contest the validity or amount of any Imposition relating to all or any portion of the Leased Premises, in which event the payment thereof, if authorized by applicable law, may be deferred during the pendency of such contest, if diligently prosecuted. If applicable law is silent on or expressly disallows deferring payment pending the contest of validity, Lessee shall timely pay any Imposition that is subject to dispute under protest, reserving any and all rights for repayment from the applicable taxing entity if resolution of such contest results in a decision or judgment in Lessee's favor.

(b) As may be necessary or desirable, Lessor or Lessee, as applicable, upon the request of the other Party, shall use its best reasonable efforts to assist in any such proceeding to contest the validity or amount of any Imposition.

Section 5.4 Valuation Assessment/Property Tax Exemption. If applicable, Lessee may attempt to obtain a lowering of the assessed valuation of the Leased Premises for any year or obtain a property tax exemption for the purpose of reducing taxes thereon. In such event, upon Lessee's request, Lessor shall use its reasonable efforts to assist Lessee in such endeavor; provided, however, that Lessor shall incur no liability or otherwise be construed as being in default under this Lease for any assistance (or limitation of assistance) provided to Lessee pursuant to this Section.

Section 5.5 Failure to Pay Impositions. If Lessee shall fail to pay any Impositions before the same become delinquent, except if Lessee is in good faith contesting such Impositions pursuant to Section 5.3 hereof, Lessor, at its election, may pay such Impositions (but shall not be obligated to pay same), together with any interest and penalties due thereon, and the amount so paid by Lessor shall be repayable to Lessor by Lessee, with an additional interest payment payable to Lessor in an amount of 10% of the total payment (including interest and payments) paid by Lessor for the Imposition, or the maximum amount of interest allowable pursuant to law, whichever is less, within ninety (90) days.

Section 5.6 Utilities. Lessee shall pay all utilities used, rendered or supplied upon or in connection with the Improvements and the construction thereof including, but not limited to, all charges for gas, electricity, light, heat or power, all telephone and other communications services, all water rents and sewer service charges, and all sanitation fees or charges levied or charged against the Leased Premises during the Term; provided, however, that Lessee shall have no responsibility hereunder for the payment of utilities supplied by the respective providers directly to Tenants for such Tenants' use in connection with the occupancy of their respective residential units. Lessor shall have no responsibility for the payment of utility costs.

ARTICLE 6.
INSURANCE

Section 6.1 Required Insurance Coverage.

(a) Standard "All Risk" Casualty and Fire and Extended Coverage Endorsement. Lessee shall during the Lease Term keep the Leased Premises insured against loss or damage by a standard all risk policy in amounts such that the proceeds of such insurance shall not be less than the replacement value of the Leased Premises, or, should insurance in such amount not be reasonably and commercially available, or the cost of such insurance shall not be commercially reasonable given Lessee's net income, such lesser amount as may be reasonably acceptable to both the Lessor and the Lenders. If an all risk policy insuring the full replacement value of the Leased Premises is not reasonably and commercially available, Lessee shall obtain and maintain an extended coverage endorsement that ensures the full replacement value of the Leased Premises as soon as such coverage becomes commercially and reasonably available, subject to the approval of the Lenders.

(b) Liability and Property Damage Insurance. During the Lease Term, Lessee shall keep in full force and effect a policy or policies of comprehensive general liability and

property damage insurance against liability for bodily injury to or death of any person or property damage arising out of an occurrence on or about the Leased Premises. The limits of such insurance shall be not less than One Million Dollars ($1,000,000) combined single limit for bodily injury and property damage.

(c) Workers' Compensation Insurance. Lessee shall carry or cause to be carried workers' compensation insurance covering all persons employed in connection with the Leased Premises and with respect to whom death, bodily injury, or sickness insurance claims could be asserted against Lessor and/or Lessee.

(d) Builders' Risk Insurance. During the course of any alteration, construction or reconstruction, the cost of which exceeds Two Hundred Fifty Thousand Dollars ($250,000), Lessee shall require any contractor to provide builders' risk insurance for not less than One Million Dollars ($1,000,000) combined single limit for bodily injury or property damage insuring the interests of Lessor, Lessee and any contractors and subcontractors.

Section 6.2 Insurance Policies and Premiums.

(a) All liability policies required by this Lease or any of the Lenders shall name Lessor and City, and their respective officers, employees, agents, contractors, servants, and directors as an additional insured. Duplicate copies of such policies or certificates of such insurance shall be promptly furnished to Lessor.

(b) To the extent obtainable, any policy of insurance shall provide that any change or cancellation of said policy must be made in writing and sent to Lessee and Lessor at their respective principal offices at least thirty (30) days before the effective date of change or cancellation.

(c) The rights of Lessor to any insurance proceeds will be subject and subordinate to the rights of any Lender.

Section 6.3 Proceeds of Insurance.

(a) For so long as any Leasehold Mortgage on the Leased Premises is outstanding: All fire and standard risk or extended coverage (casualty) insurance proceeds shall be applied to the payment of the costs of repairing or rebuilding that part of the Leased Premises damaged or destroyed if (i) Lessee agrees in writing within ninety (90) days after payment of the proceeds of insurance that such repair or rebuilding is economically feasible, and (ii) each Lender permits such repair or rebuilding, provided that the extent of the Lessee's obligation to restore the Leased Premises shall be limited to the amount of the insurance proceeds.

(b) If the Improvements are not repaired or rebuilt, all such proceeds shall be applied in a manner consistent with the terms of the Leasehold Mortgages.

(c) In the event that no Leasehold Mortgage is outstanding, all insurance proceeds received under the policies set forth in this Article 6 shall be paid to Lessee, provided

that Lessee shall apply such proceeds, to the extent possible, for reconstruction or repair in a manner consistent with the provisions of subsection (a)(i).

(d) To the extent any of the above provisions are inconsistent with the provisions of any of the Loan Documents, the Loan Documents shall be controlling.

Section 6.4 Limitation of Liability.

(a) In addition to any other indemnities provided in this Lease and the AHLDLDA, Lessee shall indemnify, protect, defend (with counsel of Lessor's choosing), and hold harmless Lessor, its officers, employees, agents, contractors, servants, and directors from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of Lessee, its agents, contractors, servants, employees, or invitees, arising from or relating to operation of the Leased Premises.

(b) In addition to any other indemnities provided in this Lease and the AHLDLDA, Lessor shall indemnify, protect, defend (with counsel of Lessee's choosing), and hold harmless Lessee, its officers, employees, agents, contractors, servants, directors, members or partners from all claims, actions, demands, costs, expenses and attorneys' fees arising out of, attributable to or otherwise occasioned, in whole or in part, by any act or omission of Lessor, its agents, contractors, servants, employees, or invitees, arising from or relating to operation of the Leased Premises.

(c) In addition to any other indemnities provided in this Lease and the AHLDLDA, Lessee shall indemnify, protect, defend (with counsel acceptable to Lessor), and hold Lessor harmless from and against any and all liability, loss, cost, expense (including without limitation attorneys' fees and costs of litigation, mediation, arbitration, or administrative proceeding), claim, demand, action, suit, judicial or administrative proceeding, penalty, deficiency, fine, order, and damage (collectively, "Claims") including without limitation any expenses associated with the investigation, assessment, monitoring, response, removal, treatment, abatement or remediation of Hazardous Materials and administrative, enforcement or judicial proceedings resulting, arising, or based directly or indirectly in whole or in part, upon the presence, release, use generation, discharge, storage or disposal or the alleged presence, release, discharge, storage or removal of any Hazardous Materials on, under, in or about the Leased Premises other than in connection with the failure of Lessor, its officials, officers, employees, agents, contractors, subcontractors, or any person acting on behalf of any of the foregoing to comply with Environmental Laws.

ARTICLE 7.
MAINTENANCE, ALTERATIONS, REPAIRS AND REPLACEMENTS

Section 7.1 Maintenance of Leased Premises. During the Term, at Lessee's sole cost and expense, Lessee shall keep and maintain the Leased Premises, all Improvements hereafter developed, and all appurtenances thereunto belonging, in good and safe order, condition and

repair. All such maintenance and repair shall conform to and comply with all Legal Requirements affecting the Leased Premises.

Section 7.2 Alterations to Leased Premises. Lessee may make any additions, alterations or changes (sometimes collectively referred to herein as "Alterations") in or to the Improvements subject, however, to the following conditions:

(a) No Alterations shall be made that would tend to impair the structural soundness of the Improvements;

(b) No Alterations shall be undertaken that are prohibited by, or would cause the Leased Premises, the Improvements, Lessee, or Lessor to be in breach or violation of any Legal Requirements,

(c) No Alterations shall be undertaken until Lessee shall have procured, to the extent the same may be required from time to time, all permits and authorizations of all applicable Governmental Authorities, all require consents of any Lender, and the consent of Lessor. Lessor shall join in the application for such permits or authorizations whenever such action is necessary or helpful and is requested by Lessee; and shall use Lessor's reasonable efforts to obtain such permits or authorization; and

(d) Any Alterations shall be performed in good and workerlike manner and in compliance with all applicable Legal Requirements and all applicable Insurance Requirements.

(e) Any and all Alterations are consistent with the use of the Leased Premises as authorized under this Lease.

Section 7.3 Indemnifications. Notwithstanding any other provision of this Lease to the contrary, and in addition to any other indemnities provided in this Lease, Lessee hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably satisfactory to Lessor) Lessor, its officers, directors, affiliates, agents and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorneys fees and expenses), arising from or relating to Lessee's obligations under this Lease or the construction or operations of the Improvements or any Alterations. In addition, if any contractor or subcontractor which performed any construction work for Lessee or Lessee's affiliates on the Improvements or Alterations shall assert any claim against Lessor on account of any damage alleged to have been caused by reason of acts of negligence of Lessee or Lessee's affiliates, members, partners, officers, directors, affiliates, agents, employees or construction contractors, Lessee shall defend at its own expense any suit based upon such claim; and if any judgment or claim against Lessor shall be allowed, Lessee shall pay or cause to be paid or satisfied such judgment of claim and pay all costs and expenses in connection therewith. This indemnity, as with all other indemnities set forth in this Lease, shall survive the termination of this Lease.

ARTICLE 8.
MORTGAGE LOANS

Section 8.1 Loan Obligations. Provided the Approved Loans allow for the use of the Leased Premises pursuant to the terms and conditions of this Lease and the AHLDLDA and executed attachments thereto, nothing contained in this Lease shall relieve the Lessee of its obligations and responsibilities under the Approved Loans to operate the Project as set forth therein.

Section 8.2 Liens and Encumbrances Against the Leasehold Estate. The Lessee shall have the right to encumber the Leasehold Estate and the Improvements with leasehold deeds of trust, mortgages, and regulatory and affordability agreements related to the Approved Loans (collectively, "Liens") that are in accordance to this Lease and the AHLDLDA and executed attachments thereto.

(a) For as long as there is any Lien securing any Approved Loan.

(1) Lessor shall not agree to any mutual termination or accept any surrender of this Lease, nor shall Lessor consent to any amendment or modification of this Lease without the prior written consent of the Lenders which have an outstanding Approved Loan. In the event that Lessor receives competing or conflicting offers to cure any default, Lessor shall accept the offers to cure in the following order: first, Lessee or the limited partner (or members, as applicable) therein, then each Lender in the same relative priority as their respective Liens. The Lender with the most senior Lien shall have the ultimate authority among the Approved Lenders to approve amendments and modifications of this Lease and to terminate this Lease in the event of foreclosure.

(2) Notwithstanding any default by Lessee under this Lease, Lessor shall have no right to terminate this Lease unless Lessor shall have given the Lenders which have outstanding Approved Loans written notice of such default and such Lenders shall have failed to remedy such default or acquire the Leasehold Estate or commence foreclosure or other appropriate proceedings as set forth in, and within the time specified by, this Section 8.2.

(3) Any Lender that has an outstanding Approved Loan shall have the right, but not the obligation, at any time to pay any or all of the Rent due pursuant to the terms of this Lease, and do any other act or thing required of Lessee by the terms of this Lease, to prevent termination of this Lease. Each Lender shall have sixty (60) days after receipt of notice from Lessor describing such default to cure the default, which notice shall include, with respect to any monetary default, a detailed statement identifying the amounts due and the obligations to which amounts relate and with respect to any non-monetary default, a detailed statement identifying the obligations breached and the cure expected by Landlord; provided, however, that if the default is not susceptible to cure within such period, the Lender shall have such longer period, not to exceed an additional ninety (90) days, as may be necessary to cure the default, so long as such Lender is diligently prosecuting such cure to completion (the "Initial Cure Period"). All payments so made and all things so done shall be as effective to prevent a termination of this Lease as the same would have been if made and performed by Lessee instead of by the Lender(s).

(4) In addition to the Initial Cure Period, if the default is such that possession of the Leasehold Estate may be reasonably necessary to remedy the default, any Lender that has an outstanding Approved Loan shall have a reasonable time after the expiration of the Initial Cure Period within which to remedy such default, provided that (A) such Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease within the first (1st) sixty (60) days of the Initial Cure Period and shall continue to pay currently such monetary obligations when the same are due; (B) such Lender shall have acquired Lessee's Leasehold Estate hereunder or commenced foreclosure or other appropriate proceedings prior to or within the Initial Cure Period, and shall be diligently prosecuting the same; and (C) and after acquiring possession of the Leasehold Estate, such Lender shall diligently prosecute to completion within thirty (30) days of the date of acquisition, such cures as may be reasonably possible to remedy nonmonetary defaults existing under this Lease.

(5) If the Lenders are prohibited, stayed or enjoined by any bankruptcy or insolvency proceeding of any court, including without limitation a court having jurisdiction over Lessee in such proceeding, from commencing or prosecuting foreclosure proceedings, the times specified for commencing or prosecuting such foreclosure or other proceedings shall be extended for the period of such prohibition; provided that any Lender shall have fully cured any default in the payment of any monetary obligations of Lessee under this Lease, including without limitation any monetary obligations to third parties which have become, or threaten to become, liens against the Leased Premises or any portion thereof, and shall continue to pay currently such monetary obligations when the same fall due; provided, further, that, subject to paragraph (1) of this Section 8.2(a), such Lender shall not interfere with Lessor's efforts to seek compliance by Lessee with any non-monetary obligation under this Lease.

(6) Lessor shall mail or deliver to any Lenders which have any outstanding Approved Loans a duplicate copy of any notice of default which Lessor may deliver to Lessee pursuant to this Lease. Lessee shall deliver to Lessor the name and contact information for all Lenders that have outstanding Approved Loans, including successors in interest to Approved Loans. Provided Lessee has delivered Lessor the name and contact information of the Lender having an outstanding Approved Loan, no notice of default by Lessor to Lessee shall be effective as to that Lender unless and until a copy of the notice shall have been mailed or delivered to such Lender as set forth in this Section.

(7) The foreclosure of an Approved Loan, any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the leasehold mortgage securing the Approved Loan, or any conveyance of the Leasehold Estate created hereby from Lessee to a Lender through or in lieu of foreclosure (a "Foreclosure Event"), shall not require the consent of Lessor or constitute a breach of any provision of this Lease. In the event any Lender or its Nominee (as defined herein) becomes Lessee under this Lease by such means or pursuant to any new lease obtained under paragraph (8) of this Section 8.2(a) below, Lessor shall recognize the Lender or its Nominee as Lessee hereunder or under such new lease and the Lender shall be personally liable under this Lease or such new lease only for the period of time that the Lender or its Nominee remains Lessee thereunder, provided that the Lender or its Nominee attorns to Lessor and agrees to be subject to the restrictions of this Lease. If a Lender

or its Nominee becomes the lessee under this Lease or any such new lease, the Lender shall have the right thereafter to assign or sublease this Lease or such new lease, provided that any assignee: (A) shall take the Leasehold Estate subject to all of the provisions of this Lease or such new lease; (B) shall assume and agree to perform all obligations of Lessee under this Lease; and (C) shall be subject to the consent of Lessor, which consent shall not be unreasonably withheld. Nothing in this Section shall be construed to obligate any Lender to remedy any default of Lessee, and any failure of any Lender to complete any such cure after commencing the same shall not give rise to any liability of any Lender to Lessor or Lessee.

(8) In the event (A) a Lender, its designee or another purchaser in foreclosure proceedings becomes the legal owner of the Leasehold Estate, (B) Lessor terminates this Lease by reason of any Event of Default (as defined herein) or if (C) this Lease shall otherwise terminate, then, upon written request by Lender given within sixty (60) days after such transfer or receipt of notice of such termination of the Leasehold Estate, Lessor shall execute and deliver a new lease of the Leased Premises (or, with respect to such Improvements, a deed therefor, if requested by such Lender) to such Lender, or its nominee, purchaser, assignee or transferee (the "Nominee"), provided that, if such Nominee is not wholly owned by one or more Lenders, such Nominee is approved by Lessor in its reasonable discretion. Such new lease shall have a term of the remainder of the Lease Term with the same agreements, covenants, reversionary interests and conditions (except for any requirements which have been fulfilled by Lessee prior to termination) as are contained in this Lease and with priority equal to this Lease with respect to encumbrances of Lessor's interest in the Leased Premises or encumbrances of Lessee's interest in the Leased Premises permitted or caused by Lessor, together with any provisions legally required in the event the Nominee is a governmental entity; provided, however, that any defaults by Lessee susceptible to cure by the Lender have been cured or reasonable assurance has been provided to Lessor that such defaults shall be cured. Upon execution and delivery of such new lease by Lessor and the Nominee, the Nominee shall have acquired all the right, title and interest of Lessee under this Lease prior to its termination. Lessor, shall cooperate in taking such action as shall be necessary to cancel and discharge this Lease and to remove Lessee from the Leased Premises.

(9) If a Lender subsequently transfers its interest under this Lease after acquiring such interest by foreclosure or deed in lieu of foreclosure and, in connection with any such transfer, the Lender takes a mortgage or deed of trust encumbering such leasehold interest to secure all or any portion of the purchase price given to the Lender for such transfer, then such mortgage or deed of trust shall be considered an Approved Loan hereunder and the Lender shall be entitled to receive the benefit of and to enforce the provisions of this Lease or the new lease approved pursuant paragraph (8) of this Section 8.2(a).

(10) Unless the Lenders otherwise consent in writing, Lessor and Lessee each hereby waives, and agrees not to assert or otherwise take the benefit of, that portion of Section 365(d)4, or any other applicable provisions, of the United States Bankruptcy Code (11 U.S.C. Section 101 et seq.), which provides for the deemed rejection of a lease in certain circumstances, so long as the trustee is paying the rent due under the Lease and performs, or causes the performance of, the uses of the Leased Premises for the Project pursuant to this Lease.

(11) Subject to the rights of the Lenders, which shall have priority over all persons or entities given rights under this clause (12), any Investor limited partners (or members, as applicable) of Lessee shall have the same rights as any Lender authorized under paragraphs (2), (3) and (6) of this Section 8.2(a) of this Lease and any reference to a Lender in paragraphs 2), (3) and (6) of this Section 8.2(a) shall be deemed to include such limited partners (or members, as applicable).

(12) Lessor shall cooperate in including in this Lease by suitable amendment from time to time any provision which may reasonably be requested by any Lender or any proposed lender, for the purpose of implementing the mortgagee-protection provisions contained in this Lease and allowing such Lender or proposed lender reasonable means to protect or preserve the lien of the leasehold mortgage and the value of its security, and to include any additional rights and privileges reasonably requested to be added by such Lender. Lessor agrees to execute and deliver (and to acknowledge, if necessary, for recording purposes) any agreement necessary to effect any such amendment; provided, however, that any such amendment shall not in any way affect Lessor's Estate or any other interest of Lessor in the Leased Premises against foreclosure, affect the Lease Term or rent under this Lease, or otherwise in any material respect adversely affect any rights of Lessor under this Lease.

(b) Any Leasehold Mortgage shall be subject to the provisions of this Lease and all rights of Lessor under this Lease.

(c) Lessor hereby agrees to modify and amend this Section 8.2 as may be reasonably required by any Lender provided that any such modification or amendment shall not in any way subject Lessor's Estate or any other interest of Lessor in the Leased Premises to foreclosure, affect the Lease Term or Rent under this Lease, or otherwise in any material respect adversely affect any rights of Lessor under this Lease.

Section 8.3 Cost of Approved Loans to be Paid by Tenant. Lessee affirms that it shall bear all of the costs and expenses in connection with (a) the preparation and securing of the Approved Loans, (b) the delivery of any instruments and documents and their filing and recording, if required, and (c) all taxes and charges payable in connection with the Approved Loans.

Section 8.4 Proceeds of Approved Loans. It is expressly understood and agreed that all Approved Loan proceeds shall be paid to and become the property of Lessee, and that Lessor shall have no right to receive any such Approved Loan proceeds.

Section 8.5 Notice and Right to Cure Defaults Under Approved Loans. Upon the recording of a memorandum of this Lease, Lessor may record in the Official Records of the County of Orange a request for notice of any default under each Approved Loan. In the event of default by Lessee under an Approved Loan, Lessor shall have the right, but not the obligation, to cure the default in accordance with the Loan Documents. Any payments made by Lessor to cure a default shall be treated as rent due from Lessee which shall be paid within thirty (30) days of the date on which the payment was made by Lessor.

Section 8.6 No Fee Subordination. No deed of trust or mortgage securing an Approved Loan shall encumber the Lessor's fee interest in the Leased Premises. All deeds of trust or mortgages securing an Approved Loan shall be subject to and subordinate to this Lease or a new Lease entered into pursuant to Section 8.2(a), and shall attach only to the Lessee's Estate. A Foreclosure Event shall not impair Lessor's Estate and shall transfer only the Lessee's Estate.

Section 8.7 Rights of Investor. The Investor shall have the same notice and cure rights as any Lender for so long as it is a limited partner of Lessee.

Section 8.8 Right to Pay Taxes and Senior Mortgage. All Lenders shall have the right (but not the obligation) to pay any taxes payable by Lessor with respect to the Leased Premises, and to cure any monetary or nonmonetary default by Lessor under any mortgage or other encumbrance on the Leased Premises which has priority over this Lease; and, if a Lender does so pay or cure, Lessor agrees that it will reimburse the Lender for the amount thereof promptly following request by the Lender therefor.

ARTICLE 9.
REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 9.1 Representations, Warranties and Covenants of Lessor. As an inducement to Lessee to enter into and proceed under this Agreement, Lessor warrants and represents to Lessee as follows, which warranties, representations and covenants are true and correct as of the date of this Lease, to the actual knowledge and belief of Lessor:

(a) Lessor has good and marketable, fee simple title to the Leased Premises, subject only to encumbrances expressly approved in writing by Lessee (the "Permitted Encumbrances"), and has the right, power and authority to enter into this Lease and to lease the Leased Premises to Lessee in accordance with the terms, provisions and conditions contained in this Lease, and no other party has any right or option to or in connection with Lessor's interest in the Leased Premises;

(b) there is no litigation or action, pending or threatened, affecting the Leased Premises or any streets or other public rights-of-way abutting or serving the Leased Premises;

(c) Lessor has received no written notice and has no knowledge, nor has Lessor been otherwise advised, of any pending or threatened Taking relating to all or any part of the Leased Premises;

(d) Lessor has received no written notice and has no actual knowledge of the intention of any party holding an easement affecting the Leased Premises or any part thereof to expand the exercise of any such easement beyond the scope of the exercise thereof as reserved in any Permitted Encumbrance (as by replacing or expanding existing facilities, conduits (including underground or overhead wires, cables, or pipes) or systems for sewers, water, electric, gas, cable and other utilities);

(e) the entry by Lessor into this Lease with Lessee and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreement relating to the Leased Premises to which Lessor is a party or by which it is bound, including, without limitation, the Permitted Encumbrances;

(f) there is no tenant, lessee or other occupant of the Leased Premises having any right or claim to possession or use of the Leased Premises, other than Riviera Beverages, LLC, the current existing tenant which, according to representations and warranties from Lessee, is on a month-to-month lease and, based on representations and warranties from Lessee, has waived any right to relocation benefits;

(g) there are no unpaid special assessments of which Lessor has received notice for sewer, sidewalk, water, paving, gas, electrical or utility improvements or other capital expenditures, matured or unmatured, affecting the Leased Premises;

(h) there are no outstanding notices of, nor, to Lessor's knowledge, any violations of any Legal Requirements affecting any portion of the Leased Premises that materially affect the development of the Improvements;

(i) To Lessor's actual knowledge, the Leased Premises or any part thereof has not been used for the disposal of refuse or waste, or for the generation, processing, manufacture, storage, handling, treatment, transportation or disposal of any Hazardous Materials. To Lessor's actual knowledge, no Hazardous Materials have been installed, used, stored, handled, or located on or beneath the Leased Premises, which Hazardous Materials, if found on or beneath the Leased Premises, or improperly disposed of away from the Leased Premises, would subject the owner or occupant of the Leased Premises to damages, penalties, liabilities or an obligation to perform any work, cleanup, removal, repair, construction, alteration, demolition, renovation or installation in or in connection with the Leased Premises ("Environmental Cleanup Work") in order to comply with any Legal Requirements applicable to Hazardous Materials. To Lessor's actual knowledge, there is no notice from any Governmental Authority or any Person, claiming any violation of any Legal Requirement pertaining to Hazardous Materials or any liability thereunder, or requiring or calling any attention to the need for any Environmental Cleanup Work on or in connection with the Leased Premises, and neither Lessor, its agents or employees has ever been informed of any threatened or proposed serving of any such notice of violation or corrective work order. To Lessor's actual knowledge, no part of the Leased Premises is affected by any "Hazardous Materials Contamination," which for purposes hereof, shall mean (i) the contamination of any improvement, facilities, soil, subsurface strata, ground water, ambient air, biota or other elements on or of the Leased Premises by Hazardous Materials, or (ii) the contamination of the buildings, facilities, soil, subsurface strata, ground water, ambient air, biota or other elements on, or of, any other property as a result of Hazardous Materials emanating from the Leased Premises.

Section 9.2 Representations, Warranties and Covenants of Lessee. As an inducement to Lessor to enter into and to proceed under this Lease, Lessee warrants and

represents to Lessor as follows, which warranties, representations and covenants are true and correct as of the date of this Lease:

(a) Lessee has the right, power and authority to enter into this Lease and the right, power and authority to comply with the terms, obligations, provisions and conditions contained in this Lease;

(b) the entry by Lessee into this Lease and the performance of all of the terms, provisions and conditions contained herein will not, or with the giving of notice or the passage of time, or both, would not, violate or cause a breach or default under any other agreements to which Lessee is a party or by which it is bound;

(c) Lessee (i) shall not cause or permit any Hazardous Materials to be placed, held, located or disposed of on, under or at the Leased Premises or any part thereof, except in commercially reasonable amounts used in the construction and operation of the Improvements and in accordance with Legal Requirements, and (ii) shall not cause or permit any Hazardous Materials contamination of the Leased Premises or any part thereof;

(d) Lessee represents and warrants that (i) Riviera Beverages, LLC, is the only existing tenant on the Property, (ii) Riviera Beverages, LLC, is on a month-to-month tenancy, and (iii) Riviera Beverages, LLC, has waived any right to relocation benefits. In light of the foregoing, Lessee shall be liable for any and all claims for relocation benefits sought by any existing or former tenants on the Property pursuant to any federal, state, or local relocation law, regulation, or policy, including but not limited to the Uniform Relocation Act (42 U.S.C. § 4601 *et seq.*) and implementing regulations, California Government Code Section 7260 *et seq.*, and implementing regulations (collectively referred to herein as "Relocation Laws"). Lessor shall have no obligation to pay or provide any relocation assistance under the Relocation Laws to any third party, former or current tenants (including Riviera Beverages, LLC), or any person or entity claiming a right to occupancy or use of the Property. In addition to any other indemnities provided by Lessee in this Lease, Lessee shall indemnify, protect, defend (with legal counsel of Lessor's choosing), and hold harmless Lessor from and against any and all alleged or actual claims, liabilities, suits, losses, costs, expenses and damages, including but not limited to attorneys' fees and cost, arising directly or indirectly from the transfer of the Leased Premises to the Lessee, including without limitation claims for property and franchise rights and interest, relocation benefits and assistance under any Relocation Laws, all leasehold interests and rights of tenancy or occupancy, any bonus value, business goodwill, lost income (past or future), failure to locate a suitable replacement residential or business location, lost rental income or sublease or license income, severance damages (if any), pre-condemnation damages (if any), economic or consequential damages, professional consultant fees, attorney's fees and costs, expert witness fees and costs, and any and all compensable interests, and/or damages, and/or claims, of any kind and nature, claimed or to be claimed, suffered or to be suffered, by any person or entity that is or claims to be a current or former tenant or sub-tenant or occupant with a right to use or occupy the Leased Premises.

Section 9.3 Hazardous Materials Indemnification. In addition to any other indemnities provided by Lessee in this Lease, Lessee, from and after the Commencement Date, hereby agrees to indemnify, protect, hold harmless and defend (by counsel reasonably

satisfactory to Lessor) Lessor, its councilmembers, officials, officers and employees from and against any and all claims, losses, damages, liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all costs and expenses incurred in connection therewith (including, but not limited to, attorney's fees and expenses), arising directly or indirectly, in whole or in part, out of (i) any activity by Lessee, its affiliates or its agents or contractors carried on or undertaken on or off the Leased Premises on or subsequent to the Commencement Date in connection with the handling, treatment, removal, storage, decontamination, cleanup, transport or disposal of any Hazardous Materials located or present on or under the Leased Premises; or (ii) the failure of Lessee subsequent to the Commencement Date to comply with any Environmental Laws relating to the handling, treatment, presence, removal, storage, decontamination, cleanup, transportation, or disposal of Hazardous Materials into, on, under or from the Leased Premises.

ARTICLE 10.
EMINENT DOMAIN

Section 10.1 Termination of Lease. Lessor and Lessee agree that, in the event of a Taking such that Lessee reasonably determines that the Leased Premises cannot continue to be operated, at reasonable cost, for its then-current use, then, subject to the rights of Lenders, this Lease shall, at Lessee's sole option, terminate as of the date of the Taking.

Section 10.2 Continuation of Lease and Presumption of Restoration. Lessor and Lessee agree that, in the event of Taking that does not result in the termination of this Lease pursuant to Section 10.1 above, this Lease shall continue in effect as to the remainder of the Leased Premises, and the Net Condemnation Award will be disbursed in accordance with Section 10.4 below to Lessee and/or any Lender, if the terms of the applicable Leasehold Mortgage so require, and shall be used so as to make the same as complete, unified and efficient operating unit as nearly as reasonably possible to the condition existing prior to the Taking, subject to any applicable requirements of the Lender.

Section 10.3 Temporary Taking. If there shall be a temporary Taking with respect to all or any part of the Leased Premises or of Lessee's interest in this Lease, then the Term shall not be reduced and Lessee shall continue to pay in full all Rents, Impositions and other charges required herein, without reduction or abatement thereof at the times herein specified; provided, however, that Lessee shall not be required to perform such obligations that Lessee is prevented from performing by reason of such temporary Taking.

Section 10.4 Apportionment of Award. If there is a Taking, whether whole or partial, Lessor and Lessee shall be entitled to receive and retain such separate awards and portions of lump sum awards as may be allocated to their respective interests in any condemnation proceedings, or as may be otherwise agreed, taking into consideration the fact that Lessor's interest in the Leased Premises is limited to the land (exclusive of the Improvements, as encumbered by this Lease), and a reversionary interest in the Leased Premises upon the expiration of the Term. If the Leased Premises shall be restored as in contemplated in Section 10.2 above, Lessee shall be entitled to recover the costs and expenses incurred in such restoration out of any Net Condemnation Award. Thereafter, if the condemning authority does not make

separate awards, the Parties agree that any Net Condemnation Award will be allocated on a proportionate basis. If the Parties are unable to agree as to the exact amount of such allocation, and the Parties are unable to agree as to amounts that are to be allocated to the respective interest of each Party, then each Party shall select an independent M.A.I. real estate appraiser (an "Appraiser"). Each Appraiser shall separately determine the amount of the balance of the Net Condemnation Award that is to be allocated to the interests of each Party. If the percentage of the balance of the Net Condemnation Award each Appraiser allocates to Lessor (a) are within ten percent (10%) of each other, the two allocations shall be averaged, and such average shall be the final allocation of the Net Condemnation Award, or (b) are not within ten percent (10%) of each other, the two Appraisers shall then select a third Appraiser, who shall independently allocate the Net Condemnation Award between Lessor and Lessee, and the middle of such three allocations shall be the final allocation of the Net Condemnation Award.

Section 10.5 Joinder. If a Leasehold Mortgage exists, the Lenders, to the extent permitted by law, shall be made a party to any Taking proceeding.

Section 10.6 City Reservation of Rights. Notwithstanding any provisions in this Lease to the contrary, nothing herein does or shall be construed to limit or require the City to exercise its ability to condemn any property, including the Leased Premises, in accordance with applicable law. Nothing in this Lease does or shall be construed as requiring the City to pay to Lessee, any Lender, or any other third party with an interest in the Leased Premises, any amount of money, as compensation for alleged condemnation or otherwise, if City (or its successor) seeks to enforce any of the rights and obligations under this Lease and the AHLDLDA and any executed attachments thereto. Except when City exercises its ability to condemn the Leased Premises by adoption of a resolution of necessity and pursuant to other provisions of applicable law, City shall not be a construed as pursuing or effectuating a Taking or acting as a "condemning authority" under this Lease.

ARTICLE 11.
DAMAGE OR DESTRUCTION

Section 11.1 Damage or Destruction to Leased Premises. Lessee shall give prompt written notice to Lessor after the occurrence of any fire, earthquake, act of God or other casualty to or in connection with the Leased Premises, the Improvements or any portion thereof (hereinafter sometimes referred to as "Casualty"). Subject to Section 11.2 below, if during the Term the Improvements shall be damaged or destroyed by Casualty, Lessee shall repair or restore the Improvements, so long as Lessee determines, in its sole discretion, that it is feasible to do so and in such event Lessee provides or causes to be provided sufficient additional funds which, when added to such insurance proceeds, will fully effect such repair or restoration. Upon the occurrence of any such Casualty, Lessee, promptly and with all due diligence, shall apply for and collect all applicable insurance proceeds recoverable with respect to such Casualty, for the benefit of the Lenders. In the event that Lessee shall determine, subject to the rights of the Lenders, by notice to Lessor given within thirty (30) days after receipt by Lessee of any such insurance proceeds, that it is not economically practical to restore the Improvements and/or the Leased Premises to substantially the same condition in which they existed prior to the occurrence of such Casualty, then Lessee may terminate this Lease as of a date that is not fewer than thirty

(30) days after the date of such notice. If Lessee terminates this Lease pursuant to this Section 11.1, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Lender therein, as referenced in Section 11.3 below.

Section 11.2 Damage or Destruction Near End of Term. If, during the last seven (7) years of the Term, the Improvements shall be damaged by Casualty, then Lessee shall have the option, to be exercised within one hundred twenty (120) days after such Casualty:

(a) to repair or restore the Improvements as hereinabove provided in this Article 11; or

(b) subject to the rights of Lenders, to terminate this Lease by notice to Lessor, which termination shall be deemed to be effective as of the date of Casualty. If Lessee terminates this Lease pursuant to this Section 11.2, Lessee shall surrender possession of the Leased Premises to Lessor immediately and assign to Lessor (or, if same has already been received by Lessee, pay to Lessor) all of its right, title and interest in and to the proceeds from Lessee's insurance upon the Leased Premises, subject to the prior rights of any Lender therein, as referenced in Section 11.3 below.

Section 11.3 Distribution of Insurance Proceeds. In the event that this Lease is terminated pursuant to Sections 11.1 or 11.2 hereof, the insurance proceeds received as the result of such Casualty shall be distributed as follows: (a) first, if Leasehold Mortgage(s) are in place, to the Lenders to the extent of any indebtedness then owed to such Lender in order of the Lien priority of the Leasehold Mortgages; (b) second, the balance, if any, of such insurance proceeds shall be paid to Lessee or, as applicable pursuant to Sections 11.1 and 11.2 above, assigned or paid over to Lessor.

Section 11.4 Insurance Requirements. Nothing in this Article 11 does or shall be construed as permitting Lessee to maintain less than the minimum insurance requirements set forth in this Lease.

ARTICLE 12.
EVENTS OF DEFAULT

Section 12.1 Events of Default. Each of the following shall be an "Event of Default" by Lessee hereunder:

(a) failure by Lessee to pay any Rent when due or to pay or cause to be paid any Impositions, insurance premiums or other liquidated sums of money herein stipulated to be paid by Lessee, if such failure shall continue for a period of thirty (30) days after notice thereof has been given by Lessor to Lessee;

(b) failure by Lessee to perform or observe any of the provisions of this Lease (other than the provisions requiring the payment of Rents, Impositions, insurance premiums or

other liquidated sums of money) stipulated in this Lease to be observed and performed by Lessee, if such failure shall continue for a period of thirty (30) days after notice thereof has been given by Lessor to Lessee; provided, however, that if any such failure cannot reasonably be cured within such thirty (30) day period, then Lessor shall not have the right to terminate this Lease or Lessee's right to possession hereunder so long as Lessee promptly commences the curing of any such failure and thereafter proceeds in good faith and with due diligence to remedy and correct such failure within a reasonable period of time; provided, however, that such period shall not extend for more than one hundred twenty (120) days after the date of Lessor's notice to Lessee;

(c) the subjection of any right or interest of Lessee in this Lease to attachment, execution, or other levy, or to seizure under legal process, if not released within sixty (60) days; provided that the foreclosure of any Leasehold Mortgage shall not be construed as an Event of Default within the meaning of this subsection 12.1(c);

(d) the appointment of a receiver, not including receivership pursuant to any Leasehold Mortgage, to take possession of Lessee's Estate or of Lessee's operations on the Leased Premises for any reason, if such receivership is not terminated dismissed or vacated within ninety (90) days after the appointment of the receiver;

(e) the filing by Lessee of a petition for involuntary bankruptcy under the Bankruptcy Code of the United States or any similar law, state or Federal, now or hereafter in effect; if such petition is not dismissed within ninety (90) days of the date of filing;

(f) the filing against Lessee of any involuntary proceedings under such Bankruptcy Code or similar law, if such proceedings have not been vacated or stayed within ninety (90) days of filing;

(g) the appointment of a trustee or receiver for Lessee or for all or the major part of Lessee's property or the Leased Premises, in any involuntary proceeding, not including pursuant to any Leasehold Mortgage, or the taking of jurisdiction by any court over all or the major part of Lessee's property or the Leased Premises in any involuntary proceeding for the reorganization, dissolution, liquidation or winding up of Lessee, if such trustee or receiver shall not be discharged or such jurisdiction relinquished or vacated or stayed on appeal or otherwise stayed within ninety (90) days;

(h) a general assignment by Lessee for the benefit of creditors or Lessee's admittance in writing of its insolvency or inability to pay its debts generally as they become due or Lessee's consent to the appointment of a receiver or trustee or liquidator for Lessee, all or the major part of its property, or the Leased Premises; and

(i) if any of Lessee's representations or warranties is untrue or becomes untrue in any material respect, and if the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given by Lessor. If the default cannot reasonably be cured within thirty (30) days, Lessee shall not be in default of this Lease if Lessee commences to cure the default within such thirty-day period and diligently and in good

faith continues to cure the default until completion; provided, however, that such period shall not extend for more than one hundred twenty (120) days after the date of Lessor's notice to Lessee.

Section 12.2 Rights and Remedies

(a) At any time after the occurrence of an Event of Default hereunder, subject in all respects to the provisions of this Lease with respect to Lessor's rights to cure defaults by Lessee and with respect to the rights of any Lenders, Lessor may, in addition to any other rights and remedies available at law or in equity, terminate this Lease by giving Lessee written notice thereof (with a copy of such notice to the Lenders), setting forth in such notice an effective date for termination which is not less than thirty (30) days after the date of such notice, in which event this Lease and Lessee's Estate created hereby and all interest of Lessee and all parties claiming by, through or under Lessee shall automatically terminate upon the effective date for termination as set forth in such notice, with the same force and effect and to the same extent as if the effective date of such notice had been the date originally fixed in Article 2 hereof for the expiration of the Term. In such event, Lessor, its agents or representatives, shall have the right, without further demand or notice, to re-enter and take possession of the Leased Premises (including all buildings and other Improvements comprising any part thereof) at any time from and after the effective termination date without being deemed guilty of any manner of trespass and without prejudice to any remedies for arrears of Rent or existing breaches of covenants; provided that Lessor shall not be entitled to disturb possession of any Tenants or others in possession pursuant to Tenant Leases with Lessee so long as such Tenant or others are not in default thereunder and attorn to Lessor as their lessor.

(b) Upon the exercise of Lessor's remedies pursuant to this Section 12.2, Lessee shall execute such releases, deeds and other instruments in recordable form as Lessor shall reasonably request in order to accurately set forth of record the then current status of Lessee's Estate and Lessee's rights hereunder.

(c) Subject to Section 12.4 below, if Lessee shall have failed to cure a default by Lessee after expiration of the applicable time for cure of a particular default, Lessor, at its election, but without obligation therefor (i) may seek specific performance of any obligation of Lessee, after which Lessor shall retain, and may exercise and enforce, any and all rights that Lessor may have against Lessee as a result of such default, (ii) from time to time without releasing Lessee in whole or in part from the obligation to be performed by Lessee hereunder, may cure the default at Lessee's cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable cost incurred by Lessor in order to cure such a default by Lessee shall be due immediately from Lessee, together with interest, and may be offset against any amounts due from Lessor to Lessee.

Section 12.3 Default by Lessor.

(a) Events of Default. Lessor shall be in default of this Lease if it fails to perform any provision of this Lease that is obligated to perform or if any Lessor's representations or warranties is untrue or becomes untrue in any material respect, and if the failure to perform or the failure of such representation or warranty is not cured within thirty (30) days after written notice of the default has been given to Lessor. If the default cannot reasonably be cured within

thirty (30) days, Lessor shall not be in default of this Lease if Lessor commences to cure the default within such thirty-day period and diligently and in good faith continues to cure the default until completion.

(b) Right to Cure; Lessee's Remedies. Subject to Section 12.4 below, if Lessor shall have failed to cure a default by Lessor after expiration of the applicable time for cure of a particular default, Lessee, at its election, but without obligation therefor (i) may seek specific performance of any obligation of Lessor, after which Lessee shall retain, and may exercise and enforce, any and all rights that Lessee may have against Lessor as a result of such default, (ii) from time to time without releasing Lessor in whole or in part from the obligation to be performed by Lessor hereunder, may cure the default at Lessor's cost, (iii) may terminate this Lease, and/or (iv) may exercise any other remedy given hereunder or now or hereafter existing at law or in equity. Any reasonable cost incurred by Lessee in order to cure such a default by Lessor shall be due immediately from Lessor, together with interest, and may be offset against any amounts due from Lessee to Lessor.

Section 12.4 Notices. Notices given by Lessor under Section 12.1 or by Lessee under Section 12.3 shall specify the alleged default and the applicable Lease provisions, and shall demand that Lessee or Lessor, as applicable, perform the appropriate provisions of this Lease within the applicable period of time for cure. No such notice shall be deemed a forfeiture or termination of this Lease unless expressly set forth in such notice.

ARTICLE 13.
QUIET ENJOYMENT AND POSSESSION; INSPECTIONS

Section 13.1 Quiet Enjoyment. Lessor covenants and warrants that Lessee, upon payment of all sums herein provided and upon performance and observance of all its covenants herein contained, shall peaceably and quietly have, hold, occupy, use and enjoy, and shall have the full, exclusive and unrestricted use and enjoyment of, all of the Leased Premises during the Term, subject only to the provisions of this Lease and all applicable Legal Requirements.

Section 13.2 Lessor's Right of Inspection. Notwithstanding Section 13.1 above, Lessor, in person or through its agents, upon reasonable prior notice to Lessee, shall have the right, subject to the rights of Tenants, to enter upon the Leased Premises for purpose of reasonable inspections performed during reasonable business hours in order to assure compliance by Lessee with its obligations under this Lease.

ARTICLE 14.
VACATION OF LEASED PREMISES

Section 14.1 Vacation Upon Termination. Lessee covenants that upon any termination of this Lease, whether by lapse of time or because of any of the conditions or provisions contained herein, Lessee will peaceably and quietly yield and surrender possession of the Leased Premises to Lessor. The foregoing, however, will be subject to the rights of Tenants

or others in possession pursuant to Tenant Leases with Lessee, provided that such Tenants are not in default thereunder and attorn to Lessor as their lessor. An action of forcible detainer shall lie if Lessee holds over after a demand for possession is made by Lessor.

ARTICLE 15.
NON-MERGER

Section 15.1 Non-Merger. Except upon expiration of the Term or upon termination of this Lease pursuant to an express right of termination set forth herein, there shall be no merger of either this Lease or Lessee's Estate created hereunder with the fee estate of the Leased Premises or any part thereof by reason of the fact that the same person may acquire, own or hold, directly or indirectly, (a) this Lease, Lessee's Estate created hereunder or any interest in this Lease (including the Improvements), and (b) the fee estate in the Leased Premises or any part thereof or any interest in such fee estate (including the Improvements), unless and until the City and all persons, including any assignee of Lessor, having an interest in (i) this Lease or Lessee's Estate created hereunder, and (ii) the fee estate in the Leased Premises or any part thereof, shall join in a written instrument effecting such merger and shall duly record the same.

ARTICLE 16.
TRANSFERS

Section 16.1 Permitted Transfer by Lessee.

(a) Except as provided in this Article 16, Lessee shall have no right to Transfer any legal or beneficial interest in Lessee's Estate hereunder without Lessor's prior written consent, which shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, by its execution of this Lease, Lessor is deemed to have consented to the following ("Permitted Transfers")

(1) Permitted Encumbrances and Leasehold Mortgages;

(2) a conveyance in the Lessee's Estate resulting from the foreclosure of a Leasehold Mortgage (or an assignment, new lease or deed-in-lieu of such a foreclosure);

(3) the transfer of this Agreement, the Lessee's Estate or Lessee's interest in the Project by the Lessee to a to-be-formed limited partnership in which at least two members of the Lessee or their affiliates serve as general partners or form a new entity to serve as a general partner ("Partnership");

(4) any transfer of equity in the Lessee that does not change management or operational control of the Project other than to permit the admittance of an affiliate of Innovative Housing Opportunities, Inc. as the managing general partner of the Partnership;

(5) the lease of the residential units consistent with the Tax Credit Restrictive Covenant, the Density Bonus Agreement and the Regulatory Agreement;

(6) the transfer and sale of limited partnership interests in the Partnership;

(7) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by Lessor, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the date of this Agreement;

(8) the transfer of the Project from the Partnership to one of the general partners the Lessee or an affiliate of the general partners the Lessee at the end of the tax credit compliance period for the Project; and

(9) any dilution of a General Partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by Lessor in its reasonable discretion.

(b) Upon the granting of any consent (deemed or otherwise) by Lessor with respect to a Transfer by Lessee, this Lease shall be binding upon and shall inure to the benefit of Lessor and Lessee and their respective heirs, successors, assigns, legal representatives, Lenders, Tenants and other transferees.

Section 16.2 Transfer by Lessor. Lessor may Transfer all or any portion of its interest in Lessor's Estate, without the prior written consent of Lessee and any Lender then in existence, provided such transfer does not cause a violation or breach of any Legal Requirement, and provided further that any successor to Lessor executes and delivers to Lessee a subordination, non-disturbance, and attornment agreement ("SNDA Agreement") that, among other terms and conditions mutually agreed upon by Lessor and Lessee, shall preserve Lessee's rights and obligations to the Leased Premises under this Lease, shall provide for Lessee's attornment to the new lessor, and shall maintain the priority and subordination of all instruments of record recorded against the Leased Premises as of the date immediately prior to such Transfer.

ARTICLE 17.
MISCELLANEOUS PROVISIONS

Section 17.1 Nonliability of Officials and Employees. No member, official, employee, or contractor of any Party shall be personally liable in the event of any default or breach by such Party or for any amount which may become due to other Parties or on any of such Party's obligations under the terms of this Lease.

Section 17.2 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the Parties' respective obligations set forth in this Lease. Except as expressly set forth in this Section 17.2, performance by any Party hereunder shall not be deemed to be in default and such Party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such Party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; litigation brought by third parties against one or more of the Parties that pertains to the Property; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplies that are not caused by any Party; acts of the other Parties; acts or the failure to act of any public or governmental agency or entity that are not caused by Lessee; or other causes beyond the reasonable control of the Party. Notwithstanding the foregoing, Lessee's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Lessee to an extension of time to perform. An extension of time for any cause permitted under this Section 17.2 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other Party. Times of performance under this Lease may be extended by mutual written agreement of the Parties.

Section 17.3 Interpretation. The terms of this Lease shall be construed in accordance with the meaning of the language used and shall not be construed for or against any Party by reason of the authorship of this Lease or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Lease.

Section 17.4 Entire Agreement; Modifications. This Lease supersedes all prior discussions and agreements between the Parties with respect to the leasing of the Leased Premises. This Lease and the AHLDLDA and executed attachments thereto contain the sole and entire understanding between the parties with respect to the leasing of the Leased Premises pursuant to this Lease, and all promises, inducements, offers, solicitations, agreements, representations and warranties heretofore made between the Parties, if any, are merged into this Lease. This Lease shall not be modified or amended in any respect, except by written instrument specifically referencing such modification or amendment which is executed by or on behalf of the Parties in the same manner as this Lease is executed and to which each Lender has consented in writing.

Section 17.5 Governing Law. This Lease, and the rights and obligations of the Parties hereunder, shall be governed by and construed in accordance with the substantive laws of the State of California without regard to conflict of law principles.

Section 17.6 Binding Effect. This Lease shall inure to the benefit of and be binding upon the Parties hereto, their successors, administrators, executors and permitted assigns.

Section 17.7 Severability. In the event any provision or portion of this Lease is held by any court of competent jurisdiction to be invalid or unenforceable, such holdings shall not affect the remainder hereof, and the remaining provisions shall continue in full force and effect to the same extent as would have been the case had such invalid or unenforceable provision or portion never been a part hereof, except to the extent the rights and obligations of the parties have been materially altered by such unenforceability.

Section 17.8 Further Assurances. From and after the date of this Lease, Lessor and Lessee, at the request of the other Party, shall make, execute and deliver or obtain and deliver all such affidavits, deeds, certificates, resolutions and other instruments and documents, and shall do or cause to be done all such other things that either Party may reasonably require in order to effectuate the provisions and the intention of this Lease.

Section 17.9 Authority to Execute Agreement. The persons executing this Lease on behalf of each Party represents and warrants to the other Party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

Section 17.10 Lease Administration and Approvals. The Executive Director of Lessor shall be the person designated by Lessor to administer this Lease on behalf of Lessor. The Lessor's Executive Director shall have the authority to consent to any matter requiring Lessor approval or consent as provided in this Agreement, and to perform and carry out any activities concerning this Agreement, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of Lessor as specified herein.

Section 17.11 Captions. All captions, headings, paragraphs, subparagraphs, letters and other reference captions are solely for the purpose of facilitating convenient reference to this Lease, shall not supplement, limit or otherwise vary the text of this Lease in any respect, and shall be wholly disregarded when interpreting the meaning of any terms or provisions hereof. All references to particular articles, sections, subsections, paragraphs and subparagraphs by number refer to the text of such items as so numbered in this Lease.

Section 17.12 Gender. Words of any gender used in this Lease shall be held and construed to include any other gender, and words of a singular number shall be held to include the plural, and vice-versa, unless the context requires otherwise.

Section 17.13 Exhibits. Each and every exhibit referred to or otherwise mentioned in this Lease is attached to this Lease and is and shall be construed to be made a part of this Lease by such reference or other mention at each point at which such reference or other mention occurs, in the same manner and with the same effect as if each exhibit were set forth in full at length every time it is referred to and otherwise mentioned.

Section 17.14 References. All references to paragraphs or subparagraphs shall be deemed to refer to the appropriate paragraph or subparagraph of this Lease. Unless otherwise specified in this Lease, the terms "herein," "hereof," "hereinafter," "hereunder" and other terms of like similar import, shall be deemed to refer to this Lease as a whole, and not to any particular paragraph or subparagraph hereof.

Section 17.15 Cumulative. Except as expressly limited by the terms of this Lease, all rights, powers and privileges conferred hereunder shall be cumulative and not restrictive of those provided at law or in equity.

Section 17.16 Notices. All notices, requests, demands, or other communications required or permitted to be given hereunder shall be in writing and shall be addressed and delivered by certified mail, return receipt requested; by reputable commercial delivery service; or by hand delivery by a reputable courier, to each Party at the addresses set forth below. Any such notice, request, demand or other communication shall be considered given or delivered, as the case may be, on the date shown on the delivery receipt as the date of delivery, the date delivery was refused or the date the item was returned as undeliverable. By giving prior written notice thereof, any Party, from time to time, may change its address for notices under this Lease.

To Lessor:	Irvine Community Land Trust One Civic Center Plaza Irvine, CA 92623-9575 Attn: Executive Director
With copies to:	Rutan & Tucker, LLP 611 Anton Boulevard, Suite 1400 Costa Mesa, CA 92626 Attn: William H. Ihrke
To Lessee:	17275 Derian, LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attention: Todd Cottle
With copies to	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins

Section 17.17 Counterparts. This Lease may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same agreement.

Section 17.18 Time of Essence. Time is and shall be of the essence in this Lease.

Section 17.19 Attorneys Fees. In any litigation or other action brought to enforce this Lease or regarding a dispute over terms of the Lease or the performance of a Party, the prevailing party in such litigation or action shall be entitled to attorneys fees and the costs of such litigation

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, this Lease is made and entered into in multiple original counterparts on the day and year first above written.

LESSOR:

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: _____
Mark Asturias, Executive Director

LESSEE:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

EXHIBIT A

Legal Description of Leased Premises

PRELIMINARY REPORT
Your Reference

Fidelity National Title Company
Order No : 010-23045136-TC1

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

EXHIBIT B

Site Plan of Leased Premises
(Attached)

1603\16\1643166.13

1603\16\1643166.13

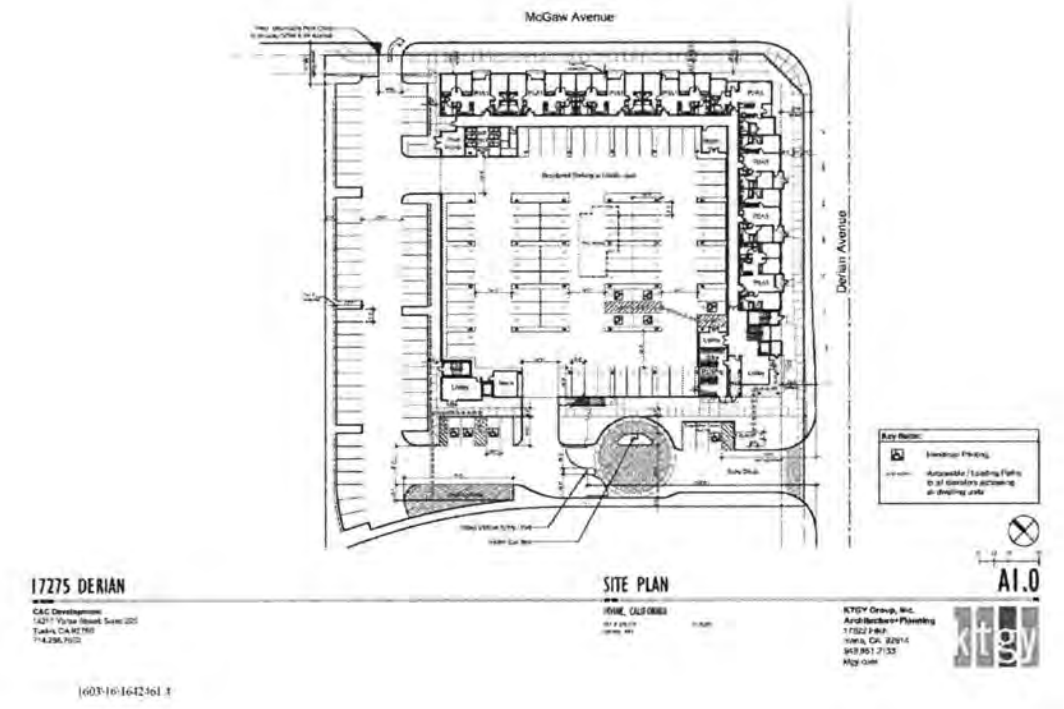

McGaw Avenue
Derian Avenue
17275 DERIAN
SITE PLAN
IRVINE, CALIFORNIA
A1.0
KTGY Group, Inc.
Architecture+Planning
ktgy

EXHIBIT C

FORM OF MEMORANDUM OF LEASE

RECORDING REQUESTED BY AND WHEN
RECORDED RETURN TO:

17275 Derian, LLC
14211 Yorba Street, Suite 200
Tustin, CA 92780
Attention: Todd Cottle

(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

MEMORANDUM OF GROUND LEASE
(17275 Derian Avenue, Irvine, CA)

THIS MEMORANDUM OF GROUND LEASE (the "Memorandum") is entered into as of March 27, 2015, by and between the IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation (the "Lessor") and 17275 Derian, LLC, a California limited liability company (the "Lessee"), with respect to that certain Ground Lease dated as March 27, 2015 (the "Lease"), between the Lessor and the Lessee. All capitalized terms used in this Memorandum and not defined shall have the meaning set forth in the Lease.

1. Documentary Transfer Tax is not shown pursuant to Revenue and Taxation Code Section 11932. See that certain Statement of Documentary Transfer Tax Due, which shall be affixed to this Memorandum in the Official Records of Orange County after record of this Memorandum is made and before the original is returned as specified in Government Code Section 27321.

2. Pursuant to the Lease, Lessor leases to Lessee and Lessee leases from Lessor that certain real property, more particularly described in Exhibit A, attached hereto and incorporated herein (the "Property"). The Lease shall commence on March 27, 2015, and shall remain in effect for the ninety-nine (99) year term of the Lease, unless sooner terminated pursuant to the terms and conditions of the Lease.

3. This Memorandum shall incorporate herein all of the terms and provisions of the Lease as though fully set forth herein.

4. This Memorandum is solely for recording purposes and shall not be construed to alter, modify, amend or supplement the Lease, of which this is a memorandum. In the event of any

inconsistency between the terms and conditions of this Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

5. This Memorandum may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts so executed shall together constitute but one and the same instrument.

[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties have caused this Memorandum to be duly executed as of the date first above written.

LESSOR:

IRVINE COMMUNITY LAND TRUST, a California nonprofit public benefit corporation

By: _____
Mark Asturias, Executive Director

LESSEE:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

[SIGNATURES MUST BE NOTARIZED]

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

1603\16\1642461.4

1603\16\1643166 13

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

C-5

1603\16\1642461.4

EXHIBIT A

Legal Description of Property

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 010-23045136-TC1

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

ATTACHMENT NO. 5

FORM OF CITY NOTE

(Attached on Following Page)

PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

$1,533,775 March 27, 2015

FOR VALUE RECEIVED, the undersigned, 17275 Derian LLC, a California limited liability company ("Borrower"), promises to pay to the CITY OF IRVINE, a California charter city and municipal corporation ("City"), the sum of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775), or so much thereof as may be disbursed hereunder ("Note Amount"), and (b) all costs and expenses payable hereunder, in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts, all subject to the terms, conditions, and provisions set forth in this Promissory Note Secured by Leasehold Deed of Trust ("Note").

Reference is made to the following documents (collectively, together with this Note, "Loan Documents"):

(i) The Affordable Housing, Land Disposition, Loan and Development Agreement, with all Attachments thereto, by and between City and 17275 Derian, LLC, a California limited liability company (and thereafter assigned to Borrower) dated as of February 10, 2015, as may be amended from time to time ("AHLDLDA"), pursuant to which (i) City agreed that its assign would ground lease to Borrower that certain unimproved real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the AHLDLDA ("Property"), and Borrower agreed to develop and operate thereon an affordable residential rental community ("Project"), and (ii) City agreed to provide financial assistance to Borrower in the cumulative amount of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775), ("City Loan Amount"). The source of funds for the City loan to Borrower is a payment made by Lennar Central Park, LLC to the City pursuant to the City's Inclusionary Housing Ordinance as set forth in Chapter 2-3 of the City Municipal Code and the AHLDLDA in connection with the Central Park West development. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the AHLDLDA.

(ii) The Regulatory Agreement and Declaration of Covenants and Restrictions (City Loan) by and between Borrower and City dated on or about the date hereof and recorded against the Property in the Official Records of Orange County, California, as may be amended from time to time ("Loan Regulatory Agreement")

(iii) The Leasehold Deed of Trust with Assignment of Rents ("Leasehold Deed of Trust") executed by Borrower for the benefit of City securing the City Loan, and

recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

1. **Loan Documents.** The rights and obligations of Borrower and City under this Note shall be governed by the Loan Documents, and by the additional terms set forth in this Note. In the event of any inconsistencies between the terms of this Note and the terms of any of the Loan Documents or any other document related to the Note Amount, the terms of this Note shall prevail. A default under any of the provisions of any of the Loan Documents that has not been cured after notice and the expiration of any applicable cure period shall, after the expiration of any cure period under the respective agreement or document, be a default under this Note (a "Default"), and a Default under this Note, after notice and expiration of a thirty (30) day cure period, shall be a default under the Loan Documents.

2. **Interest.** The outstanding Note Amount shall bear simple interest at the rate of one-quarter percent (0.25%) per annum from the date of disbursement until paid.

3. **Repayment of Note Amount.** The Note Amount shall be paid by Borrower no later than the fifty-fifth (55th) anniversary of the date of this Note.

4. **Security.** Borrower's payment obligations under this Note shall, at all times during which any amount remains outstanding hereunder, be secured by the Leasehold Deed of Trust. The Leasehold Deed of Trust shall be subordinated to construction and permanent loans necessary of the Project pursuant to written subordination agreements in a form reasonably approved by City counsel. Upon execution of the same, the terms of the Leasehold 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.

5. **Maturity.** This Note shall be due and payable on the fifty-fifth (55th) anniversary of the date of this Note.

6. **Application of Payments.** All payments shall be applied (i) first, to costs and fees owing under this Note, (ii) second, to the payment of interest owing under this Note, if any, and (iii) third, to the payment of principal.

7. **Waivers.**

(a) Borrower 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 Borrower.

(b) 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 Borrower under this Note, either in whole or in part.

(c) The obligations of Borrower under this Note shall be absolute and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

(d) Borrower waives 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 properties securing this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

(e) No previous waiver and no failure or delay by City in acting with respect to the terms of this Note or the Leasehold Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the Leasehold Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the Leasehold Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

8. **Attorneys' Fees and Costs**. Borrower agrees that if any amounts due under this Note are not paid when due, Borrower will pay all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

9. **Joint and Several Obligation**. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

10. **Amendments and Modifications**. This Note may not be changed orally, but only by an amendment approved by City and evidenced in a writing signed by Borrower and by City.

11. **City May Assign**. City may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Borrower.

12. **Borrower Assignment Prohibited**. In no event shall Borrower assign or transfer any portion of this Note without the prior express written consent of City, which consent shall not unreasonably be withheld, except pursuant to a transfer that is authorized under the AHLDLDA.

13. **Acceleration and Other Remedies**. Upon the occurrence of a 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 Leasehold 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 Leasehold 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 AHLDLDA or under the Leasehold 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 AHLDLDA 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 a Default for failure to make prompt or complete payment.

14. Alternate Rate. Upon the occurrence of any Default, or upon the maturity hereof (by acceleration or otherwise), the entire unpaid principal sum, at the option of City, shall bear interest, from the date of occurrence of such Default or maturity and after judgment and until collection, at "Alternate Rate", such rate being the highest interest rate then permitted by law. Interest calculated at the Alternate Rate, when and if applicable, shall be due and payable immediately without notice or demand. Borrower agrees that in the event of any Default, City will incur additional expense in servicing the loan evidenced by this Note and will suffer damage and loss resulting from such Default. Borrower agrees that in such event City shall be entitled to damages for the detriment caused thereby, which damages are extremely difficult and impractical to ascertain. Therefore, Borrower agrees that the Alternate Rate (as applied to the unpaid principal balance, accrued interest, fees, costs and expenses incurred) is a reasonable estimate of such damages to City, and Borrower agrees to pay such sum on demand.

15. Consents. Borrower hereby consents to: (a) any extension (whether one or more) of the 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, (c) the granting of any other indulgences to Borrower, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such extension, release, surrender, exchange or substitution may be made without notice to Borrower or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

16. Interest Rate Limitation. City and Borrower stipulate and agree that none of the terms and provisions contained herein or in any of the loan instruments shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of California. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of California, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of such holder, be credited to the payment of the sums due hereunder or returned to Borrower.

17. Successors and Assigns. Whenever "City" is referred to in this Note, such reference shall be deemed to include the City and its successors and assigns, including, without limitation, any successor to its rights, powers, and responsibilities, and any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Borrower,

and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of City and City's successors and assigns.

18. Miscellaneous. Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Borrower 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 Note. Borrower also waives any objection regarding personal or in rem jurisdiction or venue.

19. Non-Recourse Obligation. Borrower and its partners shall not be personally liable for the payment of this Note or for the payment of any deficiency established after judicial foreclosure or trustee's sale; provided, however, that the foregoing shall not in any way affect any rights City may have (as a secured party or otherwise) hereunder or under the AHLDLDA or the Leasehold Deed of Trust to recover directly from Borrower any amounts, or any 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 any costs and expenses incurred by City in connection therewith (including without limitation reasonable attorneys' fees and costs).

20. Late Payment. If any payment due under this Note is not received by City within thirty (30) calendar days after payment is due, Borrower shall pay to City a late charge of five percent (5%) of such payment, such late charge to be immediately due and payable without demand by City.

[signatures on next page]

BORROWER:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

1603\16\1646179.4

1603\16\1643166 13

ATTACHMENT NO. 6

FORM OF LEASEHOLD DEED OF TRUST

(Attached on Following Page)

RECORDING REQUESTED BY:
AND WHEN RECORDED RETURN TO:

City of Irvine
P.O. Box 19575
Irvine, California 92623-9575
Attention: City Manager

APN: 435-052-50; 435-052-24

[Free Recording Requested
Government Code Sections 6103 and 27383]

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS (CITY LOAN)

NOTE: RIDER ATTACHED TO THIS DEED OF TRUST CONTAINING TERMS INCLUDING SECURITY AGREEMENT AND FIXTURE FILING.

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO ("Deed of Trust"), is made as of March 27, 2015, between 17275 Derian LLC, a California limited liability company, herein called TRUSTOR, whose address is 14211 Yorba Street, Suite 200, Tustin, CA 92780, FIDELITY NATIONAL TITLE COMPANY, a California corporation, herein called TRUSTEE, and the CITY OF IRVINE, a California charter city and municipal corporation, herein called BENEFICIARY.

WITNESSETH That Trustor grants to Trustee in trust, with power of sale, Trustor's leasehold estate, dated on or about the date hereof, in that property in the City of Irvine, State of California, described in Exhibit "A" ("Property").

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of the sum of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775), with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof, and (2) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	138	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	Orange	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

1603\16\1646180 2

1603\16\1643166 13

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law

The undersigned Trustor requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

SEE RIDERS ATTACHED TO THIS DEED OF TRUST

Signature of Trustor

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Conley, Member

ATTACH NOTARY ACKNOWLEDGEMENT

1603\16\1646180 2

1603\16\1643166 13

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal

_____
Name: _____
Notary Public

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay, at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock, when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default (beyond any applicable cure period), and during the continuance of such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in its own

1603\16 1646180.2

1603\16\1643166 13

name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD REQUEST FOR FULL RECONVEYANCE

TO _____, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated _____

_____

Please mail Deed of Trust,

Note and Reconveyance to _____

Do Not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

1603\16\1646180 2

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

The Trustor's leasehold interest in the following described property:

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 010-23045136-TC1

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

1603\16\1646180.2

1603\16\1643166.13

RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS

This RIDER TO DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Rider") is executed as of this 27th day of March, 2015 by 17275 Derian LLC, a California limited liability company, herein "Trustor," in favor of the CITY OF IRVINE, a California charter city and municipal corporation, herein "Beneficiary," the same parties to that certain form Deed of Trust With Assignment of Rents (City Loan), of even date hereto, to which this Rider is attached. This Rider is made a part of and is incorporated into said Deed of Trust. This Rider shall supersede any conflicting term or provision of the form Deed of Trust to which it is attached.

Reference is made to all of the following (collectively, together with this Deed of Trust, "Loan Documents"):

(i) that certain Promissory Note executed by Trustor on or about the date set forth above, the repayment of which by Trustor is secured by this Deed of Trust ("City Note");

(ii) that certain Affordable Housing, Land Disposition, Loan and Development Agreement between Trustor, Lennar Central Park, LLC, a Delaware limited liability company and Beneficiary dated for identification purposes only as February 10, 2015 ("AHLDLDA"); and

(iii) that certain Affordable Housing Regulatory Agreement, by and between Trustor and Beneficiary, for the benefit of Beneficiary, and recorded in the Official Records of the County of Orange ("Official Records").

The parties hereto agree:

1. Property. The estate subject to this Deed of Trust is Trustor's leasehold estate in the real property legally described in the foregoing Deed of Trust to which this Rider is attached ("Property").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following obligations ("Secured Obligations"):

a. Payment to Beneficiary of all indebtedness at any time owing under the terms of the City Note;

b. Payment and performance of all obligations of Trustor under this Deed of Trust;

c. Payment and performance of all future advances and other obligations of Trustor or any other person, firm, or entity with the approval of Trustor, may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Beneficiary, when the obligation is evidenced by a writing which recites that it is secured by this Deed of Trust; and

d. All modifications, extensions and renewals of any of the obligations secured hereby, however evidenced.

3. Obligations. The term "obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges, late charges and fees at any time accruing or assessed on any of the Secured Obligations.

4. Incorporation. All terms of the Loan Documents and the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Property shall be deemed to have notice of the terms of all of the foregoing documents.

5 Mortgagee-in-Possession. Neither the assignment of rents set forth in the Deed of Trust nor the exercise by Beneficiary of any of its rights or remedies hereunder shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property, unless Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor, or the entering into possession of the Property by such receiver, be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property.

6. No Cure. In the event Beneficiary collects and receives any rents under the Deed of Trust upon any default hereof, such collection or receipt shall in no way constitute a curing of the default, except if and to the extent the same are sufficient to cure all monetary defaults and no other defaults then exist.

7. Possession Upon Default. Upon the occurrence of and during the continuation of a default, Beneficiary, after having given notice and the applicable cure periods having expired with the default having not been cured (hereinafter, a "default"), may, at its option, without any action on its part being required and without in any way waiving such default, take possession of the Property in accordance with applicable law and have, hold, manage, lease and operate the same, on such terms and for such period of time as Beneficiary may deem proper, and may collect and receive all rents and profits, with full power to make, from time to time, all commercially reasonable alterations, renovations, repairs or replacements thereto as may seem proper to Beneficiary, and to apply such rents and profits to the payment of (a) the cost of all such alterations, renovations, repairs and replacements, and all costs and expenses incident to taking and retaining possession of the Property, and the management and operation thereof, and keeping the same properly insured; (b) all taxes, charges, claims, assessments, and any other liens which may be prior in lien or payment of the City Note, and premiums for insurance, with interest on all such items; and (c) the indebtedness secured hereby, together with all costs and attorney's fees, in such order or priority as to any of such items as Beneficiary in its sole discretion may determine, any statute, law, custom or use to the contrary notwithstanding. Any amounts received by Beneficiary or its agents in the performance of any acts prohibited by the terms of this assignment, including, but not limited to, any amounts received in connection with any cancellation, modification or amendment of any lease prohibited by the terms of this assignment and any rents and profits received by Trustor after the occurrence of a default shall be held by Trustor as trustee for Beneficiary and all such amounts shall be accounted for to

Beneficiary and shall not be commingled with other funds of the Trustor. Any person receiving any portion of such trust funds shall receive the same in trust for Beneficiary as if such person had actual or constructive notice that such funds were impressed with a trust in accordance therewith.

8. Receiver. In addition to any and all other remedies of Beneficiary set forth under this Deed of Trust or permitted at law or in equity, if a default shall have occurred and not have been cured within any applicable cure period, Beneficiary, to the extent permitted by law and without regard to the value, adequacy or occupancy of the security for the City Note and other sums secured hereby, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Property and to collect all rents and profits and apply the same as the court may direct, and such receiver may be appointed by any court of competent jurisdiction by ex parte application and without notice, notice of hearing being hereby expressly waived. The expenses, including receiver's fees, attorneys' fees, costs and agent's compensation, incurred pursuant to the power herein contained shall be secured by this Deed of Trust.

9 Notice to Beneficiary. Notices to Beneficiary shall be sent to Beneficiary addressed to:

City of Irvine
P.O. Box 19575
Irvine, California 92623-9575
Attention: City Manager

10. Limited Partner Cure Rights. Notwithstanding anything to the contrary set forth herein, Beneficiary shall not exercise any right hereunder without providing the limited partner of Trustor with not less than thirty (30) days prior written notice and right to cure any default giving rise to the exercise of said remedy. Beneficiary agrees that any cure tendered by the limited partner of Trustor shall be accepted or rejected on the same terms and conditions as if tendered directly by Trustor.

11 Subordination Acknowledgement. Beneficiary hereby acknowledges that the loan secured by this Deed of Trust is also subordinate to the extended use agreement required to be executed by Borrower pursuant to Section 42(h)(6)(B) of the Internal Revenue Code, for purposes of the low-income housing tax credits to be allocated to Trustor. In addition, Beneficiary hereby acknowledges that the loan secured by this Deed of Trust is further subordinate to Section 42(h)(6)(e)(ii) of the Internal Revenue Code, which prohibits the eviction or termination of a tenancy, other than for good cause, of an existing tenant of any low-income housing tax credit unit or any increase in the gross rent with respect to such unit, not otherwise permitted under Section 42, for a period of three (3) years after the date the Property is acquired by Beneficiary through foreclosure or instrument in lieu of foreclosure.

IN WITNESS WHEREOF, Trustor and the Beneficiary have executed this Rider on the date of Trustor's acknowledgment herein below, to be effective for all purposes as of the day and year first set forth above.

TRUSTOR:

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

BENEFICIARY:

CITY OF IRVINE, a California municipal corporation

By: _____
Sean Joyce, City Manager

ATTACH NOTARY ACKNOWLEDGEMENT

1603\16\1646180.2

1603\16\1643166 13

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

1603\16\1646180.2

1603\16\1643166 13

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

1603\16\1646180.2

1603\16\1643166.13

ATTACHMENT NO. 7

FORM OF REGULATORY AGREEMENT

(Attached on Following Page)

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
PO Box 19575
Irvine, CA 92623
Attn: City Manager

(Space Above For Recorder's Use)

REGULATORY AGREEMENT AND
DECLARATION OF COVENANTS AND RESTRICTIONS
(City Loan)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Agreement") is entered into as of this 27th day of March, 2015 ("Effective Date"), by and between the CITY OF IRVINE, a California charter city and municipal corporation ("City"), and 17275 Derian LLC, a California limited liability company ("Owner") (City and Owner are sometimes collectively referred to as "Parties" and individually referred to as a "Party").

RECITALS

A. These Recitals utilize certain capitalized terms which are defined in Section 1.

B. Owner is a California limited liability company, and its primary purpose is to develop, operate, and manage an affordable housing development for very low income households. Owner is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("Property").

C. City agreed to loan to Owner the amount One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775) ("City Loan") pursuant to the terms and conditions of that certain Affordable Housing Land Disposition, Loan and Development Agreement ("Loan Agreement"), dated as of February 10, 2015, to assist Owner with the predevelopment, development, construction costs for the Project.

D. The source of the funds for the City Loan is a donation of funds received by the City from Lennar Central Park, LLC, a Delaware limited liability company, in partial satisfaction of its inclusionary housing obligations related to the Central Park West development pursuant to Chapter 2-3 of the City Municipal Code and the approved Affordable Housing Plan for the Central Park West development.

E. City and Owner desire to enter into this Agreement to place certain covenants and restrictions on Owner's development, use and operation of the Property, including the imposition of affordability covenants requiring that the Units in the Project be rented to households of certain income levels at affordable rent.

F. It is the intent of City and Owner that Owner's leasehold interest in the Property shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on Owner and its successors in interest in the Property for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. **Definitions.** The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"40% Income" shall mean an income that does not exceed the limit for 40% income level, for actual household size, as published by CTCAC annually. If CTCAC no longer publishes this information, the Developer shall calculate this limit based on the same methodology most recently used by CTCAC.

"Assumed Household Size" shall mean an assumed household size based on 1.5 persons per bedroom, regardless of the actual family size of the household, as may be revised from time to time by CTCAC in administering the low income housing tax credit programs. If CTCAC no longer publishes this information, the Developer shall use the meaning most recently used by CTCAC.

"Affordable Rent" means the maximum monthly rent that may be paid by an Extremely Low Income Tenant, 40% Income Tenant or a Very Low Income Tenant for the Affordable Units during the Affordability Term, for Assumed Household Size, as published annually by CTCAC for the designated income level in administering the low income housing tax credit programs. If CTCAC no longer publishes this rent information, the Developer shall calculate the rent limits based on the same methodology most recently used by CTCAC.

"Affordable Unit" means individually and "Affordable Units" means collectively the seventy-nine (79) Units within the Project to be rented by Owner to an Eligible Tenant at Affordable Rent during the Affordability Term or Extension Rent during the Extension Term in accordance with this Agreement

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Affordable Unit Mix" shall mean the household income levels permitted for the Units through the Affordability Term, as follows:

Size of Unit	Extremely Low Income	40% Income	Very Low Income	Manager's Unit	Total Units
1 Bedroom	3	5	17	0	25
2 Bedroom	3	6	17	0	26
3 Bedroom	3	5	20	1	29
Total	9	16	54	1	80

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions (City Loan) by and between City and Owner.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Loan" shall mean the loan to be provided by City to Owner in the amount not to exceed the sum of One Million Five Hundred Thirty Three Thousand Seven Hundred Seventy-Five Dollars ($1,533,775) for predevelopment, development and construction costs attributable to the Units.

"City Manager" shall mean the City Manager of City or his or her designee.

"CPI Adjustment" means the percentage increase in the cost of living index, as measured by the Consumer Price Index for all urban consumers, Los Angeles-Anaheim-Orange statistical area, all items (1982-84 = 100) published by the United States Department of Labor, Bureau of Labor Statistics ("CPI") between the CPI figure in effect as of the date a certificate of occupancy has been issued for each building in the Project (or alternatively, all building permits issued for the Project have obtained final inspection approval (as noted in each building permit card)) and the CPI figure in effect as of the date on which an adjustment is made. If such index is discontinued or revised, such other index with which such index is replaced (or if not replaced, another index which reasonably reflects and monitors consumer prices) shall be used in order to obtain substantially the same results as would have been obtained if the discontinued index had not been discontinued or revised. If the CPI is changed so that the base year is other than 1982-84, the CPI shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics.

"CTCAC" shall mean the California Tax Credit Allocation Committee, or successor agency.

"Deed of Trust" shall mean the Leasehold Deed of Trust with Assignment of Rents (City Loan) executed by Owner that secures Owner's repayment of the City Loan.

"Effective Date" shall mean the date set forth in the first paragraph of this Agreement.

"Eligible Tenant" shall mean a tenant of one of the Affordable Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the applicable limits permitted to meet the Affordability Unit Mix during the Affordability Term or the Extension Mix during the Extension Term as required under this Agreement.

"Extension Term" shall have the meaning ascribed in Section 3 of this Agreement

"Extension Mix" shall mean the household income levels permitted for the Units during the Extension Term, as follows:

Size of Unit	Low Income	Manager's Unit	Total Units
1 Bedroom	25	0	25
2 Bedroom	26	0	26
3 Bedroom	28	1	29
Total	79	1	**80**

"Extension Rent" means the maximum monthly rent that may paid by a Low Income Tenant for the Affordable Units during the Extension Term, for Assumed Household Size, which shall be the average of the rents for the 60% income and the 100% income levels for Assumed Household Size published by CTCAC annually in administering the low income housing tax credit programs. If CTCAC no longer publishes this rent information, the Developer shall calculate the rent limits based on the same methodology most recently used by CTCAC.

"Extremely Low Income" shall mean an income that does not exceed the limit for 30% of income level, for actual household size, as published by the CTCAC annually. If CTCAC no longer publishes this limit, the Developer shall calculate this limit based on the same methodology most recently used by CTCAC.

"Ground Lease" shall mean the Ground Lease between Owner, as lessee, and City, as lessor, for the ground lease of the Property to Owner.

"LCP" shall mean Lennar Central Park, LLC, a Delaware limited liability company.

"Loan Agreement" shall mean the certain Affordable Housing Land Disposition, Loan and Development Agreement among LCP, City and Owner, referenced in Recital C of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"Low Income" shall mean an income that does not exceed the limit for 80% of income level, for actual household size, as published by the CTCAC annually. If CTCAC no longer publishes this limit, the Developer shall calculate this limit based on the same methodology most recently used by CTCAC.

"Note" shall mean that certain Promissory Note Secured by Leasehold Deed of Trust, evidencing Owner's obligation to repay the City Loan.

"Owner" shall mean 17275 Derian LLC, a California limited liability company, and its permitted successors and assigns in and to the Property.

"Owner Personnel" shall mean any partner, member, employee, volunteer, contractor, subcontractor, or agent of Owner or any other person under Owner's supervision and direction, including the contractors and subcontractors constructing the Project. Owner is responsible for the full compliance of all Owner Personnel with this Agreement and the Loan Agreement, including without limitation all labor standards applicable to the Project.

"Partnership Agreement" shall mean the Limited Partnership Agreement of Owner when the Owner is in the form of a limited partnership

"Project" shall mean the leasehold interest in the Property and the development on the Property of an 80-unit apartment project with landscaping, driveways, and related improvements, and all other required on-Property and off-Property improvements, with all improvements to be consistent with the development and building plans and permits approved by City. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property Manager" shall have the meaning ascribed in Section 6.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 6.3 of this Agreement.

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference.

"Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Unit(s)" shall mean the eighty (80) Affordable Units to be developed on the Property.

"Very Low Income" shall mean an income that does not exceed the limit for 50% of income level, for actual household size, as published by the CTCAC annually. If CTCAC no longer publishes this limit, the Developer shall calculate this limit based on the same methodology most recently used by CTCAC.

2. Development of the Project. Owner shall commence and complete development of the Project on the Property within the times and subject to the terms and conditions set forth in the Loan Agreement and the Ground Lease.

3. Term. The covenants set forth in this Agreement shall commence on the Effective Date and shall remain in effect until the date that is ninety-nine (99) years after the Effective Date (the "Term"). The "Affordability Term" shall commence on the Effective Date and shall remain in effect until the date that is the later of (a) the date that is fifty-five (55) years following the date of a certificate of occupancy has been issued for each building in the Project (or alternatively, the date that all building permits issued for the Project have obtained final inspection approval (as noted on each building permit card)), or (b) the date the City Loan and all amounts due under the Loan Agreement, City Note and Leasehold Deed of Trust have been paid in full. The "Extension Term" shall commence immediately after the end of the Affordability Term and end on the date that is ninety-nine (99) years after the Effective Date

4. Use; Affordability Covenants. Owner hereby covenants and agrees that the Property shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Owner shall devote the Property for use as an affordable residential rental complex with the Affordable Units to be rented to and occupied or held available for occupancy only by Eligible Tenants, at Affordable Rent in compliance with the Affordable Unit Mix during the Affordability Term and at Extension Rent in compliance with the Extension Mix during the Extension Term. Owner shall not permit the Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each Affordable Unit shall provide that it is to be used as the principal residence of the Affordable Unit's Eligible Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its Affordable Unit or its right of occupancy. Owner shall institute a program to ensure that the Affordable Units remain occupied by Eligible Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each Affordable Unit shall not exceed the occupancy permitted pursuant to the CTCAC in administering the low income housing tax credit programs. If CTCAC no longer publishes this limit, the Developer use the occupancy limits most recently used by CTCAC. The lease for each Affordable Unit shall include a provision limiting the number of persons permitted to occupy each Affordable Unit in accordance with this Section 4.3 and Owner shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible Tenant's occupancy of an Affordable Unit, Owner shall obtain an Income Computation and Certification Form (which may be the form used in connection with the CTCAC regulatory agreement, the form attached to this Agreement as Exhibit "B", or other form approved by the City Manager) from each such Eligible Tenant dated immediately prior to the date of initial occupancy of the Affordable Unit by such Eligible Tenant. In addition, Owner shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible Tenant at the appropriate income level to meet the Affordable Unit Mix or Extension Mix, as applicable, under this Agreement. Owner shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; (e) any documentation for income certification as permitted by CTCAC in administering the low income housing tax credit programs, and (f) such other information as may be requested by City to verify an applicant's income. Owner shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of three (3) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of an Affordable Unit by an Eligible Tenant, and on each anniversary date thereafter, or if preferred by Owner on the same cycle as income recertifications are required to be made to CTCAC each year, Owner shall recertify the income of such Eligible Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the Affordable Unit. During the Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the 100% income levels as published by CTCAC, or successor agency, such household will no longer qualify as an Eligible Tenant and to the extent then permitted by CTCAC, the occupants' lease shall not be renewed and said occupants shall be required to vacate the Affordable Unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Affordable Unit with the same bedroom mix of the over-income unit that is comparable to said unit in terms of size and features (a "Comparable Unit") shall be designated as an Affordable Unit at the income level necessary to meet the Affordable Unit Mix or Extension Mix, as applicable ; provided, however, that if a Comparable Unit is already occupied by an Eligible Tenant, such Comparable Unit may instead be designated as an Affordable Unit to cause the Project to be in compliance with the Affordable Unit Mix or Extension Mix, as applicable, as quickly as possible.

4.6 Affordable Rent. The rent for each Affordable Unit shall not exceed Affordable Rent for the applicable income level for the Affordable Unit to comply with the Affordable Unit Mix during the Affordability Term and shall not exceed the Extension Rent in compliance with the Extension Mix during the Extension Term. If the Eligible Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orange County Housing Authority for utilities and services.

It shall constitute a default for Owner to accept rent amounts from tenants in excess of the Affordable Rent or Extension Rent, as applicable. In the event that Owner receives such higher rental amounts from a tenant, in addition to any other remedy City shall have, Owner shall be required to repay each tenant the entire amount of rent received from the tenant in excess of the amount permitted pursuant to this Agreement.

4.7 Leasing Affordable Units. The Affordable Units shall be available for rental on a continuous basis and Owner shall not give preference to any particular class or group in renting Affordable Units, except to the extent that the Affordable Units are required to be rented to Eligible Tenants at designated income levels and except as provided in the next sentence. Owner shall maintain a list of persons who have applied for an Affordable Unit and, subject to the priority to be given to veterans to the extent permitted under applicable fair housing laws, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a Affordable Unit, Owner shall rent available Affordable Units to Eligible Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Owner shall use commercially reasonable efforts to lease Affordable Units that become available as quickly as possible. Owner shall market the Affordable Units to the citizens of the City of Irvine and veterans on a nonexclusive basis.

4.8 Lease. The form of the lease between Owner and each of the Eligible Tenants for the Affordable Units shall be approved by City prior to the rental or leasing of any of the Affordable Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement. The lease agreement shall obligate the Eligible Tenants to comply with the provisions set forth in Section 4 of this Agreement and an Eligible Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible Tenant shall include a provision to the effect that Owner has relied on the information provided by the Eligible Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible Tenant in determining qualification for occupancy of the applicable Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible Tenant as such and will be will be cause for immediate termination of such lease agreement

4.9 Monitoring. City shall monitor and evaluate Owner's performance under this Agreement to determine compliance with this Agreement. Owner shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the Affordable Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Owner's performance hereunder.

5. Operation of Project.

5.1 Occupants of Housing Facilities. To the extent permitted by applicable law, the leases with the tenants of the Affordable Units shall include a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Property shall be grounds for immediate termination of the tenant's right to reside within the Affordable Unit and City shall have the right to require that Owner enforce such provision.

5.2 No Discrimination. Owner shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, gender or sexual orientation, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall Owner for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

5.3 Maintenance of Property. For the entire Term, Owner shall maintain or cause to be maintained the Property and all improvements on the Property in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects

are not allowed to deteriorate due to substandard maintenance. In addition, Owner shall keep the Property free from all graffiti and any accumulation of debris or waste material. Owner shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Owner breaches any of the covenants contained in this Section 5.3, and such default continues for a period of thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition, then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to charge a fee to Owner 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Owner to City upon demand. City shall indemnify Owner for any damage caused to the Project or Property by such entry.

6. Management.

6.1 Property Manager. Owner shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Owner may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 6.1 ("Property Manager"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Advanced Property Services LLC is approved by the City as a Property Manager. Owner shall conduct due diligence and background evaluation of any potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Owner prior to submitting the name and qualifications of such proposed property manager to City for review and approval. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by a qualified Property Manager. The replacement of the Property Manager by Owner and/or the selection by Owner of any new or different Property Manager shall also be subject to the foregoing requirements. The City shall be deemed to have approved any proposed Property Manager within fifteen (15) after the submission of the proposed name and background information to City unless City disapproves a proposed property manager in writing within the fifteen (15)-day period.

6.2 On-Property Residential Manager. The Property Manager, or an employee or agent of Property Manager, shall reside full-time in a residential unit located within the Project, which unit shall be such person's only residence.

6.3 Property Management Plan. Prior to the completion of the Project, Owner shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("Property Management Plan"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Owner and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld, delayed or conditioned. The Property Management Plan or amendments thereto shall be deemed approved by the City within fifteen (15) days after the submission to the City of the proposed Property Management Plan or amendment thereto unless City disapproves such Property Management Plan in writing within the fifteen (15)-day period.

6.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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 removal of the Property Manager pursuant to Section 6.5 below. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 14.1;

(d) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts, and

(e) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project.

(f) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project;

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Owner is obligated and shall use its best 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 in Section 6.5 below. Owner shall include provisions of the requirements of this Agreement within any contract between Owner and its Property Manager for the Property.

6.5 **Removal of Property Manager.** In the event of "Gross Mismanagement" as defined in Section 6.4, the City may require the Owner change a management practice or replace the Property Manager and retain a different Property Manager, reasonably approved by the City. The City agrees that prior to requiring the Owner to change its Property Manager or the management practices the City shall informally consult with Owner, in an attempt to resolve the dispute. If the City determines that such an attempt at informal resolution has been unsuccessful, it shall give the Owner thirty (30) days written notice to change the Property Manager or practice, as the case may be. If Owner fails to do as requested by the City in the written notice, the City may then require the immediate change of the management practice or Property Manager, as the case may be. The management agreement shall provide that it is subject to termination by the Owner without penalty, upon thirty (30) days prior written notice. Within ten (10) business days following a direction of the City to replace the Property Manager after the process set forth in this Section 6.5, the Owner shall select another Property Manager or make other arrangements satisfactory to the City for continuing management of the Project. The Owner shall notify the City upon learning that there is a voluntary change in the management or control of the Property Manager, and, if the change is unsatisfactory to the City, the City shall be entitled to require the Owner to change the Property Manager in accordance with the terms of this Section 6.5.

7. **Code Enforcement.** Owner acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Affordable Units, both exterior and interior, at reasonable times and upon reasonable notice to Owner and/or an individual tenant. If such notice is provided by City or its representative(s) to Owner, then Owner (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Affordable Units of the Project to be made available and open for inspection. Owner shall include express advisement of such inspection rights within the lease agreements for each Affordable Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

8. **Records.** Owner shall maintain complete and accurate records pertaining to the Affordable Units for a period of three (3) years, and shall permit any duly authorized representative of City to inspect the books and records of Owner pertaining to the Affordable Units.

9. **Right to Inspect.** City shall have the right to inspect the Property and the Affordable Units for purposes of assuring compliance with this Agreement, during normal business hours.

10. Indemnification. Owner shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Property and the operation of the rental project thereon or Owner's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City, officers, officials, employees, volunteers, agents, and representatives.

11. Insurance. Upon completion of the Project and for the Term of this Agreement, Owner shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Owner and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 11.

11.1 Types of Insurance Policies. The insurance policies to be maintained by Owner upon completion of the Project and for the duration of the Term of this Agreement are as follows:

(a) Commercial General Liability insurance with respect to the Property and the operations of or on behalf of Owner, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) ("Index"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index ("CPI Adjustment"). Unless otherwise approved in advance by the City, the insurance to be provided by Owner may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

(b) With respect to the improvements and any fixtures and furnishings to be owned or leased by Owner on the Property, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

11.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage (10 days for non-payment of premiums). City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Owner hereunder. In no event shall the limits of any policy be considered as limiting the liability of Owner hereunder. In addition to the requirements set forth in Section 11.1, each insurance policy required to be carried by Owner pursuant to this Agreement:

(a) shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

(b) shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

(c) shall be "per occurrence" rather than "claims made" insurance;

(d) shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

(e) to the extent reasonably and commercially available, shall provide that the policy will not be cancelled by the insurer or Owner unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by mail, return receipt requested to City;

(f) shall be written by a California licensed insurer with a Best rating of not less than A:VII;

(g) shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

(h) shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

12. Repair of Damage. If any improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Owner shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Property and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Owner shall complete the same as soon as

possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement.

13. **Owner Ground Lease.** Owner shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease to not to cause a default thereunder. Owner shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Owner shall promptly give City notice of any defaults and default notices issued under the Ground Lease.

14. **Defaults and Remedies.**

14.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Owner's cure rights hereunder, the Owner's investor limited partner, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided, however if the non-monetary default is incapable of being cured within thirty (30) days. Owner's investor limited partner shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall accept any cure made by Owner's investor limited partner as if made by Owner.

14.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

15. Miscellaneous.

15.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the Loan Agreement and the agreements attached to the Loan Agreement. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of Owner and City.

15.2 Attorneys' Fees and Costs. If Owner or City commences an action against the other arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

15.3 Prohibition Against Assignment and Transfer by Owner. The qualifications and identity of Owner are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Owner and entered into this Agreement with Owner. Accordingly, except as expressly set forth herein, Owner shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project without the City's prior written approval.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 15.3 ("Permitted Transfers"):

(a) Permitted Encumbrances as defined in the Loan Agreement;

(b) a conveyance of the leasehold interest or fee interest in the Property resulting from the foreclosure of a Permitted Encumbrances (or an assignment, new lease or deed-in-lieu of such a foreclosure);

(c) the transfer of this Agreement, the leasehold interest in the Property or Project by the Owner to a to-be-formed limited partnership in which at least two members of the Owner or their affiliates serve as general partners or form a new entity to serve as a general partner ("Partnership");

(d) any transfer of equity in the Owner that does not change management or operational control of the Project other than to permit the admittance of an affiliate of Innovative Housing Opportunities, Inc. as the managing general partner of the Partnership;

(e) the lease of the Units consistent with this Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by the City, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Owner did at the date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Owner or an affiliate of one of the general partners the Owner at the end of the tax credit compliance period for the Project; and

(i) any dilution of a general partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement.

Owner shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Owner of its interest in the Property and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Owner's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No transfer, excluding Permitted Transfers, shall be effective as to City unless and until the proposed assignee and Owner execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the City Manager and legal counsel for City.

15.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto), except to the Irvine Community Land Trust, without Owner's prior written approval, which shall not be unreasonably withheld.

15.5 Compliance with Laws and Regulations. Owner shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction. Owner shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Owner of any applicable local, state and/or federal law.

15.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

15.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

15.8 Notices. Formal notices, demands, and communications between City and Owner shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine One Civic Center Plaza PO Box 19575 Irvine, CA 92623-9575 Attn: City Manager Email:
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd, Suite 1400 Costa Mesa, CA 92626 Attn: William H. Ihrke, Esq. Email: bihrke@rutan.com
With a copy to:	City of Irvine Community Development Department Housing Division One Civic Center Plaza Irvine, CA 92623 Attn: Housing Administrator Email:
To Owner:	17275 Derian LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attention: Todd Cottle Email: todd@e-cdev.com
With a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins Email: lhutchins@goldfarblipman.com

And with a copy to: Owner's investor limited partner and its counsel provided Owner has given written notice to City of such names and addresses

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day; not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

15.9 Covenants Run with the Land. This Agreement shall be binding on Owner's successors in interest in the leasehold interest in the Property until the expiration of the Term. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the leasehold interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns; shall be binding upon Owner, its successors and assigns and successors in interest; and may be enforced by Owner and its successors and assigns. Owner hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Owner hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the Term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Owner's leasehold interest in the Property and not the fee interest.

15.10 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements have been or will be recorded against the Property, imposing income restrictions on the tenants of the Affordable Units and limiting the amount of rent that may be charged, which agreements include:

(a) Density Bonus Housing Agreement executed by the City and 17275 Derian, LLC, a California limited liability company ("DBHA").

(b) Regulatory Agreement and Declaration of Covenants and Restrictions executed by the City and Owner in connection with the DBHA.

(c) Regulatory Agreement between CTCAC and the Owner.

Owner shall comply with the most restrictive terms of such agreements. Declarant acknowledges that to effectuate the foregoing the actual rent paid by Eligible Tenants to Owner may be less than the Affordable Rent or Extension Rent, as applicable, amounts set forth in this Agreement.

15.11 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, City and Owner have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

CITY:

ATTEST:

CITY OF IRVINE, a California municipal corporation

_____
City Clerk

By: _____
Sean Joyce, City Manager

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney

"OWNER"

17275 DERIAN, LLC, a California limited liability company

By: _____
Todd R. Cottle, Member

ATTACH NOTARY ACKNOWLEDGEMENTS

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

1603\16\1646182.3

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

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

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

WITNESS my hand and official seal.

_____
Name: _____
Notary Public

1603\16\1646182.3

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Owner's leasehold interest in the real property described below:

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No. 010-23045136-TC1

LEGAL DESCRIPTION

EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

EXHIBIT "B"
INCOME CERTIFICATION FORM

[Attached]

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _____

Effective Date: _____
Move-in Date: _____
(MM/DD/YYYY)

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____

Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YY YY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			$	$

Enter Column (H) Total If over $5000 $ _____ Passbook Rate X 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J. imputed income ASSETS (K) TOTAL INCOME FROM $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the

1603\16\1646182.3

landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ _____ _____ _____

Signature *(Date)* Signature *(Date)*

PART V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY:

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES From item (L) on page 1 $

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ ____%

Current Income Limit x 140%: $

Household Income exceeds 140% at recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $

Household Income at Move-in: $

Household Size at Move-in:

PART VI. RENT

Tenant Paid Rent $

Utility Allowance $

Rent Assistance $

Other non-optional charges: $

GROSS RENT FOR UNIT (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:
☐ 60% ☐ 50% ☐ 40% ☐ 30% ☐ ____%

Maximum Rent Limit for this unit: $

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS? explanation*

☐ yes ☐ no

If yes, Enter student (also attach documentation)

Ente r 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

1603\16\1646182 3

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. ____ ☐ *(Name of Program)*
See Part V above	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF Owner/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF Owner/REPRESENTATIVE DATE

INSTRUCTIONS FOR COMPLETING
TENANT INCOME CERTIFICATION

This form is to be completed by the Owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609)
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

Column (B) — Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.

Column (C) — Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)

Column (D) — Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.

Row (E) — Add the totals from columns (A) through (D), above. Enter this amount

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F) — List the type of asset (i.e., checking account, savings account, etc.)

Column (G) — Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).

Column (H) — Enter the cash value of the respective asset.

Column (I) — Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).

TOTALS — Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income

Row (K) — Enter the greater of the total in Column (I) or (J)

Row (L) — Total Annual Household Income From all Sources — Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification

Part V - Determination of Income Eligibility

Total Annual Household Income from all Sources — Enter the number from item (L).

Current Income Limit per Family Size — Enter the Current Move-in Income Limit for the household size.

Household income at move-in Household size at move-in	For recertifications only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the Owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - Student Status

If all household members are full time* students, check "yes". If at least one household member is not a full time student, check "no".

If "yes" is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

**Full time is determined by the school the student attends.*

Part VIII - Program Type

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit See Part V above.

HOME If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.

Tax Exempt If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.

1603\16\1646182.3

AHDP If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.

Other If the property participates in any other affordable housing program, complete the information as appropriate.

SIGNATURE OF Owner/REPRESENTATIVE

It is the responsibility of the Owner or the Owner's representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.
These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the Owner of the building(s) for which the credit is allowable

BN 15125155v2

CONTRACTS
SCAN SHEET

CONTRACT NUMBER:	9075
CONTRACT TYPE:	AGREEMENT
DEPARTMENT: Department initiating contract	COMMUNITY DEVELOPMENT
CONTRACT DATE: As stated in the Terms sections of contract	03/07/2016
EXPIRATION DATE: As stated in the Terms sections of contract	
MEETING DATE: Date of meeting where contract was approved	
ITEM NUMBER: Item number of meeting where contract was approved	
CONTRACT AMOUNT: As stated in Budget section of contract	NOT TO EXCEED 603,848.00
CONTRACT NAME: As stated in first paragraph of contract	17275 DERIAN, LP
CONTRACT SUBJECT: As stated in Description of Services section of contract	AFFORDABLE HOUSING AND LOAN AGREEMENT (HOME FUNDS); CROSS REFERENCE CONTRACTS 9081, 1499 (DEED), 9076, 9077, 9078

ORIGINAL

AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

17275 DERIAN, LP,
a California limited partnership

TABLE OF CONTENTS

		Page
1.	DEFINITIONS	3
2.	CITY HOME LOAN	8
2.1	Amount and Source of City HOME Loan	8
2.2	Permissible Use of City HOME Loan; Eligible Loan Expenses	8
2.3	City HOME Loan Funding Conditions	8
2.4	Disbursement of City HOME Loan	10
2.5	[reserved]	10
2.6	Repayment of City HOME Loan; Leasehold Deed of Trust	10
2.7	Execution and Delivery of Documents	10
3.	GROUND LEASE AND DEVELOPMENT OF THE PROJECT	11
3.1	Leasehold Interest in Property	11
3.2	Scope of Development	11
3.3	Development Approvals and Permits	11
3.4	Construction Contract	11
3.5	Third Party Contracts	11
3.6	No Debarred, Suspended, or Ineligible Parties	12
3.7	Construction Meeting	12
3.8	Schedule of Performance	12
3.9	Rights of Inspection	13
3.10	Insurance	13
3.11	Financing the Project	15
4.	USE OF THE PROPERTY; PROGRAM ACTIVITIES	16
4.1	General	16
4.2	Ground Lease	16
4.3	Program Activities	16
4.4	Management	17
4.5	Drug Free Covenant	17
4.6	Program Defaults	17
4.7	Occupants of Housing Facilities	17
4.8	Monitoring	18
4.9	Compliance with Laws and Regulations and HOME Requirements	18
4.10	Program Income	18
4.11	Relocation	19
4.12	Affordability Covenants	19
4.13	Indemnification	19
4.14	Extended Use Agreement	19
5.	RECORDS AND REPORTS	19
5.1	Records	19
5.2	Reports	20

Page

6. TERMINATION 21
   6.1 Termination 21
   6.2 Obligations Survive Termination 21

7. DEFAULTS AND REMEDIES 22
   7.1 Defaults-General 22
   7.2 Remedies Upon Default 23
   7.3 Institution of Legal Actions and Venue 24
   7.4 Applicable Law 24
   7.5 Rights and Remedies are Cumulative 24
   7.6 Attorney's Fees 24

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 25

9. GENERAL PROVISIONS 25
   9.1 Notices, Demands, and Communications Between the Parties 25
   9.2 Nonliability of City Officials and Employees 27
   9.3 Enforced Delay; Extension of Times of Performance 27
   9.4 Inspection of Books and Records 27
   9.5 Interpretation 27
   9.6 Entire Agreement, Waivers and Amendments 27
   9.7 Severability 28
   9.8 Restriction on Transfer of Developer's Rights and Obligations 28
   9.9 Prohibition Against Assignment and Transfer by City 29
   9.10 Third Party Beneficiaries 29
   9.11 Authority to Execute Agreement 30
   9.12 Contract Administration and Approvals 30
   9.13 Covenants to Run with the Land 30
   9.14 Time of the Essence 31
   9.15 Counterparts 31
   9.16 Attachments 31

EXHIBITS

1 Legal Description of Property
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 HOME Loan Promissory Note Secured by Leasehold Deed of Trust
6 HOME Loan Leasehold Deed of Trust with Assignment of Rents
7 HOME Loan Regulatory Agreement and Declaration of Covenants and Restrictions
8 Memorandum of Affordable Housing and Loan Agreement (HOME Funds)

AFFORDABLE HOUSING AND LOAN AGREEMENT

(Home Funds)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 1st day of March, 2016, by and between the CITY OF IRVINE, a California municipal corporation (the "**City**"), and 17275 DERIAN, LP, a California limited partnership ("**Developer**").

RECITALS

A. City participates in the HOME Investment Partnership Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

B. Pursuant to the HOME Investment Partnership Act program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. As part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer in the amount of the City HOME Loan (defined below).

C. Developer has acquired a leasehold interest in that certain real property located in the City of Irvine, California located at 17275 Derian Avenue ("**Property**") for the development, construction, ground leasehold ownership and operation of a multi-family housing project consisting of 80 units, common areas, and other amenities on the Property ("**Project**") pursuant to that certain Affordable Housing Land Disposition, Loan and Development Agreement by and between the City of Irvine, a municipal corporation ("**City**"), Lennar Central Park, LLC, a Delaware limited liability company ("**Lennar**") and 17275 Derian LLC, a California limited liability company ("**Derian LLC**"), dated as of February 10, 2015, with all attachments and exhibits thereto, and as amended from time to time ("**Affordable Housing Agreement**"). Derian LLC's rights, interests and obligations under the Affordable Housing Agreement were assigned to Developer as an approved successor under the Affordable Housing Agreement pursuant to that certain Assignment and Assumption Agreement (AHLDLDA) between Derian LLC and Developer, dated as of March 1, 2016.

D. City and Derian LLC entered into that certain Density Bonus Housing Agreement, dated as of March 27, 2015 and recorded on the Property as Document No. 2015000157915 on March 27, 2015, as may be amended from time to time ("**Density Bonus Agreement**"). Pursuant to the Density Bonus Agreement, Derian LLC and City entered into that certain Regulatory Agreement and Declaration of Covenants and Restrictions, dated as of December 16, 2015 and recorded on the Property as Document No. 2016000008376 on January 8, 2016, as may be amended from time to time ("**Density Bonus Regulatory Agreement**") to ensure the Property and the Project are used for the intended purpose of providing rent restricted housing available to low and very low income individuals and families. Derian LLC's rights, interests and obligations under the Density Bonus Agreement and the Density Bonus Regulatory Agreement were assigned to the Developer as an approved successor under the Density Bonus Agreement and Density Bonus Regulatory Agreement pursuant to that certain Assignment and Assumption

Agreement (Density Bonus Documents) between Derian LLC and Developer, dated as of March 1, 2016.

E. Pursuant to the Affordable Housing Agreement, Derian LLC and Land Trust entered into that certain Ground Lease, dated as March 27, 2015, as may be amended from time to time, which was memorialized by a Memorandum of Ground Lease recorded on the Property as Document No. 2015000157914 on March 27, 2015, as may be amended from time to time (collectively, "**Ground Lease**"). Derian LLC's rights, interests and obligations under the Ground Lease were assigned to Developer as an approved successor under the Ground Lease pursuant to that certain Assignment and Assumption Agreement between Derian LLC and Developer (Ground Lease), dated as of March 1, 2016.

F. Pursuant to the Affordable Housing Agreement, Developer executed that certain Promissory Note Secured by Leasehold Deed of Trust, dated March 27, 2015, in the amount of $1,533,755, as may be amended from time to time ("**City Loan Promissory Note**"), which constituted the "City Loan" for purposes identified in the Affordable Housing Agreement. The City Loan in the amount of $1,533,775 is secured by that certain Leasehold Deed of Trust with Assignment of Rents (City Loan) dated as of March 27, 2015 and recorded on the Property as Document No. 2015000157917 on March 27, 2015, as may be amended from time to time ("**City Loan Leasehold Deed of Trust**"), and pursuant to the Affordable Housing Agreement, Derian LLC and the City entered into that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City Loan) dated as of March 27, 2015 and recorded on the Property as Document No. 2015000157918 on March 27, 2015, as may be amended from time to time ("**City Loan Regulatory Agreement**") to ensure the Property and the Project are used for the intended purpose of providing rent restricted housing available to low and very low income individuals and families. Derian LLC's rights, interests and obligations under the City Loan Promissory Note, City Loan Leasehold Deed of Trust, and City Loan Regulatory Agreement were assigned to Developer as an approved successor under the Regulatory Agreement pursuant to that certain Assignment and Assumption Agreement between Derian LLC and Developer (City Loan Documents), dated as of March 1, 2016. The "City Loan" described in this Recital is separate and distinct, and governed under separate documents, from the "City HOME Loan" governed by this Agreement. All City-funded loans as described in those agreement and this Agreement, however, are for the Project.

G. Seventy-nine (79) units (80 units excluding one management unit) in the Project will be income and rent restricted such that the units will be affordable to low and very low income individuals and families ("**Income Restricted Units**").

H. City desires to assist with certain costs attributable to four (4) of the Project units by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in the amount not to exceed Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00) ("**City HOME Loan**"), on the terms set forth in this Agreement.

I. The Project will be subject to certain affordability covenants requiring that the HOME Units and certain other residential units be rented to income eligible households at an affordable rent.

J. The development and operation of the Project on Developer's leasehold interest in the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals, which are a substantive part of and incorporated into this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Housing Agreement" shall have the meaning set forth in Recital C above.

"Affordable Rent" shall have the meaning ascribed in the City HOME Loan Regulatory Agreement.

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/developer for disbursements of HOME Funds.

"Bank Loan Funds" shall mean the construction loan amount not to exceed $22,270,333, as specified in the Construction and Permanent Loan Agreement, dated as of March 1, 2016, by and between Developer and Bank of America, N.A., and the permanent loan amount in the estimated amount of $4,836,800, as specified in the Loan Purchase Agreement, among California Community Reinvestment Corporation, Bank of America, N.A., and Developer, dated March 1, 2016.

"Bank Loan Deed of Trust" shall mean a recorded deed(s) of trust securing the loan(s) of the Bank Loan Funds.

"Bank Loan Ground Lease Nondisturbance Agreement" shall mean that certain ground lease nondistrubance agreement, of or about even date as the Construction and Permanent Loan Agreement between Developer and Bank of America, N.A., by Land Trust and Developer in favor of Bank of America, N.A.

"Bank Loan Subordination Agreement" shall mean that certain subordination agreement, of or about even date as the Construction and Permanent Loan Agreement between Developer and Bank of America, by and among Bank of America, N.A., City, and Developer.

"Business day" shall mean every day of the week for which City Hall for the City of Irvine is open to the public.

"CCRC Deed of Trust" shall mean a delivery assurance deed of trust recorded to secure the Developer's commitment to accept the permanent loan from California Community Reinvestment Corporation as described in the Loan Purchase Agreement among California Community Reinvestment Corporation, Bank of America, N.A., and Developer, dated March 1, 2016.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Attorney" shall mean the Irvine City Attorney or any authorized designee of the City Attorney's office.

"City HOME Loan" shall have the meaning set forth in Recital H above.

"City HOME Loan Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) to be entered into between City and Developer in such form attached to this Agreement, which agreement will be recorded against Developer's leasehold interest in the Property prior to the closing of the Construction Escrow and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Property in connection with the City HOME Loan.

"City HOME Loan Note" shall mean the Promissory Note Secured by Leasehold Deed of Trust, in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City HOME Loan to City.

"City HOME Loan Title Policy" shall have the meaning set forth in Section 2.3 of this Agreement.

"City Loan" shall have the meaning set forth in Recital F above.

"City Loan Regulatory Agreement" shall have the meaning set forth in Recital F above.

"Construction Completion Date" shall have the meaning set forth in Section 9.13 of this Agreement.

"Construction Escrow" shall mean the escrow to be opened with the Escrow Holder for the closing of the construction financing for the Project.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager of City to administer this Agreement.

"County" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"Developer" shall mean 17275 Derian, LP, a California limited partnership, having its offices at 14211 Yorba Street, Suite 200, Tustin, CA 92780. The term "Developer" includes any

legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"Developer Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Developer Representative" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Todd Cottle is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"Effective Date" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"Eligible HOME Loan Expenses" shall mean the development costs approved by City and consistent with HOME Requirements, that are payable at, or incurred as of, the closing of the Construction Escrow and attributable to the four (4) HOME Units.

"Eligible HOME Unit Tenant" shall mean a tenant of one of the HOME Units within the Project who is an Eligible Tenant the particular HOME Unit as set forth in the HOME Unit Mix.

"Eligible Tenant" shall mean a tenant of one of the Residential Units (other than the HOME Units) within the Project whose household income as of the commencement date of his or her occupancy does not exceed the income limit and any other eligibility requirements permitted for the particular Residential Unit, pursuant to any applicable regulation or agreement, and thereafter meets all income limits and other eligibility requirements.

"Escrow Holder" shall mean Fidelity National Title Company, the escrow company responsible for the Construction Escrow.

"Extended Use Agreement" shall have the meaning set forth in Section 4.13 of this Agreement.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing the City HOME Loan to Developer.

"Funding Conditions Satisfaction Date" shall mean the date on which all of the Funding Conditions are actually satisfied.

"Ground Lease" shall have the meaning set forth in Recital E above.

"Hold Back Amount" shall have the meaning is Section 2.4 of this Agreement.

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Loan Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City HOME Loan Note.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

1 two-bedroom unit shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

1 one-bedroom unit, 1 two-bedroom unit, and 1 three-bedroom unit shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

"HOME Units" shall mean four (4) units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 79 Income Restricted Units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Developer to the Project or the Construction Completion Date, whichever is later, Developer shall deliver to City the unit numbers (addresses) that comprise the 4 HOME Units, in a format mutually agreed upon by City and Developer. Developer shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the 4 HOME Units if Developer changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

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

"Income Restricted Units" shall mean the meaning set forth in Recital G above.

"Insurance Approval Date" shall have the meaning set forth in Section 3.10 of this Agreement.

"Investor" shall have the meaning set forth in Section 7.2 of this Agreement.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements. Upon request by Developer, City shall provide to Developer the amount of the Median Income.

"Memorandum" shall mean the Memorandum of Affordable Housing and Loan Agreement substantially in the form attached hereto as Attachment No. 8.

"Occupants" shall have the meaning set forth in Section 4.7 of this Agreement.

"Performance Report" shall have the meaning set forth in Section 5.2.1 of this Agreement.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement and the City HOME Loan Regulatory Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement and the HOME Requirements that Developer is required to perform.

"Program Default" shall have the meaning set forth in Section 4.6 of this Agreement.

"Project" shall have the meaning set forth in Recital C above, which shall include landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The Project shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants, and the HOME Units shall be available and occupied by Eligible HOME Unit Tenants and shall be in compliance with the HOME Unit Mix and the City HOME Loan Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the Project set forth in Attachment No. 4 to this Agreement, which is incorporated herein by this reference. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference.

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Regulatory Agreement" shall mean the City HOME Loan Regulatory Agreement and Declaration of Covenants and Restrictions substantially in the form attached hereto as Attachment No. 7.

"Residential Unit(s)" shall mean the eighty (80) residential units to be developed on the Property. The Residential Units shall include the HOME Units, to be comprised of the HOME Unit Mix.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Title Company" shall have the meaning set forth in Section 2.3 of this Agreement.

2. CITY HOME LOAN.

2.1 Amount and Source of City HOME Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible HOME Loan Expenses in the form of a loan not to exceed the sum of Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00). The source of the City HOME Loan is HOME Funds.

2.2 Permissible Use of City HOME Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City HOME Loan proceeds only for the Eligible HOME Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City HOME Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City HOME Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* Fidelity National Title Company or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City HOME Loan Title Policy**"), with liability in the amount of the City HOME Loan, showing the leasehold interest in the Property vested in Developer, insuring in favor of City the HOME Loan Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; (iii) easement and reservations required by the City for the construction of the Project; (iv) the Ground Lease, the Density Bonus Agreement, the Density Bonus Regulatory Agreement, the City Loan Leasehold Deed of Trust, the City

Loan Regulatory Agreement, the HOME Loan Leasehold Deed of Trust, the City HOME Loan Regulatory Agreement, the Memorandum, the Bank Loan Deed of Trust, the Bank Loan Ground Lease Nondisturbance Agreement and the Bank Loan Subordination Agreement required to be recorded in connection with the loan of Bank Loan Funds, and the CCRC Deed of Trust, and (v) such other matters as may be approved by City in its reasonable discretion. Developer shall pay the premium for the City HOME Loan Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.10 of this Agreement.

(d) *Plans and Permits.* Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financing.* City shall have approved Developer's evidence of financing in accordance with Section 3.11.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Ground Lease.* The Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance by Developer thereunder and the fulfillment of the Ground Lease and Developer's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(g) *Other Agreements.* There is, or with the passage of time, shall be no default by the Developer under the Affordable Housing Agreement, City Loan Promissory Note, City Loan Leasehold Deed of Trust, City Loan Regulatory Agreement, or Density Bonus Agreement.

(h) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(i) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(j) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(k) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City HOME Loan.

In the event that any of the Funding Conditions are not satisfied on or before March 21, 2016, or such later deadline as may be mutually approved in writing by City and Developer in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

2.4 Disbursement of City HOME Loan. Provided Developer is not in default of this Agreement, the City HOME Loan, less the final hold back amount of $25,000 ("**Hold Back Amount**"), shall be deposited into the Construction Escrow, and upon the satisfaction of all of the Funding Conditions, the City shall instruct the Escrow Holder to disburse the City HOME Loan proceeds (other than the Hold Back Amount) to the Developer to pay soft costs and impact and permit fees that qualify as the Eligible HOME Loan Expenses in the first disbursement upon close of the Construction Escrow. Disbursement of the City HOME Loan to Developer shall be made in more than one draw. Developer shall not request disbursement from the City for the final draw in the Hold Back Amount until Developer is prepared to be able to provide City within 120 days thereafter with such project completion information as is required by 24 CFR 92.502(d)(1). In the event the Eligible HOME Loan Expenses are not incurred by Developer within fifteen (15) days after City's deposit of the City HOME Loan proceeds (less the Hold Back Amount), or such longer time as City approves in its reasonable discretion, City shall have the right to require that Developer return the City HOME Loan proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City HOME Loan proceeds were improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements.

2.5 [reserved].

2.6 Repayment of City HOME Loan; Leasehold Deed of Trust. Developer's obligation to repay the City HOME Loan shall be as set forth in the City HOME Loan Note. The City HOME Loan Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Property. Developer's obligation to repay the City HOME Loan will be secured by the HOME Loan Leasehold Deed of Trust. The HOME Loan Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the HOME Loan Leasehold Deed of Trust.

2.7 Execution and Delivery of Documents. No later than the date that is five (5) days prior to the anticipated closing date of the Construction Escrow, or such later date as approved by City, Developer shall deliver to City the following documents to be held by City in trust until the Funding Conditions Satisfaction Date or deposited into the Construction Escrow with the approval of City: (a) the City HOME Loan Note, executed by Developer; (b) the HOME Loan Leasehold Deed of Trust, executed and acknowledged by Developer; (c) the City HOME Loan Regulatory Agreement, executed and acknowledged by Developer; and (d) the Memorandum, executed and acknowledged by Developer. Within ten (10) days after the Funding Conditions Satisfaction Date but no later than the date that is five (5) days prior to the anticipated closing date of the Construction Escrow, and prior to City's disbursement of any City HOME Loan proceeds to Developer, City shall execute the City HOME Loan Regulatory Agreement and the Memorandum, and shall cause the City HOME Loan Regulatory Agreement, the Memorandum, and the HOME Loan Leasehold Deed of Trust to be recorded in the Official Records of Orange

County, California. In the event the Funding Conditions are not satisfied and this Agreement is terminated pursuant to Section 2.3, City shall return to Developer the documents delivered by Developer to City pursuant to this Section.

3. GROUND LEASE AND DEVELOPMENT OF THE PROJECT.

3.1 Leasehold Interest in Property. The Property is currently owned by the Land Trust, and is subject to the Ground Lease. Developer shall keep City informed of the status of the Option to Ground Lease, including any amendment thereto or termination thereof. City shall have the right to approve the form of any amendment to the Ground Lease before it is executed for the limited purpose of confirming that terms and conditions of this Agreement are satisfied. Upon execution of any amendment to the Ground Lease by Developer and Land Trust, Developer shall deliver a copy of the executed amendment to City.

3.2 Scope of Development. Developer shall develop the Project on the Property in strict accordance with the plans and drawings approved by City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Property, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract. Developer acknowledges that the requirements of Section 3.5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and requirements. If applicable to the Project and not exempt from HOME Requirements, Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination.

3.5 Third Party Contracts. If Developer enters into any agreements ("**Third Party Contracts**") with contractor(s) for the construction of the Project ("**Other Contracting Party**"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Property for purposes of this Agreement and evaluating Developer's

performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the agreement upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third Party Contract if such default occurs. If Developer believes that any of the HOME Requirements are not applicable to a Third Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion, but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third Party Contracts.

3.6 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.7 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this section may be satisfied by a regular monthly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.8 Schedule of Performance.

(a) Subject to subsection (b) below and the force majeure provisions of Section 9.3 of this Agreement, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive business days, except when due to causes beyond the control and without the fault of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City. During the course of

construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

(b) In the event that the Funding Conditions are not satisfied by the time for performance identified as Item #4 in the Schedule of Performance because (i) Developer was unable to close the Construction Escrow by such date due to the unavailability of all financing specific to the construction of the Project as approved by the City, and (ii) the inability of Developer to close the Construction Escrow was not caused by Developer's failure to diligently pursue such financing, then the Contract Officer may extend the times for performance in the Schedule of Performance according to the following: (a) the Funding Conditions (Item #4 in the Schedule of Performance) shall be satisfied, and the Construction Escrow shall close no event later than March 21, 2016, unless a later deadline is mutually approved by the Developer and City; and (b) Developer shall commence or cause the commencement of the grading of the Property and the construction of the vertical improvements for the Project (Items #7 & #8 in the Schedule of Performance) no later than two (2) months after the close of the Construction Escrow. Except as provided in this subsection (b), the times for performance shall remain as set forth in the Schedule of Performance. The Contract Officer may not unreasonably withhold his/her approval of any requested extension of Items #4, #7 and #8 as contemplated by this Section 3.8(b); provided, however, in the event the Contract Officer does not extend such time for performance, then Developer or the City may terminate this Agreement (and all related documents) by written notice delivered to the other party, and any funds disbursed to Developer shall be returned to the City without any further liability of Developer or the City.

3.9 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.9 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.10 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance.* A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of One Million Dollars ($1,000,000) or its equivalent.

(b) *Worker's Compensation Insurance.* A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California if Developer has employees.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance.* Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Five Hundred Thousand Dollars ($500,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.10 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the City HOME Loan Regulatory Agreement.

Developer agrees that the provisions of this Section 3.10 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. No later than the Insurance Approval Date, Developer shall provide evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtain approval thereof from the Contract Officer, which approval shall not be unreasonably withheld or delayed and may be waived in Contract Officer's sole and absolute discretion. As used herein, the term "**Insurance Approval Date**" shall mean the date that is the date that is five (5) days prior to the anticipated

closing date of the Construction Escrow. City's approval of Developer's insurance is a Funding Condition.

3.11 Financing the Project.

3.11.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City HOME Loan pursuant to Section 2 of this Agreement, and the City Loan pursuant to the Affordable Housing Agreement, Developer shall be responsible for all costs of developing the Project, including but not limited to: Predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Property requiring removal; relocation expenses payable to existing occupants of the Property; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; legal fees and any necessary public improvements not already provided to the Property under the Project.

3.11.2 Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Property in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City and the mortgage or encumbrance (deed of trust) complies with one of the following: (a) a deed of trust(s) that secures the Bank Loan Funds and the CCRC Deed of Trust; or (b) a deed of trust securing financing for the development and operation of the Project for which the cumulative amount of the loans encumbering the Property does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("**Permitted Encumbrances**").

3.11.3 Evidence of Financial Capability. No later than the date that is five (5) days prior to the anticipated closing date of the Construction Escrow, Developer shall submit to City evidence reasonably satisfactory to City that Developer has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall include the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.11.4 Subordination. The City Manager of City and the Community Development Director or their respective designees each shall have the authority on behalf of City to enter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the HOME Loan Leasehold Deed of Trust to the priority lien(s) (deeds of trust) securing the Bank Loan Funds and the City Loan by subordination agreements approved in form by City in its reasonable discretion. City shall also subordinate the City HOME Loan Regulatory Agreement to the Bank Loan Funds provided the Land Trust's fee interest in the Property remains senior. The Land Trust's fee interest in the Property shall be senior to all liens (deeds of trust) securing financing for the Project and shall continue to apply to the Project and the Property in the event of a foreclosure (or deed in lieu thereof) by any lienholder.

4. USE OF THE PROPERTY; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Property as a rental housing project in accordance with the provisions of this Agreement and the City HOME Loan Regulatory Agreement, consistent with the HOME Requirements. The City HOME Loan Regulatory Agreement contains provisions requiring the units on the Property be maintained as affordable rental units for a period of twenty (20) years.

4.2 Ground Lease. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Developer shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its reasonable discretion. Developer shall provide to City notice of any defaults or notices of default under the Ground Lease.

4.3 Program Activities. Developer shall operate the Program and perform all Program Activities in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Developer shall operate the Program and perform the Program Activities in compliance with the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein. In addition to the reports referred to in Section 5.2, Developer shall, if requested by City, provide to City quarterly written reports on the

progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct that is not in compliance with Section 4.6 or knowingly allows such conduct to occur at the Property or by Developer Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Developer immediately replace such manager or supervisor for the Program.

4.5 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Property. Developer covenants to City that Developer shall use its best efforts pursuant to Section 4.7 of this Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by City law.

4.6 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use best efforts in violation of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.8 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.9 Compliance with Laws and Regulations and HOME Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and, if applicable to the Project, all federal and state fair labor standards and prevailing wage requirements. Because the source of the City HOME Loan is funds received from HUD pursuant to the federal government's HOME program, Developer is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the California Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement.

4.10 Program Income. Developer shall submit to City annual reports as set forth in Section 5.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of

the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.11 Relocation. City shall not be responsible for relocating any occupants from the Property to the extent any occupants are located on the Property. If relocation is required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.10.

4.12 Affordability Covenants. Developer acknowledges and agrees that the Income Restricted Units on the Property will be required to be maintained as affordable rental units in accordance with the City HOME Loan Regulatory Agreement.

4.13 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Property including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.14 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which will be recorded against the Property. City acknowledges that, in the event of a foreclosure of its interest under the HOME Loan Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the HOME Requirements, records demonstrating the eligibility of the activities constituting the Eligible HOME Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements, to identify and account for the use of the City HOME Loan proceeds and

expenditures of Eligible HOME Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible HOME Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD, the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Reports During and Post-Construction. No later than fifteen (15) days after the end of each Quarter prior to the Construction Completion Date, and no later than thirty (30) days after the end of each calendar year after the Construction Completion Date, Developer shall submit to City, for the duration of the term of this Agreement, the following reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter or calendar year, as applicable ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter or calendar year (as applicable), progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy obligations and meet objectives sooner or at less cost than anticipated or

producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income.* A report on the program income generated for the Quarter or calendar year (as applicable), if any, as more fully explained in Section 4.10 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with applicable HOME Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(i) *Lack of Funding.* If, for any reason beyond the control of City, the HOME Funds required by City to fund the Eligible HOME Loan Expenses are withdrawn from City by HUD, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Developer. This subdivision shall not be applicable after the date the City has disbursed to Developer (i) the funds for the City HOME Loan or (ii) City obtains, at City's election and in its sole discretion, another source of funds acceptable to Developer, in Developer's sole discretion.

(ii) *Default.* If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(iii) *Failure to Receive Environmental Clearance.* In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(iv) *Termination for Convenience.* This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City HOME Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other

obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Property, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program Default.

(g) Subject to the notice and cure provisions in Subsection (c) above, any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding

is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default by Developer of the Affordable Housing Agreement, City Loan Promissory Note, City Loan Leasehold Deed of Trust, City Loan Regulatory Agreement, or Density Bonus Agreement, after expiration of any notice and cure periods in the applicable agreement(s).

(k) Developer shall default under the Ground Lease and such default is not cured within any notice and cure period expressly provided in the Ground Lease.

(l) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(i) Wholly or partially suspend or terminate this Agreement.

(ii) Withhold further awards for the Project, including further disbursements of the City HOME Loan.

(iii) Require Developer to repay the City HOME Loan funds.

(iv) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City HOME Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other

than a default of City), City may temporarily withhold disbursements of City HOME Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, NEF Assignment Corporation, as nominee, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Developer shall have the obligation to deliver to City written notice of any change in the Investor's mailing address from the address set forth in Section 9.1 for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Developer, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions and Venue. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

7.4 Applicable Law. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other

reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults.* Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation.* There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail,

certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to::

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: William H. (Bill) Ihrke, Esq. Email: bihrke@rutan.com
To Developer:	17275 Derian LP 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd Cottle Email: todd@c-cdev.com and IHO Derian LLC 19772 MacArthur Blvd, Suite 110 Irvine, CA 92612 Attn: Chief Executive Officer Email: pwhitaker@InnovativeHousing.com
With a copy to:	Goldfarb & Lipman, LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attn: Lynn Hutchins, Esq. Email: lhutchins@goldfarblipman.com
With a copy to:	NEF Assignment Corporation, as nominee 10 South Riverside Plaza Suite 1700 Chicago, Illinois 60606

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of

delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Property and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City HOME Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities

of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Director of Community Development for the City of Irvine or designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Restriction on Transfer of Developer's Rights and Obligations. Developer shall not sell, assign, transfer, mortgage, lease, hypothecate, or convey (collectively, a "Transfer") the leasehold interest in Property, or any part thereof or any of Developer's rights or obligations hereunder without the City's prior written consent, which consent may be granted or withheld in the City's or City Assign's reasonable discretion except for the following ("**Permitted Transfers**"):

(a) Permitted Encumbrances;

(b) a conveyance of the Developer's leasehold interest in the Property under the Ground Lease and/or the Developer's interest in the fee interest in the improvements thereon resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) the transfer of the Developer's interest in this Agreement, the Developer's leasehold interest in the Property under the Ground Lease and the Developer's fee interest in the improvements thereon by the Developer to a limited partnership in which at least two members of the Developer or their affiliates serve as general partners, or at least two members of the Developer or their affiliates have and maintain a controlling interest in the management and ownership of the limited partnership ("**Partnership**");

(d) any transfer of equity in the Developer that does not change management or operational control of the Project other than to permit the admittance of an affiliate of Innovative Housing Opportunities, Inc. as the managing general partner of the Partnership;

(e) the lease of the Residential Units consistent with the HOME Loan Regulatory Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by City, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the Effective Date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Developer or an affiliate of the general partners of the Developer at the end of the tax credit compliance period for the Project; and

(i) any dilution of a general partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by City in its reasonable discretion.

Developer acknowledges that the identity of Developer is of particular concern to the City, and it is because of Developer's identity that the City has entered into this Agreement with Developer. Except for pursuant to any Permitted Transfer, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Property and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may, with the approval of Developer, which shall not be unreasonably withheld or delayed, assign or transfer all or any part of its interest in this Agreement to the Land Trust.

9.10 Third Party Beneficiaries. The Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms. Except as provided in this Section 9.10, no person or entity other than Developer and the City and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City HOME Loan, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Property until the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed ("**Construction Completion Date**"). Accordingly, the provisions of this Section 9.13 shall be applicable until the Construction Completion Date.

This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

City shall execute, acknowledge, and deliver to Developer upon Developer's request after the Construction Completion Date, a document in recordable form removing the Memorandum from title to the Property. The removal of the Memorandum from title shall not result in a termination of this Agreement as between Developer and City but any party thereafter owning or acquiring Developer's interest in the Property shall not because of such ownership or acquisition

incur any obligation under this Agreement, but such party shall be subject to any other recorded agreements, including without limitation the City HOME Loan Regulatory Agreement and the HOME Loan Leasehold Deed of Trust.

The parties acknowledge that the Memorandum, HOME Loan Regulatory Agreement and HOME Loan Leasehold Deed of Trust recorded against the Property will encumber Developer's leasehold interest in the Property and not the Land Trust's fee interest in the Property.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Property
2	Schedule of Performance
3	Summary of Legal Requirements for HOME Funds
4	Project Budget
5	HOME Loan Promissory Note Secured by Leasehold Deed of Trust
6	HOME Loan Leasehold Deed of Trust with Assignment of Rents
7	HOME Loan Regulatory Agreement and Declaration of Covenants and Restrictions
8	Memorandum of Affordable Housing and Loan Agreement (HOME Funds)

[Signatures on next page]

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: 3-7-2016

By: _____
Susan Emery
Director of Community Development

ATTEST:

_____
City Clerk's Office

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney's Office

"DEVELOPER"

17275 DERIAN, LP,
a California limited partnership

By: IHO Derian LLC,
a California limited liability company,
its managing general partner

DATED: 3/3/2016

By: _____
Patricia C. Whitaker
Chief Executive Officer

By: 17275 Derian LLC,
a California limited liability company,
its developer general partner

DATED: 3/3/2016

By: _____
Todd R. Cottle, Member

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 010-**23065672**-E-KM5

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.10 (§ 3.10).	No later than the date that is 5 days prior to the anticipated closing date of the Construction Escrow.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.11.3).	No later than the date that is 5 days prior to the anticipated closing date of the Construction Escrow.
3.	Developer executes and delivers to City the City HOME Loan Note, HOME Loan Leasehold Deed of Trust, HOME Loan Regulatory Agreement and Memorandum (§ 2.7).	No later than the date that is five (5) days prior to the anticipated closing date of the Construction Escrow, or such later date as approved by City.
4.	Funding Conditions are satisfied (§ 2.3).	No later than March 21, 2016.
5.	City executes HOME Loan Regulatory Agreement and Memorandum and causes HOME Loan Regulatory Agreement, Memorandum and HOME Loan Leasehold Deed of Trust to be recorded (§ 2.7).	Within 10 days after the date all of the Funding Conditions are satisfied but no later than the date that is five (5) days prior to the anticipated closing date of the Construction Escrow. Recording shall occur concurrently with the close of the Construction Escrow provided the Funding Conditions are satisfied.
6.	City disburses City HOME Loan to Developer (§ 2.4).	Upon the closing of the Construction Escrow provided the Funding Conditions are satisfied.
7.	Developer commences or causes the commencement of the grading of the Property (§ 3.8).	No later than May 21, 2016.
8.	Developer commences or causes the commencement of construction of the vertical improvements for the Project (§ 3.8).	No later than January 15, 2017.
9.	Developer completes construction of the Project (§ 3.8).	No later than December 31, 2017.

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
10.	Developer causes affordable housing Program to be operated on the Property.	For a period of 20 years from Construction Completion Date and in accordance with the City HOME Loan Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS FOR HOME FUNDS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. **Use of the HOME Funds**. The City HOME Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Developer.

2. **Affordability**. The HOME Units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the City HOME Loan Regulatory Agreement, whichever is more restrictive. If the HOME Units do not meet the affordability requirements of the HOME Requirements for the specified time period, Developer shall repay the City HOME Loan to City promptly upon demand by City. In such event, Developer shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the City HOME Loan Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1**. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

c. **Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794.** This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. **Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*.** This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. **Executive Order 11246, as amended**. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. **Executive Order 11063, as amended, including 24 CFR Part 107.** This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. **Section 504 of the Rehabilitation Act of 1973, as amended**. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. **The Americans with Disabilities Act (ADA) of 1990, as amended.** This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. **The Age Discrimination Act of 1975, as amended**. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. **EEO/AA Statement.** Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. **Minority/Women Business Enterprise**. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned

business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. **Nondiscrimination**. Developer shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. **Environmental**.

a. **Air and Water**. Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. **Flood Disaster Protection Act of 1973**. Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. **Lead-Based Paint**. Developer shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. al.*

d. **Historic Preservation**. Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance**. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City HOME Loan. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the

recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. **Uniform Administrative Requirements**. Developer shall comply with applicable uniform administrative requirements as described in 24 C.F.R. §§ 92.205.

6. **Other Program Requirements**. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92 except for City's responsibility for initiating the environmental review process under the provisions of 24 C.F.R. Part 58.

7. **Intentionally Omitted**.

8. **Intentionally Omitted**.

9. **Project Requirements**. Developer shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

10. **Property Standards**. Developer shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

11. **Records and Reports**. Developer shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

12. **Intentionally Omitted**.

13. **Conflict of Interest.** Developer will comply with 2 C.F.R. Part 200 and 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with

respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

14. Intentionally Omitted.

15. Affirmative Marketing. If the City HOME Loan will be used for housing containing 5 or more assisted units, Developer shall establish for City's review and approval a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Developer shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Developer must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Developer to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Developer to affirmatively market units and records to assess the results of those actions; and

e. a description of how Developer will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

16. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Developer shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

17. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Developer shall comply with all debarment and suspension certifications.

18. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Developer's obligation to comply with the HOME Requirements.

19. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Developer shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to

the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City HOME Loan funds are disbursed are not incurred by Developer within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer immediately return the City HOME Loan proceeds to City.

20. Monitoring. Not less than once per year, City shall review Developer's activities and operations under the Agreement and Developer's compliance with the HOME Requirements. Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

21. Tenant Participation Plan. Developer shall provide to City for approval the form of the lease agreement to be used for the rental units, which lease must be fair and provide for a grievance procedure. In addition, Developer shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

22. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

23. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

24. Procurement. If applicable, Developer will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

25. **Labor Provisions.**

a. **Section 3 of the Housing and Community Development Act of 1968.** Developer shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Developer shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

* * *

[This page intentionally blank]

ATTACHMENT NO. 4

PROJECT BUDGET

[on following page]

Parc Derian

DEVELOPMENT BUDGET (March 2, 2016)

Item	Total Project Costs	Use of HOME Funds	Disbursement Schedule
ACQUISITION			
Demolition	$275,000		
Legal: Acquisition	$30,000		
Subtotal Acquisition	**$305,000**	**$0**	
CONSTRUCTION			
Residential Structures	$13,980,476		
Site Work	$1,375,980		
GC Gen. Requirement/Overhead	$801,189		
Contractor Profit	$583,545		
Construction Contingency (5%)	$850,810		
Subtotal Construction	**$17,592,000**	**$0**	
SOFT COSTS			
Local Development Impact Fees	$2,578,124	$25,000	Post Construction Closing
Local Permit Processing Fees	$336,470		
Environmental Studies - CEQA	$40,000		
Appraisal	$15,000		
Architectural Design & Supervision	$925,000	$416,295	Construction Closing
Market Study	$15,000		
Survey & Engineering	$375,000	$162,553	Construction Closing
Value of Required Supplemental "Trips"	$207,675		
Syndication Consultant	$65,000		
Legal: Construction	$20,000		
Legal: Permanent	$20,000		
Legal: Organization of Partnership	$20,000		
Legal: Syndication	$40,000		
Title/Recording/Escrow - Acquisition	$20,000		
Title/Recording/Escrow - Construction	$20,000		
Const. Loan Interest (Based on Draw Schedule)	$884,835		
Marketing (lease-up, Advertisement, Setup)	$40,000		
Lender Construction Inspection	$15,000		
Furnishing Excluded from Contract	$50,000		
Insurance	$198,435		
Real Estate Taxes	$168,300		
TCAC App/Allocation - (Monitoring Fee Below)	$71,272		
Lease - Prepayment	$99		
Soft Cost Contingency	$476,331		
Refundable Performance Bonds	$125,000		
Investor Due Diligence	$55,000		
Audit/Cost Certification	$30,000		
Developer Fee (Overhead)	$500,000		
Developer Fee (Profit)	$1,500,000		
Subtotal Soft Costs	**$8,811,541**	**$603,848**	
COSTS DEFERRED UNTIL CONVERSION			
Title/Recording/Escrow - Permanent	$10,000		
Operating Reserve	$193,500		
Replacement Reserve	$76,000		
TCAC Monitoring Fee	$32,390		
Subtotal Deferred Costs	**$311,890**	**$0**	
FINANCING COSTS			
Constr. Lender Orig. Fees	$112,352		
Constr. Lender Expense	$60,000		
Constr. Lender Legal	$45,000		
Perm Lender Orig. Fees	$48,368		
Perm Lender Application Fee	$2,000		
Perm Lender Legal	$25,000		
Subtotal Financing Costs	**$292,720**	**$0**	
TOTAL DEVELOPMENT COST	**$27,313,151**	**$603,848**	

ATTACHMENT NO. 5

HOME LOAN PROMISSORY NOTE SECURED BY LEASEHOLD DEED OF TRUST

[Attached]

PROMISSORY NOTE (CITY HOME LOAN) SECURED BY LEASEHOLD DEED OF TRUST

$603,848.00 March 1, 2016

FOR VALUE RECEIVED, the undersigned, 17275 DERIAN, LP, a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this HOME Loan Promissory Note Secured by Leasehold Deed of Trust ("Note"). All terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "Loan Documents"):

(i) The Affordable Housing and Loan Agreement (HOME Funds), with all Attachments thereto, by and between City and Borrower, dated as of March 1, 2016, as may be amended from time to time, ("Loan Agreement"), which sets forth terms and conditions for Borrower's development and operation of an affordable residential rental project ("Project") on that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached as Attachment No. 1 to the Loan Agreement ("Property"). Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

(ii) The HOME Loan Regulatory Agreement and Declaration of Covenants and Restrictions between Borrower and City dated on or about the date hereof and recorded against the Property in the Official Records of Orange County, California, as may be amended from time to time ("Regulatory Agreement").

(iii) The HOME Loan Leasehold Deed of Trust ("Leasehold Deed of Trust") that shall be executed by Borrower for the benefit of City securing the City HOME Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement.

(iv) The Memorandum of Affordable Housing and Loan Agreement ("Memorandum") that shall be executed by Borrower and City on or about the date of this Note, and recorded in the Official Records of Orange County, California, and may be amended from time to time, and as more particularly set forth in the Loan Agreement.

1. Loan Amount. The principal amount of the City's loan to Borrower is Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00) ("City HOME Loan"), which shall accrue simple interest at the rate of 0.25% per annum commencing on the

date of this Note. The City HOME Loan shall be disbursed to Borrower in accordance with the Loan Agreement when costs are incurred for Eligible HOME Loan Expenses.

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City HOME Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years after all units in the Project have received all required occupancy permits from the City, but in no event later than the date that is sixty (60) years after the date of this Note. There shall be no penalty to Borrower for any prepayment of the City HOME Loan. Commencing in the calendar year after the end of the tax credit compliance period for the Project under Internal Revenue Code Section 42(i)(1), Borrower shall make annual payments to City in an amount equal to fifty percent (50%) of Project Cash Flow for the preceding calendar year until the City HOME Loan is paid in full.

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Property or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Commencing in the calendar year after the end of the tax credit compliance period for the Project under Internal Revenue Code Section 42(i)(1), Borrower shall submit to City on or before August 1 of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an

inaccuracy which resulted in an underpayment to City greater than two and one-half percent (2.5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the Loan Agreement, or the HOME Loan Leasehold Deed of Trust, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City HOME Loan immediately due and payable.

In addition to Borrower's cure rights hereunder, NEF Assignment Corporation, as nominee, or its successors and assigns pursuant to the Loan Agreement and Regulatory Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Borrower, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Borrower shall have the obligation to deliver to City written notice of any change in the Investor's mailing address from the one set forth in Section 15 of this Note for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Borrower, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Note.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City HOME Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if: (a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City's HOME Loan Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the leasehold interest in the property encumbered by the HOME Loan Leasehold Deed of Trust (excluding the lease of the units on the Property in accordance with the Loan Agreement and HOME Loan Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the Loan Agreement or the HOME Loan Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's Contract Officer); (b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Property exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Property; (d) any default shall

occur under the Loan Agreement or HOME Loan Leasehold Deed of Trust, other than a default of City, or Borrower shall be in default under any documents relating to any other financing that is secured by the Property, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) Borrower's Ground Lease for the Property terminates for any reason, then City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: William H. (Bill) Ihrke, Esq. Email: bihrke@rutan.com
To Borrower:	17275 Derian LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd Cottle Email: todd@c-cdev.com and IHO Derian LLC 19772 MacArthur Blvd, Suite 110 Irvine, CA 92612 Attn: Chief Executive Officer Email: pwhitaker@InnovativeHousing.com
With a copy to:	Goldfarb & Lipman, LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attn: Lynn Hutchins, Esq. Email: lhutchins@goldfarblipman.com
With a copy to:	NEF Assignment Corporation, as nominee 10 South Riverside Plaza Suite 1700 Chicago, Illinois 60606

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City HOME Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Property. The foregoing shall not apply to the extent Borrower no longer retains in interest in the Property. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the HOME Loan Leasehold Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the HOME Loan Leasehold Deed of Trust or from enforcing any of its rights or remedies in law or in equity against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the Loan Documents.

[signature on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

"BORROWER"

17275 DERIAN, LP,
a California limited partnership

By: IHO Derian LLC,
a California limited liability company, its managing general partner

DATED: _____

By: _____
Patricia C. Whitaker
Chief Executive Officer

By: 17275 Derian LLC,
a California limited liability company, its developer general partner

DATED: _____

By: _____
Todd R. Cottle, Member

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

""Assessments" shall mean any and all special assessments, levies and charges on the Property made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Property and payable by Borrower.

"Gross Income" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"Index" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Anaheim-Riverside CA, area; Base 1982-8 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"Operating Expenses" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any Mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (A) utility expenses (including heating, ventilating, and air conditioning); (B) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (C) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (D) property management fees not to exceed not to exceed eight percent (8%) of Gross Income per year; (E) accounting; (F) janitorial; (G) security; (H) supplies; (I) materials and equipment; (J) social services provided to tenants to the extent not paid by tenants or other sources; and (K) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City; (B) any loan consented to by City to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Property to the extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City has approved the amount and terms of such loan in the exercise of their reasonable discretion; and (C) any deed of trust or mortgage securing a loan the proceeds of which are used to repair,

restore, maintain, improve or alter the improvements on the Property, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the Ground Lease and (ii) has approved the amount and terms of such loan in the exercise of its reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City in its reasonable discretion; (VI) payments on any deferred developer fee, approved by City in its reasonable discretion, in an amount not to exceed the amount required by a mortgagee or limited partner in Borrower; (VII) any partnership management fee paid to a general partner in Borrower not to exceed $25,000 per calendar year escalating by 3% annually; (VIII) an asset management fee paid to a limited partner in Borrower not to exceed $5,000 per calendar year escalating by 3% annually; and (IX) the rent payable under the Ground Lease.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any governmental agency, and appeals in respect of taxes, assessments, or income and franchise taxes; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City has approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project's Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Borrower (or any successor under the Ground Lease) is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"Subordinate Financing" shall mean any financing from any funding source, public or private, secured by a deed of trust that is subordinate to the City's HOME Loan Leasehold Deed of Trust.

"Taxes" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Property or any part or parts thereof, or upon Borrower's leasehold interest in the Property, Borrower's ownership rights in the improvements and fixtures on the Property, and Borrower's rights pursuant to the Ground Lease (and excluding

any and all limited partnership interests in Borrower), or upon Land Trust's fee simple ownership of the Property, Land Trust's rights pursuant to the Ground Lease, and Land Trust's reversionary rights in and to the Property upon termination or expiration of the Ground Lease.

[end of Exhibit A]

ATTACHMENT NO. 6

HOME LOAN LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this 1st day of March, 2016 among 17275 DERIAN, LP, a California limited partnership ("Trustor"), whose address is 14211 Yorba Street, Suite 200, Tustin, CA 92780, FIDELITY NATIONAL TITLE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated March 27, 2105, as may be amended from time to time, which was memorialized by a Memorandum of Ground Lease recorded as Document No. 2015000157914 on March 27, 2015, as may be amended from time to time ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Property"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. **Obligations Secured**. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City HOME Loan Note"); (b) Trustor's performance of the obligations and all amounts that become due under this Leasehold Deed of Trust; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City HOME Loan Note, the Affordable Housing and Loan Agreement (HOME Funds) by and among Trustor and Beneficiary dated as of March 1, 2016, as may be amended from time to time ("HOME Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions between Trustor and Beneficiary recorded against Developer's leasehold interest in the Property on or about the date hereof, in the Official Records of Orange County, California ("HOME Loan Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the HOME Loan Agreement, unless expressly provided to the contrary.

3. **Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default**. To the extent permitted by applicable law, if: (a) Trustor shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than this Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Property in accordance with the HOME Loan Agreement and HOME Loan Regulatory Agreement, the lien of the Permitted Encumbrances, a transfer that is permitted under the HOME Loan Agreement or the HOME Loan Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary's Contract Officer); (b) Trustor shall refinance any lien or encumbrance on terms not reasonably approved by Beneficiary or, unless otherwise approved in writing by Beneficiary's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Property exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary; (c) Trustor shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the rental project on the Property; (d) any default shall occur under the HOME Loan Agreement or City HOME Loan Note other than a default of Beneficiary, or Trustor shall be in default under any documents relating to any other financing that is secured by the Property, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) if Trustor's Ground Lease for the Property terminates for any reason, then

Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE HOME LOAN REGULATORY AGREEMENT, AS PERFORMANCE UNDER SAID REGULATORY AGREEMENT IS NOT SECURED BY THIS LEASEHOLD DEED OF TRUST.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including, principal, interest and all other amounts required to be paid under the Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no Event of Default has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Property, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City HOME Loan Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in this Leasehold Deed of Trust or the HOME Loan Agreement, or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1)

month in advance, or (b) except as may be expressly permitted under the HOME Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Property leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Except as otherwise provided herein, Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days). City shall accept any cure made by Trustor's limited partner as if made by Trustor as provided in the HOME Loan Agreement.

6. Actions Affecting Property. Trustor shall give Beneficiary and Trustee prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Property, the security hereof or the rights or powers of Beneficiary or Trustee. Trustor shall appear in and contest any such action or proceeding and shall pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding.

7. Beneficiary Expenditures. If any action or proceeding is commenced that would materially affect Beneficiary's interest in the Property or if Trustor fails to comply with any provision of this Leasehold Deed of Trust or any Loan Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Leasehold Deed of Trust or the Loan Documents, Beneficiary on Trustor's behalf may (but shall not be obligated to) take any action that Beneficiary deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenses will become a part of the indebtedness secured by this Leasehold Deed of Trust and, at Beneficiary's option, will (i) be payable upon demand, (ii) be added to the balance of the City HOME Loan Note and be payable on the same terms as the original amount provided thereunder, or (iii) be treated as a balloon payment which will be due and payable upon the maturity date of the City HOME Loan Note. This Leasehold Deed of Trust shall secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Beneficiary may be entitled upon a default.

Notwithstanding the foregoing, Trustor shall have the right to contest in good faith and with reasonable diligence the amount or validity of any lien or claim of lien so long as Trustor shall provide Beneficiary, at Trustor's sole cost and expense, with such bond or other security as Beneficiary may reasonably require to insure payment thereof and prevent any sale, foreclosure or forfeiture of all or any part of the Property.

8. Nonrecourse Obligation. The repayment of the City HOME Loan and any other indebtedness secured by this Leasehold Deed of Trust shall be nonrecourse to Borrower, on the terms, and subject to the conditions, set forth in paragraph 16 of the City HOME Loan Note.

9. Repair of Damage. Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders, Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

10. Extended Use Agreement. This Leasehold Deed of Trust shall be subject and subordinate to the terms of that certain extended use agreement to be executed by the Trustor in connection with the Trustor's allocation of low-income housing tax credits under Section 42 of the Code (the "Extended Use Agreement"). If Beneficiary or its successors or assigns (collectively, the "Subsequent Owner') acquires Trustor's interest in the Property by foreclosure (or instrument in lieu of foreclosure), then the "extended use period" (as defined in Section 42(h)(6)(D) of the Internal Revenue Code) shall terminate, except for the obligation of the Subsequent Owner to comply with the limitations on evictions, termination of tenancy and increase in rents for the three year period following the Subsequent Owner's acquisition of Trustor's interest in the Property, as set forth in Section 42(h)(6)(E)(ii) of the Internal Revenue Code.

11. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Property.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

"TRUSTOR"

17275 DERIAN, LP,
a California limited partnership

By: IHO Derian LLC,
a California limited liability company, its managing general partner

DATED: _____

By: _____
Patricia C. Whitaker
Chief Executive Officer

By: 17275 Derian LLC,
a California limited liability company, its developer general partner

DATED: _____

By: _____
Todd R. Cottle, Member

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	By: _____
_____	
_____	By: _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 010-**23065672**-E-KM5

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

ATTACHMENT NO. 7

HOME LOAN REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City HOME Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this _____ day of _____, 201__ ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and 17275 DERIAN, LP, a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Property**").

B. City and Declarant are parties to that certain Affordable Housing and Loan Agreement (HOME Funds) dated _____, 2016 ("**City HOME Loan Agreement**"), which provides for Declarant to develop a 80-unit residential rental project with 79 residential units income restricted and related improvements ("**Project**") on the Property. The City HOME Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00) ("**City HOME Loan**") to assist Declarant with the development costs of four (4) of the Project units referred to herein as the "**HOME Units**". The City HOME Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the City HOME Loan Agreement.

C. The source of the funds for the City HOME Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME

Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Property, including the imposition of affordability covenants requiring that the HOME Units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Property shall be subject to this Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Property for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"Capital Replacement Reserve" shall have the meaning ascribed in Section 11 of this Agreement.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City HOME Loan" shall mean the loan to be provided by City to Declarant in the amount not to exceed the sum of Six Hundred Three Thousand Eight Hundred Forty-Eight Dollars ($603,848.00) for certain costs attributable to the HOME Units.

"City HOME Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"City HOME Loan Note" shall mean that certain Promissory Note Secured by Deed of Trust, evidencing Declarant's obligation to repay the City HOME Loan.

"Construction Completion Date" shall mean the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to

be constructed in connection with the Project have been completed in accordance with the City HOME Loan Agreement.

"Contract Officer" shall mean the Housing Administrator of City or such other person as may be designated by the City Manager to administer this Agreement.

"CPI Adjustment" shall have the meaning ascribed in Section 16.1 of this Agreement.

"Declarant" shall mean 17275 Derian, LP, a California limited partnership, and its permitted successors and assigns in and to the Property.

"Declarant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Declarant or any other person under Declarant's supervision and direction, including the contractors and subcontractors constructing the Project. Declarant is responsible for the full compliance of all Declarant Personnel with this Agreement and the City HOME Loan Agreement, including without limitation all labor standards applicable to the Project.

"Density Bonus Agreement" shall mean that certain Density Bonus Housing Agreement, dated as of March 27, 2015, and recorded on the Property as Document No. 2015000157915 on March 27, 2015, as may be amended from time to time.

"Eligible HOME Unit Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular HOME Unit as set forth in the HOME Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"GAAP" shall mean generally accepted accounting principles.

"Ground Lease" shall mean the Ground Lease between Declarant, as lessee, and the Irvine Community Land Trust, as lessor, for the ground lease of the Property to Declarant.

"HOME Affordable Rent" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252, which are summarized in Section 4.6 of this Agreement.

"HOME Requirements" shall collectively refer to the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 to the Loan Agreement which is incorporated herein by this reference.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

1 two-bedroom unit shall be occupied by households earning 50% or less of the Median Income, adjusted for family size.

1 one-bedroom unit, 1 two-bedroom unit, and 1 three-bedroom unit shall be occupied by households earning 60% or less of the Median Income, adjusted for family size.

"HOME Units" shall mean four (4) units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all 79 Income Restricted Units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Declarant to the Project or the Construction Completion Date, whichever is later, Declarant shall deliver to City the unit numbers (addresses) that comprise the 4 HOME Units, in a format mutually agreed upon by City and Declarant. Declarant shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the 4 HOME Units if Declarant changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

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

"Index" shall have the meaning ascribed in Section 16.1 of this Agreement.

"Investor" shall have the meaning ascribed in Section 19.1 of this Agreement.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation, or successor in interest.

"Median Income" shall mean the Orange County area median income, as periodically published by the HUD pursuant to the HOME Requirements, or successor regulation. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Operating Expense" shall have the meaning ascribed in Section 11.2 of this Agreement.

"Operating Reserve Account" shall have the meaning ascribed in Section 11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement that Declarant is required to perform.

"Program Default" shall have the meaning ascribed in Section 6.4 of this Agreement.

"Project" shall mean the leasehold interest in the Property, the grading of the Property and the development on the Property of a 80-unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The Project shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants, and the HOME Units shall be available and occupied by Eligible HOME Unit Tenants and shall be in compliance with the HOME Unit Mix and the City HOME Loan Regulatory Agreement. In the

event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

"Property Manager" shall have the meaning ascribed in Section 9.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 9.3 of this Agreement.

"Regulatory Agreement Effective Date" is defined in the Preamble of this Agreement.

"Residential Unit(s)" shall mean the eighty (80) residential units to be developed on the Property. The Residential Units shall include the HOME Units in accordance with the HOME Unit Mix.

"Target Balance" shall have the meaning ascribed in Section 11.2 of this Agreement.

"TCAC" shall mean the California Tax Credit Allocation Committee or successor state agency responsible for the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

"TCAC Requirements" shall mean all federal, state, and local laws, regulations, and policies governing the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

2. Development of the Project. Declarant shall commence and complete development of the Project on the Property within the times and subject to the terms and conditions set forth in the City HOME Loan Agreement.

3. Term. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the date that is twenty (20) years following the Construction Completion Date ("**Affordability Term**").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Property shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Property for use as an affordable residential rental complex with the HOME Units to be rented to and occupied or held available for occupancy only by Eligible HOME Unit Tenants at Affordable Rent in compliance with the HOME Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each HOME Unit shall provide that it is to be used as the principal residence of the Eligible HOME Unit Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its HOME Unit or its right of occupancy. Declarant shall institute a program to ensure that the HOME Units remain occupied by the Eligible HOME Unit Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each HOME Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two persons per bedroom, plus one person (e.g., for a two bedroom unit the maximum number of persons residing in the unit can be five persons). The lease for each HOME Unit shall include a provision limiting the number of persons permitted to occupy each HOME Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible HOME Unit Tenant's occupancy of a HOME Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible HOME Unit Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible HOME Unit Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible HOME Unit Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a HOME Unit by an Eligible HOME Unit Tenant, and on each anniversary date thereafter, or if preferred by Declarant and approved in writing by City, within sixty (60) days prior to January 1 of each year, Declarant shall recertify the income of such Eligible HOME Unit Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the HOME Unit. Subject to Section 5.2 during the Affordability Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible HOME Unit Tenant at that

original income level. If the occupant's income falls within one of the other income categories of Eligible HOME Unit Tenants, the rent shall be increased to the Affordable Rent applicable to the new income category, provided a HOME Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible HOME Unit Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Residential Unit will be leased to an Eligible HOME Unit Tenant at an income level that will cause the Project to be in compliance with the HOME Unit Mix as quickly as possible.

4.6 Affordable Rent. The rent for each HOME Unit shall not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits at the lesser of (a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a family whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The Home Requirements also require that affordable units occupied by Eligible HOME Unit Tenants whose income does not exceed 50% of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a family whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger families. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed 30% of the family's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible HOME Unit Tenant pays as a contribution toward rent not more than 30% of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

If the Eligible HOME Unit Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orangey County Housing Authority for utilities and services.

It shall constitute a default for Declarant to charge or accept rent amounts in excess of the Affordable Rent. In the event that Declarant charges or receives such higher rental amounts, in addition to any other remedy City shall have, Declarant shall be required to pay to City the entire amount of rent received in excess of the amount permitted pursuant to this Agreement.

4.7 Leasing HOME Units. The HOME Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting HOME Units, except to the extent that the HOME Units are required to be rented to Eligible HOME Unit Tenants and except as provided in the next sentence. Declarant shall maintain a list of persons who have applied for a HOME Unit and, subject to the priority to be given to displaced persons as set forth above, should multiple tenants be equally eligible (as to income, credit history, and other nondiscriminatory criteria) and qualified to rent a HOME Unit, Declarant shall rent available HOME Units to Eligible HOME Unit Tenants on a first qualified (with reasonable efforts made to qualify applicants in the order that the applications are received), first offered basis, or pursuant to a lottery system. Declarant shall use commercially reasonable efforts to lease HOME Units that become available as quickly as possible. Declarant shall market the HOME Units to the citizens of the City of Irvine on a nonexclusive basis.

4.8 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible HOME Unit Tenants shall comply with Section 5.3 of this Agreement.

5. HOME Requirements. The covenants set forth in this Section 5 shall be applicable during the Affordability Term and shall apply notwithstanding any other provision herein to the contrary.

5.1 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the applicable HOME Requirements.

5.2 Recertification. In accordance with 24 C.F.R. §92.252(i), in the event a recertification demonstrates that a household's income exceeds the income allowed for Eligible HOME Unit Tenant status, such household will no longer qualify as an Eligible HOME Unit Tenant and will be required to pay as rent an amount equal to the lesser of the amount payable by the tenant under State or local law or 30% of the family's adjusted income, except that if the HOME Unit has been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the tenant must pay rent governed by Section 42 of the Internal Revenue Code.

5.3 Lease. The form of the lease between Declarant and each Eligible HOME Unit Tenant shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall

be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible HOME Unit Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (vi) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

In addition, the form of the lease between Declarant and each Eligible HOME Unit Tenant shall obligate the Eligible HOME Unit Tenant to comply with the provisions set forth in Section 4 of this Agreement and an Eligible HOME Unit Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible HOME Unit Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible HOME Unit Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible HOME Unit Tenant in determining qualification for occupancy of the applicable HOME Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible HOME Unit Tenant as such and will be will be cause for immediate termination of such lease agreement.

5.4 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the HOME Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

5.5 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting

requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

5.6 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Operation of Program.

6.1 Standard of Performance. Declarant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the HOME Requirements. Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Declarant shall cause the Program Activities to be performed by Declarant or Declarant Personnel under Declarant's direct supervision, and shall ensure that all Declarant Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Declarant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Declarant shall be responsible for all costs related to the Program.

6.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 6.4 or knowingly allows such conduct to occur at the Property or by Declarant Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Declarant immediately replace such manager or supervisor of the Program.

6.3 Drug Free Covenant. Declarant shall use its best efforts to maintain a drug free environment on the Property. Declarant covenants to City that Declarant shall use its best efforts pursuant to Section 6.5 of this Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by City law.

6.4 Program Defaults. If Declarant shall or permit Declarant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use best efforts in violation of Section 6.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to the City, reflect adversely upon the City or its funding programs or upon Declarant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Declarant and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Declarant agrees to thereafter promptly implement the resolution. The failure of Declarant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

6.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Declarant shall include in its occupancy or lease agreements with the Eligible HOME Unit Tenants a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Property, shall be grounds for immediate termination of the tenant's right to reside within the HOME Unit and City shall have the right to require that Declarant enforce such provision.

7. No Discrimination. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, sexual orientation, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

8. Maintenance of Property. For the entire Affordability Term, Declarant shall maintain or cause to be maintained the Property and all improvements on the Property in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Property free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 8, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to charge a

fee to Declarant 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

9. Management.

9.1 Property Manager. Declarant shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Declarant may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 9.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Declarant shall conduct due diligence and background evaluation of any potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Declarant prior to submitting the name and qualifications of such proposed property manager to City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by one qualified Property Manager. The replacement of the Property Manager by Declarant and/or the selection by Declarant of any new or different Property Manager shall also be subject to the foregoing requirements. City hereby approves Advanced Property Services, LLC as the initial Property Manager.

9.2 On-Property Residential Manager. The Property Manager, or an employee or agent of Property Manager, shall reside full-time in a residential unit located within the Project, and said residential unit shall be the Property Manager's only residence.

9.3 Property Management Plan. Prior to the completion of the Project, Declarant shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Declarant and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

9.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a 365 day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 19;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Declarant is obligated and shall use its best 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. Declarant shall include provisions of the foregoing requirements and requirements of this Agreement within any contract between Declarant and its Property Manager for the Property.

10. Code Enforcement. Declarant acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Declarant and/or an individual tenant.

If such notice is provided by City or its representative(s) to Declarant, then Declarant (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Declarant shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11. Reserves.

11.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Declarant shall annually set aside into a separate interest-bearing trust account an amount of the lesser of (i) $250.00 per Residential Unit, increasing by 3% every year (or such increased amount as reasonably agreed upon by City and Declarant from time to time), or (ii) the minimum amount for capital reserves per Residential Unit required by the TCAC Requirements ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which are normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Declarant's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Declarant, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section. Any capital replacement reserve requirements of any other lenders that are not an affiliate (as defined in Section 20.3 below) of Declarant, or any capital replacement reserve requirements of the Land Trust in the Ground Lease, may be deemed to satisfy the Capital Replacement Reserve funding requirements under this Section upon prior written approval by City in its reasonable discretion.

11.2 Operating Reserve. Declarant shall establish an interest bearing account to be known as the "**Operating Reserve Account**." Commencing upon the closing of the permanent financing for the Project, Declarant shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Property ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Declarant may draw upon the funds in the Operating Reserve Account only when the amount of Affordable Rent received by Declarant is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to 50% of the Target Balance amount, Declarant shall deposit Project Cash

Flow in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Declarant to pay Operating Expenses or in the event of a default by Declarant under the City HOME Loan Agreement or this Agreement that would provide for the acceleration of the City HOME Loan, then City may, after delivery of notice to Declarant and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City HOME Loan or use such funds for the continued operation of the Project. Nothing in this Section 11.2 shall modify or be deemed to modify any payment obligation of Declarant pursuant to the City HOME Loan Agreement or any attachments thereto entered into by and between Declarant and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the City HOME Loan Note evidencing the City HOME Loan. Upon the Project achieving an annual debt service coverage ratio of 1.25 or greater for three consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

12. Records. Declarant shall maintain complete and accurate records pertaining to the HOME Units for a period of five (5) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the HOME Units.

13. Right to Inspect. City shall have the right to inspect the Property and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

14. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by a public agency, such as the City, under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

15. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Property and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

16. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 16.

16.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Property and the operations of or on behalf of Declarant, in an amount not less than One Million Dollars ($1,000,000.00) per occurrence combined single limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "**Index**"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "**CPI Adjustment**"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Property, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for rental apartment projects of this size and type in Orange County, California. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

16.2 Policy Requirements. A copy of each paid-up policy evidencing such insurance (appropriately authenticated by the insurer) or a certificate of the insurer, certifying that such policy has been issued, providing the coverage required herein, and containing the provisions specified herein, shall be delivered to City on or prior to the completion of the Project, and thereafter, upon renewals, not less than thirty (30) days prior to the expiration of coverage (10 days for non-payment of premiums). City may, at any time, and from time to time, inspect and/or copy any and all insurance policies required to be procured by Declarant hereunder. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder.

In addition to the requirements set forth in Section 16.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

17. Repair of Damage. If any improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Property and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or

restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

18. Declarant Ground Lease. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Property under this Agreement is consistent with the use of the Property permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease in order not to cause a default thereunder. Declarant shall not amend or modify the Ground Lease in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Declarant shall promptly give City notice of any defaults and default notices issued under the Ground Lease.

19. Defaults and Remedies.

19.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Declarant's cure rights hereunder, NEF Assignment Corporation, as nominee, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Declarant, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Declarant shall have the obligation to deliver to City written notice of any change in the Investor's mailing address from the one set forth in Section 20.9 for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Declarant, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

19.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

19.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

20. Miscellaneous.

20.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the City HOME Loan Agreement and all executed versions of the agreements attached to those agreements. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

20.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

20.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which any member of C & C Development Co., LLC or any affiliated entity does not continue to be a managing member of the developer general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 20.3 (the Permitted Transfers"):

(a) Permitted Encumbrances (as defined in the City HOME Loan Agreement);

(b) a conveyance of the Declarant's leasehold interest in the Property under the Ground Lease and/or the Declarant's interest in the fee interest in the improvements thereon resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) the transfer of the Declarant's interest in this Agreement, the Declarant's leasehold interest in the Property under the Ground Lease and the Declarant's fee interest

in the improvements thereon by the Declarant to a limited partnership in which at least two members of the Declarant or their affiliates serve as general partners, or at least two members of the Declarant or their affiliates have and maintains a controlling interest in the management and ownership of the limited partnership ("**Partnership**");

(d) any transfer of equity in the Declarant that does not change management or operational control of the Project other than to permit the admittance of an affiliate of Innovative Housing Opportunities, Inc. as the managing general partner of the Partnership;

(e) the lease of the Residential Units consistent with the HOME Loan Regulatory Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by City, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Declarant did at the Regulatory Agreement Effective Date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Declarant or an affiliate of the general partners of the Declarant at the end of the tax credit compliance period for the Project; and

(i) any dilution of a general partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by City in its reasonable discretion.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Declarant.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Property and this Agreement or any portion thereof, Declarant shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

20.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by

definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld. Notwithstanding the foregoing sentence, the City may assign or transfer all or any part of its interest in this Agreement without Declarant's prior written approval to the Land Trust.

20.5 Compliance with Laws and Regulations. Declarant shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the City HOME Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Declarant acknowledges and agrees that it shall be and remain, and shall cause the Declarant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Declarant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Declarant or Declarant Personnel of any applicable local, state and/or federal law.

20.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

20.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

20.8. Third Party Beneficiaries. The Land Trust is an intended third party beneficiary of this Agreement and shall have the right, but not the obligation, to enforce its terms including the rights and benefits that City has under this Agreement. Except as provided herein, no person or entity other than City, Declarant and the Land Trust and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

20.9. Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Housing Administrator Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: William H. (Bill) Ihrke, Esq. Email: bihrke@rutan.com
To Declarant:	17275 Derian LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd Cottle Email: todd@c-cdev.com and IHO Derian LLC 19772 MacArthur Blvd, Suite 110 Irvine, CA 92612 Attn: Chief Executive Officer Email: pwhitaker@InnovativeHousing.com
With a copy to:	Goldfarb & Lipman, LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attn: Lynn Hutchins, Esq. Email: lhutchins@goldfarblipman.com
With a copy to:	NEF Assignment Corporation, as nominee 10 South Riverside Plaza Suite 1700 Chicago, Illinois 60606

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than 24 hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

20.10 Covenants Run with the Land. This Agreement shall be binding on Declarant's successors in interest in the Property until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Declarant, its successors and assigns and successors in interest; and may be enforced by Declarant and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Declarant's leasehold interest in the Property and not the Land Trust's fee interest in the Property.

20.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements will be recorded against the Property, imposing income restrictions on the tenants of the Residential Units and limiting the amount of rent that may be charged. Declarant shall comply with the most restrictive terms of such agreements. Declarant acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible HOME Unit Tenants to Declarant may be less than the Affordable Rent amounts set forth in this Agreement.

20.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: _____

By: _____
Susan Emery
Director of Community Development

ATTEST:

_____
City Clerk's Office

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney's Office

"DEVELOPER"

17275 DERIAN, LP,
a California limited partnership

By: IHO Derian LLC,
a California limited liability company,
its managing general partner

DATED: _____

By: _____
Patricia C. Whitaker
Chief Executive Officer

By: 17275 Derian LLC,
a California limited liability company,
its developer general partner

DATED: _____

By: _____
Todd R. Cottle, Member

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

PRELIMINARY REPORT
Your Reference:

Fidelity National Title Company
Order No.: 010-**23065672**-E-KM5

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF IRVINE, IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 2, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A PARCEL MAP FILED IN BOOK 45, PAGE 4 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THAT PORTION DESCRIBED IN A DEED TO THE CITY OF IRVINE, RECORDED JANUARY 28, 1975 IN BOOK 11330, PAGE 1192 OF OFFICIAL RECORDS.

EXCEPT THEREFROM, ALL OIL, OIL RIGHTS, NATURAL GAS RIGHTS, MINERAL RIGHTS, AND OTHER HYDROCARBON SUBSTANCES BY WHATEVER NAME KNOWN, TOGETHER WITH APPURTENANT RIGHTS THERETO, WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND NOR ANY PORTION OF THE SUBSURFACE LYING ABOVE A DEPTH OF 500 FEET, AS EXCEPTED OR RESERVED IN INSTRUMENTS OF RECORD.

APN: 435-052-50; 435-052-24

ATTACHMENT NO. 8

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

(CITY HOME LOAN)

[Attached]

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT (HOME Funds)

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this 1st day of March, 2016, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and 17275 DERIAN, LP, a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Property").

2. On or about March 1, 2016, City and Developer entered into that certain Affordable Housing and Loan Agreement (HOME Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Property.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Property.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed, a document in recordable form removing this Memorandum from title to the Property.

7. This Memorandum shall encumber Developer's leasehold interest in the Property and not the Irvine Community Land Trust's fee interest in the Property.

IN WITNESS WHEREOF, City and Developer have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: _____

By: _____
Susan Emery
Director of Community Development

ATTEST:

_____
City Clerk's Office

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
City Attorney's Office

"DEVELOPER"

17275 DERIAN, LP,
a California limited partnership

By: IHO Derian LLC,
a California limited liability company,
its managing general partner

DATED: _____

By: _____
Patricia C. Whitaker
Chief Executive Officer

By: 17275 Derian LLC,
a California limited liability company,
its developer general partner

DATED: _____

By: _____
Todd R. Cottle, Member

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

Supporting Documents from Table 1

Document 43

Project Name: Salerno

Year: 2019

DRAFT

ORIGINAL

AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

Cypress Village CIC, LP,
a California limited partnership

TABLE OF CONTENTS

Page

1. DEFINITIONS 5

2. CITY HOME LOAN 9
   - 2.1 Amount and Source of City HOME Loan 9
   - 2.2 Permissible Use of City HOME Loan; Eligible Loan Expenses 9
   - 2.3 City HOME Loan Funding Conditions 9
   - 2.4 Disbursement of City HOME Loan 11
   - 2.5 [reserved] 11
   - 2.6 Repayment of City HOME Loan; City HOME Loan Leasehold Deed of Trust 11
   - 2.7 Execution and Delivery of Documents 12

3. GROUND LEASE AND DEVELOPMENT OF THE PROJECT 12
   - 3.1 Leasehold Interest in Property 12
   - 3.2 Scope of Development 12
   - 3.3 Development Approvals and Permits 12
   - 3.4 Construction Contract 12
   - 3.5 Third Party Contracts 12
   - 3.6 No Debarred, Suspended, or Ineligible Parties 13
   - 3.7 Construction Meeting 13
   - 3.8 Schedule of Performance 13
   - 3.9 Rights of Inspection 14
   - 3.10 Insurance 14
   - 3.11 Financing the Project 15

4. USE OF THE PROPERTY; PROGRAM ACTIVITIES 17
   - 4.1 General 17
   - 4.2 Ground Lease and Land Trust Regulatory Agreement 17
   - 4.3 Program Activities 17
   - 4.4 Management 17
   - 4.5 Drug Free Covenant 17
   - 4.6 Program Defaults 18
   - 4.7 Occupants of Housing Facilities 18
   - 4.8 Monitoring 18
   - 4.9 Compliance with Laws and Regulations and HOME Requirements 18
   - 4.10 Program Income 19
   - 4.11 Relocation 19
   - 4.12 Affordability Covenants 19
   - 4.13 Indemnification 19
   - 4.14 Extended Use Agreement 20

5. RECORDS AND REPORTS 20
   - 5.1 Records 20

Page

5.2 Reports 21

6. TERMINATION 21
6.1 Termination 21
6.2 Obligations Survive Termination 22

7. DEFAULTS AND REMEDIES 22
7.1 Defaults-General 22
7.2 Remedies Upon Default 24
7.3 Institution of Legal Actions and Venue 24
7.4 Applicable Law 25
7.5 Rights and Remedies are Cumulative 25
7.6 Attorney's Fees 25

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 25

9. GENERAL PROVISIONS 26
9.1 Notices, Demands, and Communications Between the Parties 26
9.2 Nonliability of City Officials and Employees 27
9.3 Enforced Delay; Extension of Times of Performance 27
9.4 Inspection of Books and Records 28
9.5 Interpretation 28
9.6 Entire Agreement, Waivers and Amendments 28
9.7 Severability 28
9.8 Restriction on Transfer of Developer's Rights and Obligations 28
9.9 Prohibition Against Assignment and Transfer by City 30
9.10 Third Party Beneficiaries 30
9.11 Authority to Execute Agreement 30
9.12 Contract Administration and Approvals 30
9.13 Covenants to Run with the Land 30
9.14 Time of the Essence 31
9.15 Counterparts 31
9.16 Attachments 31

EXHIBITS

1 Legal Description of Property
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 City HOME Loan Note
6 City HOME Loan Leasehold Deed of Trust
7 City HOME Regulatory Agreement
8 Memorandum

AFFORDABLE HOUSING AND LOAN AGREEMENT

(Home Funds)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 5th day of June, 2019, by and between the CITY OF IRVINE, a California municipal corporation (the "**City**"), and Cypress Village CIC, LP, a California limited partnership ("**Developer**").

RECITALS

A. City participates in the HOME Investment Partnership Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

B. Pursuant to the HOME Investment Partnership Act program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. As part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer in the amount of the "City HOME Loan" (as defined in Recital M below).

C. On or about the same date hereof, Developer has acquired a leasehold interest in that certain real property comprising approximately two and five hundred eighty-three thousandths (2.583) acres located in the City of Irvine, California located at the northeast corner of Nightmist and Sand Canyon Avenue in Cypress Village, Planning Area (PA) 40 ("**Property**") for the development, construction, ownership, and operation of a multi-family housing project consisting of eighty (80) units, common areas, and other amenities on the Property ("**Project**").

D. Pursuant to a 2006 Development Agreement ("**Development Agreement**") executed between the City and the prior owner of the Property, the Irvine Company LLC and the Irvine Community Development Company LLC (collectively, "**The Irvine Company**"), for Planning Area 39, The Irvine Company is required to convey to the City multiple sites over time, totaling fifteen (15) acres, for affordable housing. Conveyance Agreements between the Irvine Company and the City have been approved by the City Council for nine and six tenths (9.6) of the fifteen (15) acres.

E. Per the Development Agreement, The Irvine Company will transfer the remaining five and four tenths (5.4) additional acres to the City for affordable housing by or before December 2023.

F. On May 10, 2016, the City Council of the City of Irvine ("**City Council**") approved a Conveyance Agreement setting forth the terms and conditions on which the City would accept a conveyance of the Property from the Irvine Company.

G. On June 28,2016, the City Council approved an Affordable Housing Land Transfer Agreement ("**Affordable Housing Transfer Agreement**") by and between the

City and Irvine Community Land Trust ("**Land Trust**"). The Affordable Housing Transfer Agreement set forth the terms and conditions on which the Property would be conveyed to the Land Trust, for the development of permanent affordable housing.

H. In July 2017, the Land Trust separated from the City, becoming an independent entity.

I. On October 23, 2018, the City Council approved Amendment 1 to the Affordable Housing Transfer Agreement to allow up to 550 square feet of interior building area to be utilized as community facility space and/or offices.

J. On or about the same date hereof, City and Developer entered into and recorded against the Property (i) that certain Density Bonus Housing Agreement ("**Density Bonus Agreement**"), and (ii) that certain Regulatory Agreement and Declaration of Covenants and Restrictions ("**Density Bonus Regulatory Agreement**") to ensure the Property and the Project are used for the intended purpose of providing rent restricted housing available to very low income individuals and households.

K. On or about the same date hereof, Developer and Land Trust (i) entered into that certain Ground Lease, which was memorialized by a Memorandum of Ground Lease recorded against the Property on or about the same date hereof (collectively, "**Ground Lease**"), and (ii) entered into and recorded against the Property that certain Affordable Housing Regulatory Agreement ("**Land Trust Regulatory Agreement**") to ensure the Property and Project are used for the intended purpose of providing rent restricted housing available to very low income individuals and households .

L. Pursuant to the Ground Lease and Land Trust Regulatory Agreement entered into between Developer and Land Trust, seventy-nine (79) units in the Project will be income and rent restricted such that the units will be affordable to very low income individuals and families ("**Income Restricted Units**").

M. City desires to assist with certain costs attributable to eleven (11) of the Project units by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in the amount not to exceed Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00) ("**City HOME Loan**"), on the terms set forth in this Agreement.

N. The Project will be subject to certain affordability covenants requiring that the HOME Units and certain other residential units be rented to income eligible households at an affordable rent.

O. The development and operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

AGREEMENT

Based upon the foregoing Recitals, which are a substantive part of and incorporated into this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Housing Transfer Agreement" shall have the meaning set forth in Recital G above.

"Agreement" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/developer for disbursements of HOME Funds.

"Bank Loan Funds" shall mean the construction loan amount not to exceed Twenty Six Million Eighty Thousand Dollars ($26,080000), as specified in the Construction Funding Agreement, dated on or about the same date hereof, by and between Developer and Citibank, N.A., and the permanent loan amount in the estimated amount of Twelve Million Nine Hundred Thousand Dollars ($12,900,000).

"Bank Loan Deed of Trust" shall mean a recorded deed(s) of trust securing the loan(s) of the Bank Loan Funds.

"Bank Loan Ground Lease Nondisturbance Agreement" shall mean that certain Subordination and Intercreditor Agreement (ICLT), of or about even date as the Construction Funding Agreement between Developer and Citibank, N.A., by Land Trust in favor of Citibank, N.A., and acknowledged by Developer.

"Bank Loan Subordination Agreement" shall mean that certain Subordination and Intercreditor Agreement (City of Irvine), of or about even date as the Construction Funding Agreement between Developer and Citibank, N.A., by and between Citibank, N.A. and City, and acknowledged by Developer.

"Business day" shall mean every day of the week for which City Hall for the City of Irvine is open to the public.

"City" shall mean the City of Irvine, a municipal corporation and charter city, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City Attorney" shall mean the Irvine City Attorney or any authorized designee of the City Attorney's office.

"City HOME Loan" shall have the meaning set forth in Recital M above.

"City HOME Loan Leasehold Deed of Trust" shall mean the Leasehold Deed of Trust With Assignment of Rents (City HOME Loan) substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City HOME Loan Note.

"City HOME Loan Note" shall mean the Promissory Note (City HOME Loan) Secured by Leasehold Deed of Trust, substantially in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City HOME Loan to City.

"City HOME Regulatory Agreement" shall mean that certain Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) to be entered into between City and Developer, substantially in the form attached hereto as Attachment No. 7, which agreement will be recorded against Developer's leasehold interest in the Property on or about the same date hereof, at the closing of the Construction Escrow, and will memorialize and implement certain affordability restrictions imposed under the land use controls applicable to the Property in connection with the City HOME Loan.

"City HOME Loan Title Policy" shall have the meaning set forth in Section 2.3 of this Agreement.

"Construction Completion Date" shall have the meaning set forth in Section 9.13 of this Agreement.

"Construction Escrow" shall mean the escrow opened with the Escrow Holder prior to the Effective Date for the closing of the construction financing for the Project, which will occur on or about the Effective Date.

"Contract Officer" shall mean the Manager of Neighborhood Services of City or such other person as may be designated by the City Manager of City to administer this Agreement.

"County" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"Developer" shall mean Cypress Village CIC, LP, a California limited partnership, having its offices at 6339 Paseo Del Lago, Carlsbad, CA 92011. The term "Developer" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"Developer Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project.

Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"Developer Representative" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Cheri Hoffman is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"Effective Date" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"Eligible HOME Loan Expenses" shall mean the development costs approved by City and consistent with HOME Requirements, and attributable to the eleven (11) HOME Units.

"Eligible HOME Unit Tenant" shall mean a tenant of one of the HOME Units within the Project who is an Eligible Tenant of the particular HOME Unit as set forth in the HOME Unit Mix.

"Eligible Tenant" shall mean a tenant of one of the Residential Units (other than the HOME Units) within the Project whose household income as of the commencement date of his or her occupancy does not exceed the income limit and any other eligibility requirements permitted for the particular Residential Unit pursuant to any applicable regulation or agreement, including, without limitation, the Land Trust Regulatory Agreement and Ground Lease, and thereafter meets all income limits and other eligibility requirements.

"Escrow Holder" shall mean First American Title Company, the escrow company responsible for the Construction Escrow.

"Extended Use Agreement" shall have the meaning set forth in Section 4.14 of this Agreement.

"Funding Conditions" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing any disbursement of the City HOME Loan to Developer.

"Ground Lease" shall have the meaning set forth in Recital K above.

"Hold Back Amount" shall have the meaning is Section 2.4 of this Agreement.

"HOME Funds" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"HOME Requirements" shall mean the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing

regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

11 one-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for household size.

"HOME Units" shall mean eleven (11) units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all seventy-nine (79) Income Restricted Units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Developer to the Project or the Construction Completion Date, whichever is later, Developer shall deliver to City the unit numbers (addresses) that comprise the eleven (11) HOME Units, in a format mutually agreed upon by City and Developer. Developer shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the eleven (11) HOME Units if Developer changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

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

"Income Restricted Units" shall mean the meaning set forth in Recital L above.

"Investor" shall have the meaning set forth in Section 7.2 of this Agreement.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Land Trust Regulatory Agreement" shall have the meaning set forth in Recital K above.

"Median Income" shall mean the Orange County area median income, as determined by HUD pursuant to the HOME Requirements. Upon request by Developer, City shall provide to Developer the amount of the Median Income.

"Memorandum" shall mean the Memorandum of Affordable Housing and Loan Agreement substantially in the form attached hereto as Attachment No. 8.

"Occupants" shall have the meaning set forth in Section 4.7 of this Agreement.

"Performance Report" shall have the meaning set forth in Section 5.2.1 of this Agreement.

"Permitted Encumbrances" shall have the meaning ascribed in Section 3.11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement and the City HOME Regulatory Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement and the HOME Requirements that Developer is required to perform.

"Program Default" shall have the meaning set forth in Section 4.6 of this Agreement.

"Project" shall have the meaning set forth in Recital C above, which shall include landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The Project shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants, and the HOME Units shall be available and occupied by Eligible HOME Unit Tenants and shall be in compliance with the HOME Unit Mix and the City HOME Regulatory Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Project Budget" shall mean the costs estimates for the Project set forth in Attachment No. 4 to this Agreement, which is incorporated herein by this reference. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference.

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Residential Unit(s)" shall mean the eighty (80) residential units to be developed on the Property. The Residential Units shall include the HOME Units, to be comprised of the HOME Unit Mix.

"Schedule of Performance" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, setting out the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"Third Party Contracts" shall have the meaning set forth in Section 3.5 of this Agreement.

"Title Company" shall have the meaning set forth in Section 2.3 of this Agreement.

2. CITY HOME LOAN.

2.1 Amount and Source of City HOME Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible HOME Loan Expenses in the form of a loan not to exceed the sum of Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00). The source of the City HOME Loan is HOME Funds.

2.2 Permissible Use of City HOME Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City HOME Loan proceeds only for the Eligible HOME Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City HOME Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City HOME Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents.* Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy.* First American Title Company or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City HOME Loan Title Policy**"), with liability in the amount of the City HOME Loan, showing the leasehold interest in the Property vested in Developer, insuring in favor of City the City HOME Loan Leasehold Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; (iii) the Ground Lease (or a memorandum thereof), the Density Bonus Agreement, the Density Bonus Regulatory Agreement, the City HOME Loan Leasehold Deed of Trust, the City HOME Regulatory Agreement, the Memorandum, the Bank Loan Deed of Trust, the Bank Loan Ground Lease Nondisturbance Agreement, the Bank Loan Subordination Agreement required to be recorded in connection with the loan of Bank Loan Funds, the Land Trust Regulatory Agreement, the Orange County HOME loan regulatory agreement and deed of trust , the Orange County Housing Successor Agency loan regulatory agreement and deed of trust, and the tax-exempt bond regulatory agreement, and (iv) such other matters as may be approved by City in its reasonable discretion. Developer shall pay the premium for the City HOME Loan Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.10 of this Agreement.

(d) *Plans and Permits.* Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financing.* City shall have approved Developer's evidence of financing in accordance with Section 3.11.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Ground Lease.* The Ground Lease shall be in full force and effect with no defaults existing and all contingencies satisfied (i.e., there are no conditions that remain to be satisfied for the effectiveness of the Ground Lease or the performance by Developer thereunder and the fulfillment of the Ground Lease and Developer's possession of the Property is absolute and not terminable and not subject to any unsatisfied conditions).

(g) *Other Agreements.* There is, or with the passage of time, shall be no default by the Developer under the City HOME Loan Note, City HOME Loan Leasehold Deed of Trust, City HOME Regulatory Agreement, Density Bonus Agreement, or Land Trust Regulatory Agreement.

(h) *Clearance.* If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(i) *Approval of Third Party Contracts.* City shall have approved any Third Party Contracts entered into before commencement of construction that City elects to review.

(j) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(k) *HUD Approvals.* City has received all approvals required from HUD for the disbursement of the City HOME Loan.

City acknowledges and agrees that as of the Effective Date, the Funding Conditions set forth in clauses (a), (c), (d), (e), (h), and (i) have been satisfied. In the event that any of the Funding Conditions are not satisfied within thirty (30) days after an anticipated disbursement date of City Home Loan funds, as set forth in Section 2.4 below, or such later deadline as may be mutually approved in writing by City and Developer in

the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

2.4 Disbursement of City HOME Loan. On or about the Effective Date, City deposited into the Construction Escrow the City HOME Loan less the sum of (i) Ten Thousand Dollars ($10,000) as interim disbursement funding ("**Interim Disbursement Amount**"), and (ii) the final hold back amount of Twenty-Five Thousand Dollars ($25,000) ("**Hold Back Amount**"), and hereby instructs the Escrow Holder to disburse the City HOME Loan proceeds (other than the Hold Back Amount and Interim Disbursement Amount) to the Developer to pay soft costs and impact and permit fees that qualify as Eligible HOME Loan Expenses in the first disbursement of City HOME Loan proceeds, upon close of the Construction Escrow. A disbursement of Five Thousand Dollars ($5,000) of the Interim Disbursement Amount shall be made to Developer on or about the date that is nine (9) months after the close of the Construction Escrow, and a disbursement of the remaining Five Thousand Dollars ($5,000) of the Interim Disbursement Amount shall be made to Developer on or about the date that is eighteen (18) months after the close of the Construction Escrow. Developer shall not request disbursement from the City for the final draw in the Hold Back Amount until Developer is prepared to be able to provide City within one hundred twenty (120) days thereafter with such project completion information as is required by 24 CFR 92.502(d)(1). In the event the Eligible HOME Loan Expenses are not incurred by Developer within the timeframes above for disbursements of portions of the City HOME Loan, City shall have the right to require that Developer return all portions of the City HOME Loan proceeds that have been disbursed to City. In addition, if it is determined, as a result of an audit or otherwise, that the disbursement of City HOME Loan proceeds were improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements.

2.5 [reserved].

2.6 Repayment of City HOME Loan; City HOME Loan Leasehold Deed of Trust. Developer's obligation to repay the City HOME Loan shall be as set forth in the City HOME Loan Note. The City HOME Loan Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Property. Developer's obligation to repay the City HOME Loan will be secured by the City HOME Loan Leasehold Deed of Trust. The City HOME Loan Leasehold Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the City HOME Loan Leasehold Deed of Trust.

2.7 Execution and Delivery of Documents. On or before the Effective Date, (i) Developer has delivered to City the City HOME Loan Note, executed by Developer, and deposited into the Construction Escrow: (a) the City HOME Loan Leasehold Deed of Trust, executed and acknowledged by Developer, (b) the City HOME Regulatory Agreement, executed and acknowledged by Developer, and (c) the Memorandum, executed and acknowledged by Developer; and (ii) City has executed and acknowledged and deposited into the Construction Escrow the City HOME Regulatory Agreement and

the Memorandum. City and Developer hereby instruct Escrow Holder to record the City HOME Regulatory Agreement, the Memorandum, and the City HOME Loan Leasehold Deed of Trust in the Official Records of Orange County, California.

3. GROUND LEASE AND DEVELOPMENT OF THE PROJECT.

3.1 Leasehold Interest in Property. The Property is currently owned by the Land Trust, and is subject to the Ground Lease. City shall have the right to approve the form of any amendment to the Ground Lease before it is executed for the limited purpose of confirming that terms and conditions of this Agreement are satisfied. Upon execution of any amendment to the Ground Lease by Developer and Land Trust, Developer shall deliver a copy of the executed amendment to City.

3.2 Scope of Development. Developer shall develop the Project on the Property in strict accordance with the plans and drawings approved by City. If Developer desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.3 Development Approvals and Permits. Prior to commencement of the grading of the Property, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.4 Construction Contract. Developer acknowledges that the requirements of Section 3.5 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and requirements. If applicable to the Project and not exempt from HOME Requirements, Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination.

3.5 Third Party Contracts. If Developer enters into any agreements ("**Third Party Contracts**") with contractor(s) for the construction of the Project ("**Other Contracting Party**"), such Third Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to

the Property for purposes of this Agreement and evaluating Developer's performance hereunder; and (d) a provision naming City as an intended third party beneficiary with the right but not the obligation to enforce the Third Party Contract upon the occurrence of and during the continuance of a default under the relevant Third Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third Party Contract if such default occurs and is not timely cured. If Developer believes that any of the HOME Requirements are not applicable to a Third Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion, but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third Party Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third Party Contracts.

3.6 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.7 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this section may be satisfied by a regular monthly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.8 Schedule of Performance.

(a) Subject to subsection (b) below and the force majeure provisions of Section 9.3 of this Agreement, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive business days, except when due to causes beyond the control and without the fault

of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City. During the course of construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

(b) Developer shall commence or cause the commencement of the grading of the Property and the construction of the vertical improvements for the Project (Items #7 & #8 in the Schedule of Performance) no later than two (2) months after the close of the Construction Escrow. Except as provided in this subsection (b), the times for performance shall remain as set forth in the Schedule of Performance. In the event the Contract Officer does not extend any such time for performance, then Developer or the City may terminate this Agreement (and all related documents) by written notice delivered to the other party, and any funds disbursed to Developer shall be returned to the City without any further liability of Developer or the City.

3.9 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.9 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.10 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) *Commercial General Liability Insurance*. A policy of commercial general liability insurance written on a per occurrence basis in an amount not less than a combined single limit of Three Million Dollars ($3,000,000) or its equivalent.

(b) *Worker's Compensation Insurance*. A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California if Developer has employees.

(c) *Builder's Risk.* Builder's risk coverage written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy, including coverage against collapse, fire, and water damage, with such insurance to be in such amounts and form and written by such companies as shall be approved by City. City agrees to accept a builder's risk insurance policy from Developer's general contractor in conformance with the requirements set forth herein, including without limitation the requirement that City be named as a loss payee.

(d) *Automobile Liability Insurance*. Automobile liability insurance (bodily injury and property damage liability) which coverage shall include owned, hired, and non-owned automobiles, with limits of liability of not less than Two Million Dollars ($2,000,000.00) combined single limit per accident for bodily injury and property damage combined.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, employees and agents as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.10 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the City HOME Regulatory Agreement.

Developer agrees that the provisions of this Section 3.10 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. Prior to the Effective Date Developer has provided evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtained approval thereof from the Contract Officer.

3.11 Financing the Project.

3.11.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City HOME Loan pursuant to Section 2 of this Agreement, Developer shall be responsible for all costs of developing the Project, including but not limited to: predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Property requiring removal; relocation expenses payable

to existing occupants of the Property; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; legal fees and any necessary public improvements not already provided to the Property under the Project.

3.11.2 Permitted Encumbrances. Developer may mortgage or encumber its leasehold interest in the Property in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City and the mortgage or encumbrance (deed of trust) complies with one of the following: (a) a deed of trust(s) that secures the Bank Loan Funds, the Land Trust loan funds, or the Orange County HOME loan and Housing Successor Agency loan funds; or (b) a deed of trust securing financing for the development and operation of the Project for which the cumulative amount of the loans encumbering the Property does not exceed: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City ("**Permitted Encumbrances**").

3.11.3 Evidence of Financial Capability. As a condition to City entering into this Agreement, Developer shall have submitted to City evidence reasonably satisfactory to City that Developer has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall have included the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.11.4 Subordination. The City's Neighborhood Services Manager and the Community Development Director or their respective designees each shall have the authority on behalf of City to enter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the City HOME Loan Leasehold Deed of Trust to the priority lien(s) (deeds of trust) securing the Bank Loan Funds, the Orange County HOME loan funds and Orange County Housing Successor Agency loan funds by subordination agreements approved in form by City in its reasonable discretion.

4. USE OF THE PROPERTY; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Property as a rental housing project in accordance with the provisions of this Agreement and the City HOME Regulatory Agreement, consistent with the HOME Requirements. The City HOME Regulatory Agreement contains provisions requiring the HOME Units on the Property to be maintained as affordable rental units for a period of twenty (20) years.

4.2 Ground Lease and Land Trust Regulatory Agreement. Developer shall comply with each and every condition, responsibility, and obligation it may have pursuant to each of the Ground Lease and Land Trust Regulatory Agreement in order not to cause a default under either of such documents. Developer shall not amend or modify the Ground Lease or Land Trust Regulatory Agreement in any respect inconsistent with this Agreement or any of the agreements attached hereto or in any respect that affects the rights of City as a leasehold mortgagee without the prior written consent of City, which consent City may withhold in its reasonable discretion. Developer shall provide to City notice of any defaults or notices of default under the Ground Lease or under the Land Trust Regulatory Agreement.

4.3 Program Activities. Developer shall operate the Program and perform all Program Activities in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In addition, Developer shall operate the Program and perform the Program Activities in compliance with the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein. In addition to the reports referred to in Section 5.2, Developer shall, if requested by City, provide to City quarterly written reports on the progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

4.4 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.6 or knowingly allows such conduct to occur at the Property or by Developer Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Developer immediately replace such manager or supervisor for the Program.

4.5 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Property. Developer covenants to City that Developer shall use its best efforts pursuant to Section 4.7 of this Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by City law.

4.6 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use best efforts in violation of Section 4.5 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to City, reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City, and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.7 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.8 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the affordable units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.9 Compliance with Laws and Regulations and HOME Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and, if applicable to the Project, all federal and state fair labor standards and prevailing wage requirements. Because the source of the City HOME Loan is funds received from HUD pursuant to the federal government's HOME program, Developer is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the California Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement.

4.10 Program Income. Developer shall submit to City annual reports as set forth in Section 5.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.11 Relocation. City shall not be responsible for relocating any occupants from the Property to the extent any occupants are located on the Property. If relocation is

required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.11.

4.12 Affordability Covenants. Developer acknowledges and agrees that the Income Restricted Units on the Property will be required to be maintained as affordable rental units in accordance with the Ground Lease and regulatory agreement to be entered into between Developer and Land Trust.

4.13 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Property including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.14 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which will be recorded against the Property. City acknowledges that, in the event of a foreclosure of its interest under the City HOME Loan Leasehold Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be Maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the HOME Requirements, records demonstrating the eligibility of the activities constituting the Eligible HOME Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements, to identify and account for the use of the City HOME Loan proceeds and expenditures of Eligible HOME

Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible HOME Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon forty-eight (48) hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD, the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Reports During and Post-Construction. No later than fifteen (15) days after the end of each Quarter prior to the Construction Completion Date, and no later than thirty (30) days after the end of each calendar year after the Construction Completion Date, Developer shall submit to City, for the duration of the term of this Agreement, the following reports on forms approved by the Contract Officer:

(a) *Performance Reports.* A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter or calendar year, as applicable ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter or calendar year (as applicable), progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy

obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income*. A report on the program income generated for the Quarter or calendar year (as applicable), if any, as more fully explained in Section 4.10 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with applicable HOME Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(i) *Lack of Funding*. If, for any reason beyond the control of City, the HOME Funds required by City to fund the Eligible HOME Loan Expenses are withdrawn from City by HUD, the City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Developer. This subdivision shall not be applicable after the date the City has disbursed to Developer (i) the funds for the City HOME Loan or (ii) City obtains, at City's election and in its sole discretion, another source of funds acceptable to Developer, in Developer's sole discretion.

(ii) *Default*. If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(iii) *Failure to Receive Environmental Clearance*. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

(iv) *Termination for Convenience*. This Agreement may be terminated by City for convenience as provided in 24 C.F.R. § 85.44.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer

shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City HOME Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Property, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive business days.

(f) The occurrence of a Program Default.

(g) Subject to the notice and cure provisions in Subsection (c) above, any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is

appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default by Developer of the City HOME Loan Note, City HOME Loan Leasehold Deed of Trust, City HOME Regulatory Agreement, or Density Bonus Agreement, after expiration of any notice and cure periods in the applicable agreement(s).

(k) Developer shall default under the Ground Lease or Land Trust Regulatory Agreement and such default is not cured within any notice and cure period expressly provided in the Ground Lease or Regulatory Agreement (as applicable).

(l) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(i) Wholly or partially suspend or terminate this Agreement.

(ii) Withhold further awards for the Project, including further disbursements of the City HOME Loan.

(iii) Require Developer to repay the City HOME Loan funds.

(iv) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City HOME Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City HOME Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, Citi Community Capital, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default within such thirty (30) day period and is diligently proceeding to cure such default through the end of such period. Developer shall have the obligation to deliver to City written notice of the Investor's mailing address for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Developer, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions and Venue. In addition to any other rights or remedies and subject to the restrictions set forth in this Agreement, either party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any default, to recover damages for any default (subject to the restriction on Developer's rights to recover monetary damages against City set forth in the final clause of this sentence), or to obtain any other remedy consistent with the purpose of this Agreement; provided, however, that notwithstanding anything in the foregoing to the contrary, in no event shall Developer be entitled to obtain monetary damages of any kind from City, including but not limited to damages for economic loss, lost profits, or any other economic or consequential damages of any kind. Such legal actions must be instituted in the Superior Court of the State of California in and for the County of Orange, California, in any other appropriate court within the County of Orange, California, or in the United States District Court for the Central District of California.

7.4 Applicable Law. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation.* The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information.* To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults*. Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation*. There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to::

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Neighborhood Services Manager Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Jeffrey S. Melching, Esq. Email: jmelching@rutan.com Cypress Village CIC, LP
To Developer:	c/o Chelsea Investment Corporation 6339 Pasea del Lago Carlsbad, CA 92008 Attn: Cheri Hoffman Email: choffman@chelseainvestco.com

With a copy to: Odu & Associates, PC
2195 Queensberry Road
Pasadena, CA 91104
Attn: Nkechi C. Odu, Esq.
Email: nodu@chelseainvestco.com

With a copy to: Citibank N.A.
388 Greenwich St., 8th Floor
New York, NY 10013
Attention: Mark Sherman

Nixon Peabody LLP
779 9th Street, NW, Suite 500
Washington, DC 20001-4501
Attention: Matthew W. Mullen

TCAM
30 Federal Street, Floor 6
Boston, MA 02110-2508
Attention: Jenny Netzer

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not

caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Property and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City HOME Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Neighborhood Services Manager or Director of Community Development for the City of Irvine or either of their designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that

in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Restriction on Transfer of Developer's Rights and Obligations. Developer shall not sell, assign, transfer, mortgage, lease, hypothecate, or convey (any of the foregoing, a "**Transfer**") the leasehold interest in Property, or any part thereof or any of Developer's rights or obligations hereunder without the City's prior written consent, which consent may be granted or withheld in the City's reasonable discretion except for the following ("**Permitted Transfers**"):

(a) Permitted Encumbrances;

(b) a conveyance of the Developer's leasehold interest in the Property under the Ground Lease and/or the Developer's interest in the fee interest in the improvements thereon resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) the transfer of the Developer's interest in this Agreement, the Developer's leasehold interest in the Property under the Ground Lease and the Developer's fee interest in the improvements thereon by the Developer to a limited partnership in which at least two members of the Developer or their affiliates serve as general partners, and at least two members of the Developer or their affiliates have and maintains a controlling interest in the management and ownership of the limited partnership ("**Partnership**");

(d) any transfer of equity in the Developer that does not change management or operational control of the Project;

(e) the lease of the Residential Units consistent with the City HOME Regulatory Agreement, Ground Lease, and Land Trust Regulatory Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by City, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the Effective Date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Developer or an affiliate of the general partners of the Developer at the end of the tax credit compliance period for the Project; and

(i) any dilution of a general partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by City in its reasonable discretion.

Developer acknowledges that the identity of Developer is of particular concern to the City, and it is because of Developer's identity that the City has entered into this Agreement with Developer. Except for pursuant to any Permitted Transfer, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Property and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld.

9.10 Third Party Beneficiaries. No person or entity other than Developer and the City and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City HOME Loan, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Property until the date that all units in the Project have received all required occupancy permits and City has verified that all improvements

required to be constructed in connection with the Project have been completed ("**Construction Completion Date**"). Accordingly, the provisions of this Section 9.13 shall be applicable until the Construction Completion Date.

This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

City shall execute, acknowledge, and deliver to Developer upon Developer's request after the Construction Completion Date, a document in recordable form removing the Memorandum from title to the Property. The removal of the Memorandum from title shall not result in a termination of this Agreement as between Developer and City but any party thereafter owning or acquiring Developer's interest in the Property shall not because of such ownership or acquisition incur any obligation under this Agreement, but such party shall be subject to any other recorded agreements, including without limitation the City HOME Regulatory Agreement and the City HOME Loan Leasehold Deed of Trust.

The parties acknowledge that the Memorandum, City HOME Regulatory Agreement and City HOME Loan Leasehold Deed of Trust recorded against the Property will encumber Developer's leasehold interest in the Property and not the Land Trust's fee interest in the Property.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Property
2	Schedule of Performance
3	Summary of Legal Requirements for HOME Funds
4	Project Budget
5	City HOME Loan Note
6	City HOME Loan Leasehold Deed of Trust
7	City HOME Regulatory Agreement
8	Memorandum

[Signatures on next page]

IN WITNESS WHEREOF, City and Developer have entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: 6-5-19

By: _____
for John Russo, City Manger

ATTEST:

_____
Molly M. Perry, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

CYPRESS VILLAGE CIC, LP,
a California limited partnership

By: UCP-LA MGP, LLC,
a California limited liability
company, its Managing
General Partner

By: United Cerebral
Palsy/Spastic Children's
Foundation of Los
Angeles and Ventura
Counties, a California
nonprofit public benefit
corporation, its Sole
Member and Manager

DATED: 6-5-19

By: _____
Lori Anderson,
President and Chief
Executive Officer

By: CIC Cypress Village, LLC,
a California limited liability
company, its
Administrative
General Partner

By: Chelsea Investment
Corporation, a California
corporation, its Manager

DATED: June 5, 2019

By: _____
Cheri Hoffman,
President

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 OF TRACT NO. 17612, AS PER MAP RECORDED IN BOOK 924, PAGES 1 THROUGH 14, INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING FROM THE LAND, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY, A DELAWARE CORPORATION IN THE DEED RECORDED NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ALL WATER RIGHTS, INCLUDING RIGHTS CLASSIFIED AS OVERLYING, RIPARIAN, APPROPRIATIVE OR OTHER CLASSIFICATION, DERIVED FROM USAGE, EXTRACTION OR DIVERSION UPON OR OTHERWISE PERTAINING TO THE ABOVE LAND AS CONVEYED TO IRVINE RANCH WATER DISTRICT BY QUITCLAIM DEED RECORDED JUNE 21, 2006 AS INSTRUMENT NO.2006000416403 OF OFFICIAL RECORDS.

APN: 104-584-47

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.10 (§ 3.10).	Prior to and as a condition to City entering into this Agreement.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.11.3).	Prior to and as a condition to City entering into this Agreement.
3.	Developer executes and delivers to City the City HOME Loan Note, and deposits into the Construction Escrow the City HOME Loan Leasehold Deed of Trust, City HOME Regulatory Agreement and Memorandum (§ 2.7).	Prior to and as a condition to City entering into this Agreement.
5.	City executes City HOME Regulatory Agreement and Memorandum and causes City HOME Regulatory Agreement, Memorandum and City HOME Loan Leasehold Deed of Trust to be recorded (§ 2.7).	Prior to or concurrently with City's execution of this Agreement. Recording shall occur concurrently with the close of the Construction Escrow.
6.	City disburses first disbursement of City HOME Loan to Developer (§ 2.4).	Upon the closing of the Construction Escrow Conditions.
7.	Developer commences or causes the commencement of the grading of the Property (§ 3.8).	No later than August 1, 2019.
8.	Developer commences or causes the commencement of construction of the vertical improvements for the Project (§ 3.8).	No later than November 1, 2019.
9.	Developer completes construction of the Project (§ 3.8).	No later than February 1, 2021.
10.	Developer causes affordable housing Program to be operated on the Property.	For a period of 20 years from Construction Completion Date and

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
		in accordance with the City HOME Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS FOR HOME FUNDS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. **Use of the HOME Funds**. The City HOME Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Developer.

2. **Affordability**. The HOME Units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.254) or this Agreement and the City HOME Regulatory Agreement, whichever is more restrictive. If the HOME Units do not meet the affordability requirements of the HOME Requirements for the specified time period, Developer shall repay the City HOME Loan to City promptly upon demand by City. In such event, Developer shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the City HOME Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. **Equal Opportunity and Nondiscrimination.**

a. **Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1**. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. **Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234.** The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq.*, 42 U.S.C. 6101 *et. seq.*, and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. seq*. This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. Executive Order 11246, as amended. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. Executive Order 11063, as amended, including 24 CFR Part 107. This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. Section 504 of the Rehabilitation Act of 1973, as amended. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. The Americans with Disabilities Act (ADA) of 1990, as amended. This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. The Age Discrimination Act of 1975, as amended. This law provides in part that no person shall be excluded from participation in, be denied program

benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. EEO/AA Statement. Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. Minority/Women Business Enterprise. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. Nondiscrimination. Developer shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. Environmental.

a. Air and Water. Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq.*; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq.*, as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. Flood Disaster Protection Act of 1973. Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. Lead-Based Paint. Developer shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. al.*

d. Historic Preservation. Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all

rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. **Limitation on Activities Pending Clearance**. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City HOME Loan. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. **Uniform Administrative Requirements**. Developer shall comply with applicable uniform administrative requirements as described in 24 C.F.R. §§ 92.205.

6. **Other Program Requirements**. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92 except for City's responsibility for initiating the environmental review process under the provisions of 24 C.F.R. Part 58.

7. **Intentionally Omitted**.

8. **Intentionally Omitted**.

9. **Project Requirements**. Developer shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

10. **Property Standards**. Developer shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

11. **Records and Reports**. Developer shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

12. **Intentionally Omitted**.

13. Conflict of Interest. Developer will comply with 2 C.F.R. Part 200 and 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

14. Intentionally Omitted.

15. Affirmative Marketing. If the City HOME Loan will be used for housing containing 5 or more assisted units, Developer shall establish for City's review and approval a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Developer shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Developer must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Developer to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Developer to affirmatively market units and records to assess the results of those actions; and

e. a description of how Developer will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

16. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Developer shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

17. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Developer shall comply with all debarment and suspension certifications.

18. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Developer's obligation to comply with the HOME Requirements.

19. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Developer shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City HOME Loan funds are disbursed are not incurred by Developer within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer immediately return the City HOME Loan proceeds to City.

20. Monitoring. Not less than once per year, City shall review Developer's activities and operations under the Agreement and Developer's compliance with the HOME Requirements. Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

21. Tenant Participation Plan. Developer shall provide to City for approval the form of the lease agreement to be used for the rental units, which lease must be fair and provide for a grievance procedure. In addition, Developer shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

22. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the

extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

23. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her

conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

24. Procurement. If applicable, Developer will comply with the procurement standards under 24 CFR 85.36 for governmental subrecipients and 24 CFR 84.40-48 for subrecipients that are non-profit organizations. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

25. Labor Provisions.

a. Section 3 of the Housing and Community Development Act of 1968. Developer shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

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, 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 C.F.R. 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the 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 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

v. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

vi. Noncompliance with HUD's regulations in 24 C.F.R Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Developer shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

* * *

ATTACHMENT NO. 4

PROJECT BUDGET

[Attached]

PROJECT SUMMARY : Irvine Salerno Apartments

80 Unit Affordable Family Project - 15 VASH, 10 OC Section 8 PBVs; plus 10 Hud 811 PBVs

10 DD, 10 Homeless and 15 Homeless Vets

Revision: 5/30/2019

4% Tax Exempt Bonds

SOURCES AND USES SUMMARY

Development Costs		
Acquisition		
City Land Value	$0/unit	0
Basis Eligible Acquisition Cost	$0/unit	0
Subtotal Acquisition	**$0/unit**	**0**
Hard Costs		
Design Assist	$10,672/unit	853,724
Offsites	$0/unit	0
Onsite	$1,043,513/acre	2,695,395
Parking	$0/stall	0
Vertical Construction Costs	$238,282/unit	19,062,529
PW Factor	$0/unit	0
Overhead, Profit, General Conditions	$39,570/unit	3,165,631
Owner Hard Costs Contingency	$16,111/unit	1,288,864
Subtotal Hard Costs	**$338,327/unit**	**27,066,142**
A&E	$11,154/unit	892,296
Financing Fees and Interest	$34,669/unit	2,773,540
Legal Fees	$3,281/unit	262,500
Reserves	$7,500/unit	600,000
Development Impact, CFDs, Mitigation and Permit Fees	$55,486/unit	4,438,896
Developer Fee	$60,743/unit	4,859,447
Remaining Development Soft costs	$7,247/unit	579,746
Owner Soft Costs Contingency	$2,824/unit	225,935
Subtotal Soft Costs	**$182,904/unit**	**14,632,359**
Total Development Costs	**$521,231/unit**	**41,698,502**
Payable fee		**1,413,497**

Sources		
Bond performance deposit refund		100,000
Federal LIHTC Equity	38%	15,829,973
Developer's Contribution Of Fee = MGP Note	4%	1,500,000
Permanent Tax Exempt Loan (Tranche A)	31%	13,000,000
Deferred Developer Fee	5%	1,945,949
ICLT	16%	6,800,000
County of Orange PSH	4%	1,462,860
HOME	2%	676,952
Residual Receipt Loans Accrued Interest	1%	382,767
Total Development Sources	**100%**	**41,698,502**

FINANCING ASSUMPTIONS

Equity

	Closing	*Completion*	*Conversion*	*8,609*
Equity Pay In	16.5%	0.0%	79.8%	3.7%

Federal Tax Credit Price		$ 0.9500
State Tax Credit Price		$ 0.8500
Solar Tax Credit Price		
9% Credit Rate		
4% Credit Rate	Jun-19	3.28%
LP Interest		98.99%
10 Yr Federal Tax Credits		16,833,144

Debt

Opr. Exp./Unit/Year - Includes Ground Lease	5,892
Services/SN Unit/Year	0
Services/General population/Unit/Year	1,778
Replacement Reserves/Unit/Year	250
Vacancy Rate	**5.00%**
DCR	1.15
Perm Loan Amort	35
Interest Rate - Permanent Loan	4.65%
Interest Rate - Tax Exempt Construction Loan	5.19%
Interest Rate - Taxable Construction Loan	5.69%
Tax- Exempt Bonds - Construction/Perm	**13,000,000**
Tax- Exempt Bonds - Construction	**12,400,000**
Taxable Tail	805,000
Total Construction Loan	**26,205,000**

Tax Credit Considerations

SDDA/QCT Boost	**YES**
Rural Designation	No
50% Test	66.38%
CA 9% Site Amenity Score	15
CA 9% Tiebreaker	N/A
Housing Set Aside	Large Family
Prevailing Wage (State, Federal, Both):	**YES**

	Solar	State	Fed
1st Yr Credit Delivery	0	0	46,286
2nd Yr Credit Delivery	0	0	1,666,313
3rd Yr Credit Delivery	0	0	1,666,313

PRELIM DEVELOPMENT PROGRAMMING SUMMARY

0

City:	Irvine
MSA:	Orange County
4 Person 50% AMI:	$59,350 2019 TCAC Income Limit
Site (acres):	2.583
Construction Type:	4 Story
No. of Stories:	Four Stories
Parking Type:	Tuck under/ covered & Surface
No. of Stalls:	80
Extraordinary Cond:	
Impact Fees+CFDs per Unit	51,180
Financing Sources:	

PROJECT UNIT & INCOME MIX

AMI	Studio	1BR	2BR	3BR	Totals	
Sq. Ft.	431	550	750	1,000		65,200
UA	$48	$56	$78	$100		
60%	0	1	2	7		10
55%	0	0	0	0		0
50%	0	2	14	18		34
45%	0	0	0	0		0
40%	0	0	0	0		0
35%	0	0	0	0		0
30%	0	21	0	14		35
Mgr.	0	0	0	1		1
Totals	0	24	16	40		80

Common	3,000	Net SF	68,200	Cost psf	$ 396.86
average affordabilty		42.41%			

PROJECT TIMING

Tax Credit Allocation	March-19
Construction Begin - Initial Closing	6/7/19
Construction Complete (18 months)	12/1/20
Lease Up Complete	3/1/21
Conversion/Stabilization	7/1/21
8609	10/1/21

PROJECTED SOURCES AND USES OF FUNDS - Irivne Salerno

80 Unit Affordable Family Project - 15 VASH, 10 OC Section 8 PBVs; plus 10 Hud 811 PBVs

	80 Unit Affordable Family Project - 15 VASH, 10 OC Section 8 PBVs; plus 10 Hud 811		Pre-Dev	6/7/2019 Close	Construction Period = 18 months Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	12/2020 Construction Subtotal	Stabilization 6mos	1,413,497 Conversion	8609	Total
		18,511,025			10%	15%	25%	25%	13%	12%					
1	Federal LIHTC Equity			2,611,946	-	-	-	-	-	-	**2,611,946**	-	12,318,028	900,000	**15,829,973**
2	State LIHTC Equity	$		-	-	-	-	-	-	-	-	-	-	-	-
3	Developer's Contribution Of Fee			-	-	-	-	-	-	-	-	-	1,500,000	-	**1,500,000**
4	Tax Exempt Construction Loan		500,000	118,746	3,819,654	4,206,979	5,341,719	5,493,697	2,834,712	2,931,621	**25,247,127**	152,873	(25,400,000)	-	-
5	Taxable Construction Loan										-	805,000	(805,000)		-
6	Permanent Tax Exempt Loan (Tranche A)			-	-	-	-	-	-	-	-	-	13,000,000	-	**13,000,000**
7	Deferred Developer Fee			-	-	-	-	-	-	-	-	-	1,945,949	-	**1,945,949**
9	ICLT Loan	$47,500/unit		3,800,000	500,000	500,000	500,000	500,000	500,000	500,000	**6,800,000**	-	-	-	**6,800,000**
11	County Of Orange PSH - HSA funds			-	-	-	-	-	-	-	-	-	1,212,860	-	**1,212,860**
12	County of Orange PSH - HOME	$0/unit		-	-	-	-	-	-	-	-	-	250,000	-	**250,000**
13	Residual Receipt Loans Accrued Interest			-	35,815	39,565	43,315	47,065	50,815	54,565	**271,138**	111,629		-	**382,767**
14	City of Irvine HOME			641,952				5,000			**646,952**	30,000	-	-	**676,952**
	Bond Deposit Refund				100,000						**100,000**				**100,000**
15	**Total Sources of Funds**		**500,000**	**7,172,643**	**4,455,468**	**4,746,543**	**5,885,034**	**6,045,762**	**3,385,526**	**3,486,186**	**35,677,162**	**1,099,502**	**4,021,837**	**900,000**	**41,698,502**
16															
17															
18	**USES OF FUNDS**														
19	ACQUISITION														
20	Land value (ground lease)	$0/unit		-	-	-	-	-	-	-	-	-	-	-	-
26	Other: Land Title			10,000	-	-	-	-	-	-	**10,000**	-	-	-	**10,000**
27	**Total Land / Acquitisiton**			**10,000**	-	-	-	-	-	-	**10,000**	-	-	-	**10,000**
28															
45															
46	NEW CONSTRUCTION - includes PWs														
47	Design Assist	$ -		853,724	-	-	-	-	-	-	**853,724**	-	-	-	**853,724**
48	Off-site Improvements	$			-	-	-	-	-	-	-	-	-	-	-
50	Site Work	$0/acre			1,449,583	976,273	-	-	-	269,540	**2,695,395**	-	-	-	**2,695,395**
52	Vertical	$0.00/sq ft		-	1,851,103	2,776,654	4,627,756	4,627,756	2,406,433	2,221,323	**18,511,025**	-		-	**18,511,025**
53	GC Contingency	2.5%		21,343	82,517	93,823	115,694	115,694	60,161	62,272	**551,504**	-		-	**551,504**
54	General Requirements	4%		35,003	135,328	153,870	189,738	189,738	98,664	102,125	**904,466**	-		-	**904,466**
55	Contractor Overhead	6%		52,504	202,992	230,805	284,607	284,607	147,996	153,188	**1,356,699**	-		-	**1,356,699**
56	Contractor Profit	4%		35,003	135,328	153,870	189,738	189,738	98,664	102,125	**904,466**	-		-	**904,466**
59	**Total New Construction**	**$322,216/unit**	-	**997,576**	**3,856,850**	**4,385,295**	**5,407,533**	**5,407,533**	**2,811,917**	**2,910,573**	**25,777,278**	-	-	-	**25,777,278**
60															
61	ARCHITECTURAL														
62	Building		16,605	18,402			-		-	-	**35,007**	-	-	-	**35,007**
63	Landscape		34,683	12,799	13,253						**60,735**				**60,735**
64	Energy Consultant		15,013	26,186							**41,199**				**41,199**
65	Other: Park Plan		0	30,000	-	-	-	-	-	-	**30,000**				**30,000**
66	Other:		0	-	-	-	-	-	-	-	-				-
67	Other:		0	-	-	-	-	-	-	-	-	-	-	-	-
68	**Total Architectural**		**66,301**	**87,387**	**13,253**	-	-	-	-	-	**166,941**	-	-	-	**166,941**
69															
70	SURVEY & ENGINEERING														
71	Civil		131,477	113,363	197,461						**442,300**	-	-	-	**442,300**
72	ALTA			12,500						12,500	**25,000**		-	-	**25,000**
73	Staking		0		35,000						**35,000**	-	-	-	**35,000**
74	Structural Testing		0		4,000						**4,000**	-	-	-	**4,000**
75	Soils Testing		4,490	-	61,381						**65,870**	-	-	-	**65,870**
76	Dry Utilities		11,853	11,683							**23,535**	-	-	-	**23,535**
77	Phase I /Environmental										-	-	-	-	-
78	Other - Noise Study,Traffic		3,500	126,150							**129,650**	-	-	-	**129,650**
79	**Total Survey & Engineering**		**151,319**	**263,695**	**297,841**	-	-	-	-	**12,500**	**725,355**	-	-	-	**725,355**
80															
81	CONTINGENCY COSTS														
82	Hard Cost Contingency	5%		49,879	192,843	219,265	270,377	270,377	140,596	145,529	**1,288,864**	-	-	-	**1,288,864**
83	Soft Cost Contingency	1%		167,757	11,819	4,135	6,033	10,344	12,550	13,297	**225,935**	-	-	-	**225,935**
84	**Total Contingency**		-	**217,636**	**204,661**	**223,400**	**276,409**	**280,721**	**153,146**	**158,825**	**1,514,799**	-	-	-	**1,514,799**
85															
86	CONSTRUCTION PERIOD EXPENSES														
87	Construction Loan Interest			-	24,548	75,783	135,277	205,243	265,023	302,223	**1,008,098**	664,873	-	-	**1,672,971**
88	Soft Loan Interest			-	35,815	39,565	43,315	47,065	50,815	54,565	**271,138**	111,629	-	-	**382,767**
89	Origination Fee	1.00%		262,050	-	-	-	-	-	-	**262,050**	-	-	-	**262,050**
90	Credit Enhancement & Application Fee			-	-	-	-	-	-	-	-	-	-	-	-
91	Owner Paid Bonds			-	-	-	-	-	-	-	-	-	-	-	-
92	Lender Inspection Fees			-	7,500	7,500	7,500	7,500	7,500	7,500	**45,000**	-	-	-	**45,000**
91	Taxes During Construction			7,500	-	-	-	-	-	-	**7,500**	-	-	-	**7,500**
93	Insurance During Construction			167,610	-	-	-	-	-		**167,610**	-	-	-	**167,610**
94	Title and Recording Fees			25,000	-	-	-	-	-	-	**25,000**	-	-	-	**25,000**
95	PW Monitoring		0		10,000	10,000	10,000	10,000	10,000	10,000	**60,000**	-	-	-	**60,000**
96	Citibank Due Diligence			18,292	-	-	-	-	-	-	**18,292**	-	-	-	**18,292**

PROJECTED SOURCES AND USES OF FUNDS - Irivne Salerno

80 Unit Affordable Family Project - 15 VASH, 10 OC Section 8 PBVs; plus 10 Hud 811 PBVs

	80 Unit Affordable Family Project - 15 VASH, 10 OC Section 8 PBVs; plus 10 Hud 811		Pre-Dev	6/7/2019 Close	Construction Period = 18 months Quarter 1	Quarter 2	Quarter 3	Quarter 4	Quarter 5	Quarter 6	12/2020 Construction Subtotal	Stabilization 6mos	1,413,497 Conversion	8609	Total
		18,511,025			10%	15%	25%	25%	13%	12%					
98	Citi Predevelopment Loan Fees & Interest		39,500	-	-	-	-	-	-	-	39,500	-	-	-	39,500
99	**Total Construction Period Expense**		39,500	480,452	77,863	132,848	196,091	269,807	333,338	374,288	1,904,187	776,502	-	-	2,680,690
100															
101	PERMANENT FINANCING EXPENSES														
102	Loan Origination Fees	0.00%		-	-	-	-	-	-	-	-	-	15,000	-	15,000
104	Title and Recording Fees			-	-	-	-	-	-	-	-	-	7,500	-	7,500
105	Property Taxes			-	-	-	-	-	-	-	-	-	-	-	-
106	Insurance			-	-	-	-	-	-	-	-	-	-	-	-
107	Other: Issuer/Admin Fee by CMFA - 37 5k + 05%			52,900	-	-	-	12,700	-	-	65,600	-	-	-	65,600
108	Other: Orange Country Loan Fees			2,625	-	-	-	-	2,125	-	4,750	-	-	-	4,750
109	**Total Permanent Financing**			55,525	-	-	-	12,700	2,125	-	70,350	-	22,500	-	92,850
110															
111	LEGAL FEES														
112	Construction Lender Legal			60,000	-	-	-	-	-	-	60,000	-	-	-	60,000
113	Permanent Lender Legal			-	-	-	-	-	-	-	-	-	7,500	-	7,500
114	Sponsor Legal		13,510	46,490	-	-	-	-	-	-	60,000	-	-	-	60,000
115	Organizational Legal			50,000	-	-	-	-	-	-	50,000	-	-	-	50,000
116	Other Legal (Issuer Legal, Bond Counsel)			60,000	-	-	-	-	-	-	60,000	-	-	-	60,000
117	Other:			-	-	-	-	-	-	-	-	-	-	-	-
118	Other: GP Legal		0	25,000	-	-	-	-	-	-	25,000	-	-	-	25,000
119	**Total Legal Fees**		13,510	241,490	-	-	-	-	-	-	255,000	-	7,500	-	262,500
120															
121	CAPITALIZED RESERVES														
122	Operating Reserve	3 months		-	-	-	-	-	-	-	-	-	-	340,000	340,000
123	Replacement Reserve			-	-	-	-	-	-	-	-	-	-	-	-
124	Rent-up Reserve			-	-	-	-	-	-	-	-	-	-	-	-
125	Transition Reserve			-	-	-	-	-	-	-	-	-	-	260,000	260,000
126	Other: Prepaid HOA			-	-	-	-	-	-	-	-	-	-	-	-
127	Other: Capitalized LP Fee			-	-	-	-	-	-	-	-	-	-	-	-
128	**Total Reserves**		-	-	-	-	-	-	-	-	-	-	-	600,000	600,000
129															
130	REPORTS & STUDIES														
131	Market Study		12,000		-	-	-	-	-	-	12,000	-	-	-	12,000
132	Relocation Plan & consulting		0	-	-	-	-	-	-	-	-	-	-	-	-
133	Appraisal		9,350		-	-	-	-	-	-	9,350	-	-	-	9,350
134	Environmental		1,900		-	-	-	-	-	-	1,900	-	-	-	1,900
135	Other: Lender Deposit		0	-	-	-	-	-	-	-	-	-	-	-	-
136	Other: Investor Deposit		0	-	-	-	-	-	-	-	-	-	-	-	-
137	Other: Parks, Air, ADA, Paleo, cost review, etc		0	28,681	-	-	-	-	-	-	28,681	-	-	-	28,681
139	**Total Reports & Studies**		23,250	28,681	-	-	-	-	-	-	51,931	-	-	-	51,931
140															
141	OTHER														
142	TCAC App /Alloc/Monitoring Fees		1,000	16,185	-	-	-	-	-	-	17,185	-	32,390		49,575
143	CDLAC/CDIAC Fees	0.05%	1,200	14,040	-	-	-	-	-	-	15,240	-	-	-	15,240
144	Local Permit Fees + Mitigation Fee	$4,306/unit	78,997	265,471	-	-	-	-	-	-	344,468	-	-	-	344,468
145	Local Development Impact Fees	$51,180/unit	0	4,094,428	-	-	-	-	-	-	4,094,428	-	-	-	4,094,428
146	CFD Prepayment			-	-	-	-	-	-	-	-	-	-	-	-
147	Syndicator/Investor Fees & Expenses			-	-	-	-	-	-	-	-	-	-	-	-
148	Furnishings			-	-	-			50,000		50,000	-	-	-	50,000
149	Final Cost Audit Expense			-	-	-	-	-	-	-	-	15,000	-	-	15,000
150	Marketing/Lease-up			5,000	-	-	-	70,000	30,000	25,000	130,000	8,000	-	-	138,000
151	MGP Services Fee			25,000							25,000	-	-	-	25,000
152	Citi LP Due Diligence Fee			50,000	-	-	-	-	-	-	50,000	-	-	-	50,000
153	Accounting/Finance/Admin		24,924	20,076	5,000	5,000	5,000	5,000	5,000	5,000	75,000	-	-	-	75,000
154	Other: CPA Opinion		0	-							-	-	-	-	-
155	Bond Performance Deposit		100,000	-							100,000	-	-	-	100,000
156	**Total Other Costs**		206,121	4,490,200	5,000	5,000	5,000	75,000	85,000	30,000	4,901,321	23,000	32,390	-	4,956,711
157															
158	DEVELOPER COSTS														
159	Developer Fee			300,000	-	-	-	-		-	300,000	300,000	3,959,447	300,000	4,859,447
160	Consultant/Processing Agent			-	-	-	-	-	-	-	-	-	-	-	-
165	Construction Oversight & Mgmt			-	-	-	-	-	-	-	-	-	-	-	-
166	**Total Developer Costs**		-	300,000	-	-	-	-	-	-	300,000	300,000	3,959,447	300,000	4,859,447
167															
168															
169	**Total Uses of Funds**		500,000	7,172,643	4,455,468	4,746,543	5,885,034	6,045,762	3,385,526	3,486,186	35,677,162	1,099,502	4,021,837	900,000	41,698,502
170	Net Source & Use			-	-	-	-	-	-	-	-	-	-	-	-

ATTACHMENT NO. 5

CITY HOME LOAN NOTE

[Attached]

PROMISSORY NOTE (CITY HOME LOAN) SECURED BY LEASEHOLD DEED OF TRUST

$676,952.00 _____, 2019

FOR VALUE RECEIVED, the undersigned, CYPRESS VILLAGE CIC, LP, a California limited partnership ("Borrower"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("City"), the sum of Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note (City HOME Loan) Secured by Leasehold Deed of Trust ("Note"). All terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "City HOME Loan Documents"):

(i) The Affordable Housing and Loan Agreement between Borrower and City dated on or about the date hereof, which sets forth the terms and conditions for City's agreement to provide the "City HOME Loan" (as that term is defined in Section 1 below) to Borrower ("City HOME Loan Agreement").

The Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) between Borrower and City dated on or about the date hereof, and recorded against the real property to be developed by Borrower pursuant to the City HOME Loan Agreement ("Property"), in the Official Records of Orange County, California, as may be amended from time to time ("City HOME Regulatory Agreement").

(ii) The Leasehold Deed of Trust with Assignment of Rents (HOME Loan) that shall be executed by Borrower for the benefit of City securing the City HOME Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement ("City HOME Leasehold Deed of Trust").

(iii) The Memorandum of Affordable Housing and Loan Agreement that shall be executed by Borrower and City on or about the date of this Note, and recorded in the Official Records of Orange County, California, and may be amended from time to time, and as more particularly set forth in the Loan Agreement ("Memorandum").

1. Loan Amount. The principal amount of the City's loan to Borrower Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00) ("City HOME Loan"), which shall accrue simple interest at the rate of three percent (3%) per annum commencing on the date of this Note. The City HOME Loan shall be disbursed to Borrower in accordance with the City HOME Loan Agreement, when costs are incurred

for "Eligible HOME Loan Expenses" (as that term is defined in the City HOME Loan Agreement).

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City HOME Loan and accrued interest shall be due and payable in a single lump-sum payment on the date that is twenty (20) years after all units in the rental affordable housing development Borrower is constructing and operating on the Property pursuant to the City HOME Loan Agreement and City HOME Regulatory Agreement ("Project") have received all required occupancy permits from the City, but in no event later than the date that is sixty (60) years after the date of this Note. There shall be no penalty to Borrower for any prepayment of the City HOME Loan. Commencing in the calendar year after the end of the tax credit compliance period for the Project under Internal Revenue Code Section 42(i)(1), Borrower shall make annual payments to City in an amount equal to the City HOME Loan's share of Project Cash Flow for the preceding calendar year until the City HOME Loan is paid in full. Sixty two and a half percent (62.5%) of then available Project Cash Flow (the "Soft Lenders' Share of Residual Receipts") shall be applied towards annual payments on the loans made by the City and the other "soft financing" lenders for the Project (namely, the Irvine Community Land Trust ("ICLT") and the County of Irvine ("County")) divided as follows: First, the County shall receive twenty five percent (25%) of total Project Cash Flow until the full repayment (principal and accrued interest) of the loans made by the County (namely, the County Housing Successor Agency Loan and the County HOME Loan); and Second, the balance of the Soft Lenders' Share of Residual Receipts (i.e. thirty seven and a half (37.5%) of total Residual Receipts, during the time that the County's loan(s) are outstanding) shall be split between the Land Trust and the City on a pro rata basis, until the full repayment (principal and accrued interest) of the loan(s) made by the Land Trust and the City. Pro rata sharing of Residual Receipts between the Land Trust loan and the City loan is determined based on the original principal balances of the Land Trust's loan and the City's loan as of the date hereof (namely, 90.95% for the Land Trust's loan, and 9.5% for the City's loan). For avoidance of doubt, an example of calculation and distribution of the Soft Lenders' Share of Residual Receipts is attached to this Note as Exhibit A

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Property or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Commencing in the calendar year after the end of the tax credit compliance period for the Project under Internal Revenue Code Section 42(i)(1), Borrower shall submit to City on or before August 1 of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately

preceding calendar year. The reports and certificates referred to herein shall be in such form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than two and one-half percent (2.5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the City HOME Loan Agreement, the City HOME Regulatory Agreement, or the City HOME Leasehold Deed of Trust, and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City HOME Loan immediately due and payable.

In addition to Borrower's cure rights hereunder, Citi Community Capital, or its successors and assigns pursuant to the City HOME Loan Agreement and City HOME Regulatory Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Borrower, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure

any non-monetary default under this Note; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Borrower shall have the obligation to deliver to City written notice of the Investor's mailing address for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Borrower, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Note.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City HOME Loan shall be in satisfaction of the annual or final payment due from Borrower in accordance with the terms of this Note, and shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. This Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law, Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if: (a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City HOME Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the leasehold interest in the property encumbered by the City HOME Leasehold Deed of Trust (excluding the lease of the units on the Property in accordance with the City HOME Loan Agreement and City HOME Regulatory Agreement, the lien of the "Permitted Encumbrances" (as that term is defined in the City HOME Loan Agreement), a transfer that is permitted under the City HOME Loan Agreement or the City HOME Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's "Contract Officer" (as that term is defined in the City HOME Loan Agreement)); (b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Property exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City; (c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the Project on the Property; (d) any default shall occur under the City HOME Loan Agreement, City HOME Leasehold Deed of Trust, or City HOME Regulatory Agreement, other than a default of City, or Borrower shall be in default under any documents relating to any other financing that is secured by the Property, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) Borrower's Ground Lease for the Property terminates for any reason, then City, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Leasehold Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Manager of Neighborhood Services Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Jeffrey S. Melching Email: jmelching@rutan.com
To Borrower:	Cypress Village CIC, LP c/o Chelsea Investment Corporation 6339 Pasea del Lago Carlsbad, CA 92008 Attn: Cheri Hoffman Email: choffman@chelseainvestco.com

With a copy to: Odu & Associates, PC
2195 Queensberry Road
Pasadena, CA 91104
Attn: Nkechi C. Odu, Esq.
Email: nodu@chelseainvestco.com

With a copy to: Citibank N.A.
388 Greenwich St., 8th Floor
New York, NY 10013
Attention: Mark Sherman

Nixon Peabody LLP
779 9th Street, NW, Suite 500
Washington, DC 20001-4501
Attention: Matthew W. Mullen

TCAM
30 Federal Street, Floor 6
Boston, MA 02110-2508
Attention: Jenny Netzer

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other City HOME Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City HOME Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Property. The foregoing shall not apply to the extent Borrower no longer retains an interest in the Property. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by the Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the City HOME Leasehold Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by the Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the City HOME Leasehold Deed of Trust or from enforcing any of its rights or remedies in law or in equity against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the City HOME Loan Documents pursuant to such performance or

payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the City HOME Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the City HOME Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the City HOME Loan Documents.

[signature on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

CYPRESS VILLAGE CIC, LP,
a California limited partnership

By: UCP-LA MGP, LLC,
a California limited liability company,
its Managing General Partner

By: United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties, a California nonprofit public benefit corporation, its Sole Member and Manager

DATED: _____

By: _____
Lori Anderson, President and Chief Executive Officer

By: CIC Cypress Village, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation, a California corporation, its Manager

DATED: _____

By: _____
Cheri Hoffman, President

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

"Assessments" shall mean any and all special assessments, levies and charges on the Property made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Property and payable by Borrower.

"Gross Income" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"Index" shall mean the Consumer Price Index--Urban Consumers (Los Angeles-Long Beach-Anaheim CA, area; Base 1982-84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation.

"Operating Expenses" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any Mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (A) utility expenses (including heating, ventilating, and air conditioning); (B) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (C) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (D) property management fees not to exceed not to exceed eight percent (8%) of Gross Income per year; (E) accounting; (F) janitorial; (G) security; (H) supplies; (I) materials and equipment; (J) social services provided to tenants to the extent not paid by tenants or other sources; and (K) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City; (B) any loan consented to by

City to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Property to the extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City has approved the amount and terms of such loan in the exercise of their reasonable discretion; and (C) any deed of trust or mortgage securing a loan the proceeds of which are used to repair, restore, maintain, improve or alter the improvements on the Property, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the "Ground Lease" (as that term is defined in the City HOME Loan Agreement) and (ii) has approved the amount and terms of such loan in the exercise of its reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City in its reasonable discretion; (VI) payments on any deferred developer fee, approved by City in its reasonable discretion, in an amount not to exceed the amount required by a mortgagee or limited partner in Borrower (provided that annual deferred developer fee payments shall in no case exceed eighty five percent (85%) Project cash otherwise available to pay deferred developer fee); (VII) all partnership management fees and asset management fees paid to a general partner or limited partner in Borrower not to exceed a total of $17,500 per calendar year escalating by 3.5% year-to-year; and (VIII) the rent payable under the Ground Lease.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any governmental agency, and appeals in respect of taxes, assessments, or income and franchise taxes; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City has approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"Project Cash Flow" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project Cash Flow, the term "Operating Expenses" may not include the amount of any Taxes for which Borrower (or any successor under the Ground Lease) is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"Subordinate Financing" shall mean any financing from any funding source, public or private, secured by a deed of trust that is subordinate to the City HOME Leasehold Deed of Trust.

"Taxes" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Property or any part or parts thereof, or upon Borrower's leasehold interest in the Property, Borrower's ownership rights in the improvements and fixtures on the Property, and Borrower's rights pursuant to the Ground Lease (and excluding any and all limited partnership interests in Borrower), or upon the Land Trust's fee simple ownership of the Property, Land Trust's rights pursuant to the Ground Lease, and Land Trust's reversionary rights in and to the Property upon termination or expiration of the Ground Lease.

[End of Exhibit A]

ATTACHMENT NO. 6

HOME LOAN LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Leasehold Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This LEASEHOLD DEED OF TRUST WITH ASSIGNMENT OF RENTS ("Leasehold Deed of Trust") is made this _____ day of _____, 2019 among CYPRESS VILLAGE CIC, LP, a California limited partnership ("Trustor"), FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation ("Trustee"), and the CITY OF IRVINE, a California municipal corporation ("Beneficiary").

1. Grant In Trust. For the purposes and upon the terms and conditions in this Leasehold Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's leasehold interest in and to that certain real property in the City of Irvine, County of Orange, State of California, described as set forth in Exhibit "A" attached hereto and incorporated herein by reference, as provided by that certain Ground Lease dated on or about the same date hereof, as may be amended from time to time, which was memorialized by a Memorandum of Ground Lease recorded concurrently herewith, as may be amended from time to time ("Ground Lease"), by and between Trustor and the fee owner of the property ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together with the Real Property shall sometimes be referred to as the "Property"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases"); and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the leasehold interest, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under

any of the leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following: (a) payment of the sum of Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00), according to the terms of a promissory note dated on or about the date hereof made by Trustor, payable to order of Beneficiary, and extensions, modifications or renewals thereof ("City HOME Note"); (b) Trustor's performance of the obligations and all amounts that become due under this Leasehold Deed of Trust; and (c) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Leasehold Deed of Trust. This Leasehold Deed of Trust, the City HOME Note, the Affordable Housing and Loan Agreement (HOME Funds) by and between Trustor and Beneficiary dated on or about the same date hereof, as may be amended from time to time ("City HOME Loan Agreement"), and the Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) between Trustor and Beneficiary recorded against Developer's leasehold interest in the Property on or about the date hereof, in the Official Records of Orange County, California ("City HOME Regulatory Agreement"), as such agreements may be amended from time to time, are collectively referred to herein as the "City HOME Loan Documents." Any capitalized terms contained in this Leasehold Deed of Trust which are not defined herein shall have the meaning given in the City HOME Loan Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if: (a) Trustor shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than this Leasehold Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Trust Estate (excluding the lease of the units on the Property in accordance with the City HOME Loan Agreement and City HOME Regulatory Agreement, the lien of the "Permitted Encumbrances" (as that term is defined in the City HOME Loan Agreement), a transfer that is permitted under the City HOME Loan Agreement or the City HOME Regulatory Agreement without Beneficiary approval provided an assignment and assumption agreement in a form approved by Beneficiary is executed, and any other assignment, transfer, or encumbrance approved in writing by Beneficiary's "Contract Officer" (as that term is defined in the City HOME Loan Agreement)); (b) Trustor shall refinance any lien or encumbrance on terms not reasonably approved by Beneficiary or, unless otherwise approved in writing by Beneficiary's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Property exceeds: (i) prior to the completion of construction of the rental affordable apartment development pursuant to the City HOME Loan Agreement ("Project"), ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property

plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to Beneficiary; (c) Trustor shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the Project on the Property; (d) any default shall occur under the City HOME Loan Agreement, City HOME Note, or City HOME Regulatory Agreement, other than a default of Beneficiary, or Trustor shall be in default under any documents relating to any other financing that is secured by the Property, and any such default is not cured under the terms of the applicable agreement if there is a cure period; or (e) if Trustor's "Ground Lease" (as that term is defined in the City HOME Loan Agreement) for the Property terminates for any reason, then Beneficiary, at its option, may declare the entire indebtedness evidenced hereby to be immediately due and payable and collectible then or thereafter as Beneficiary may elect, regardless of the date of maturity.

AN EVENT OF ACCELERATION OR PAYMENT UNDER THE CITY NOTE, WHETHER VOLUNTARY OR DUE TO AN EVENT OF ACCELERATION, SHALL NOT TERMINATE THE CITY REGULATORY AGREEMENT, AS PERFORMANCE UNDER SAID CITY REGULATORY AGREEMENT IS NOT SECURED BY THIS LEASEHOLD DEED OF TRUST.

4. Assignment of Rents and Performance of Leases.

4.1 Assignment of Rents and Leases. Subject to the rights of each mortgagee or beneficiary of any mortgage, deed of trust, or other security instrument authorized to have priority over this Leasehold Deed of Trust, Trustor hereby irrevocably, absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no default has occurred and is continuing, Trustor shall have the right under a license granted hereby to collect and receive all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of costs and expenses associated with the ownership, maintenance, operation and leasing of the Property, including, principal, interest and all other amounts required to be paid under the City HOME Loan Documents, before using or applying such Rents for any other purpose. No Rents or such other income shall be distributed or paid to Trustor, unless such costs and expenses which are then due have been paid in full. Thereafter, so long as no "Event of Default" (as that term is defined below) has occurred and is continuing, the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing, Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically, and Beneficiary shall have the sole right, with or without taking possession of the Property, to collect all Rents; provided, however, if such Event of Default is cured, then such license shall be automatically reinstated. This is an absolute assignment and not an assignment for security only. For purposes of this Section 4.1, the term "Event of Default" shall mean (a) the failure of Trustor to timely pay, within ten (10) days of its due date, any payment due under the City HOME Note, or (b) the failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in this Leasehold Deed of Trust

or the City HOME Loan Agreement, or any other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein; provided, however, that in the event no cure or grace period is otherwise provided for herein or therein, such failure shall not be an Event of Default hereunder if Trustor observes or performs such term, condition, covenant, agreement or obligation within thirty (30) days of receipt of written notice from Beneficiary of Trustor's failure to observe or perform any such term, condition, covenant, agreement or obligation or, if not reasonably susceptible of cure within thirty (30) days, then provided the cure is commenced in thirty (30) days and diligently and continuously prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days).

4.2 Covenants Regarding Leases. Trustor shall not, without the prior written consent of Beneficiary, (a) collect any rent from any lessee for a period of more than one (1) month in advance, or (b) except as may be expressly permitted under the City HOME Loan Agreement, execute any further assignment of any of its right, title and interest in the Leases and the Rents. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases in all material respects, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof in all material respects, (c) use good faith commercially reasonable efforts to keep the Property leased at a good and sufficient rental and on such other terms and conditions as are reasonably acceptable to Beneficiary, (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem reasonably advisable to carry out the true purposes and intent of the assignment set forth in Section 4.1 above, and (e) at the written request of Beneficiary, cause any or all tenants under a lease or sublease to execute a subordination, nondisturbance and attornment agreement and estoppel certificate in form and substance reasonably satisfactory to Beneficiary.

5. Default. Except as otherwise provided herein, Trustor shall be deemed in default of this Leasehold Deed of Trust in the event Trustor fails to perform any obligation hereunder and such default is not cured within thirty (30) days after Trustor's receipt of written notice from Beneficiary specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Trustor's receipt of the notice of default and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days). City shall accept any cure made by Trustor's limited partner as if made by Trustor as provided in the City HOME Loan Agreement.

6. Actions Affecting Property. Trustor shall give Beneficiary and Trustee prompt written notice of the assertion of any claim with respect to, or the filing of any action or proceeding purporting to affect the Property, the security hereof or the rights or powers of Beneficiary or Trustee. Trustor shall appear in and contest any such action or proceeding and shall pay all costs and expenses, including cost of evidence of title and attorney's fees, in any such action or proceeding.

7. Beneficiary Expenditures. If any action or proceeding is commenced that would materially affect Beneficiary's interest in the Property or if Trustor fails to comply with any provision of this Leasehold Deed of Trust or any City HOME Loan Documents, including but not limited to Trustor's failure to discharge or pay when due any amounts Trustor is required to discharge or pay under this Leasehold Deed of Trust or the City HOME Loan Documents, Beneficiary on Trustor's behalf may (but shall not be obligated to) take any action that Beneficiary deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Property and paying all costs for insuring, maintaining and preserving the Property. All such expenses will become a part of the indebtedness secured by this Leasehold Deed of Trust and, at Beneficiary's option, will (i) be payable upon demand, (ii) be added to the balance of the City HOME Note and be payable on the same terms as the original amount provided thereunder, or (iii) be treated as a balloon payment which will be due and payable upon the maturity date of the City HOME Note. This Leasehold Deed of Trust shall secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Beneficiary may be entitled upon a default. Notwithstanding the foregoing, Trustor shall have the right to contest in good faith and with reasonable diligence the amount or validity of any lien or claim of lien so long as Trustor shall provide Beneficiary, at Trustor's sole cost and expense, with such bond or other security as Beneficiary may reasonably require to insure payment thereof and prevent any sale, foreclosure or forfeiture of all or any part of the Property.

8. Nonrecourse Obligation. The repayment of the City HOME Loan and any other indebtedness secured by this Leasehold Deed of Trust shall be nonrecourse to Borrower, on the terms, and subject to the conditions, set forth in paragraph 16 of the City HOME Note.

9. Repair of Damage. Notwithstanding anything herein to the contrary, Beneficiary shall permit insurance and condemnation proceeds to be used to rebuild the Project provided that (i) sufficient funds are provided from other sources to effectively rebuild the Project to a lawfully authorized multifamily housing complex, and (ii) subject to the rights of senior lenders, Beneficiary shall hold all such proceeds and disburse them based on the progress of construction, subject to such additional reasonable conditions as Beneficiary may impose.

10. Extended Use Agreement. This Leasehold Deed of Trust shall be subject and subordinate to the terms of that certain extended use agreement to be executed by the Trustor in connection with the Trustor's allocation of low-income housing tax credits under Section 42 of the Code (the "Extended Use Agreement"). If Beneficiary or its successors or assigns (collectively, the "Subsequent Owner') acquires Trustor's interest in the Property by foreclosure (or instrument in lieu of foreclosure), then the "extended use period" (as defined in Section 42(h)(6)(D) of the Internal Revenue Code) shall terminate, except for the obligation of the Subsequent Owner to comply with the limitations on evictions, termination of tenancy and increase in rents for the three year period following the Subsequent Owner's acquisition of Trustor's interest in the Property, as set forth in Section 42(h)(6)(E)(ii) of the Internal Revenue Code.

11. Incorporation of Fictitious Leasehold Deed of Trust. To protect the security of this Leasehold Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B, of the fictitious deed of trust recorded in the Orange County Recorder's Office on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the Property.

[Signature page to follow]

Trustor has caused this Leasehold Deed of Trust to be executed as of the date set forth above.

CYPRESS VILLAGE CIC, LP,
a California limited partnership

By: UCP-LA MGP, LLC,
a California limited liability company,
its Managing General Partner

By: United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties, a California nonprofit public benefit corporation, its Sole Member and Manager

DATED: _____

By: _____
Lori Anderson, President and Chief Executive Officer

By: CIC Cypress Village, LLC,
a California limited liability company,
its Administrative General Partner

By: Chelsea Investment Corporation, a California corporation, its Manager

DATED: _____

By: _____
Cheri Hoffman, President

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary of Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same is such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place

fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

REQUEST FOR FULL RECONVEYANCE
To be used only when note has been paid

Date_____

To: _____ Trustee: _____

The undersigned is the legal owner and holder of all indebtedness secured by this Deed of Trust. All sums secured by said deed of trust have been paid, and you are requested, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel all evidences of indebtedness, secured by said Deed of Trust delivered to you herewith and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, the estate now held by you under the same.

Mail Reconveyance to:	
_____	**By:** _____
_____	
_____	**By:** _____

Do not lose or destroy this Deed of Trust OR the Note which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 OF TRACT NO. 17612, AS PER MAP RECORDED IN BOOK 924, PAGES 1 THROUGH 14, INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING FROM THE LAND, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY, A DELAWARE CORPORATION IN THE DEED RECORDED NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ALL WATER RIGHTS, INCLUDING RIGHTS CLASSIFIED AS OVERLYING, RIPARIAN, APPROPRIATIVE OR OTHER CLASSIFICATION, DERIVED FROM USAGE, EXTRACTION OR DIVERSION UPON OR OTHERWISE PERTAINING TO THE ABOVE LAND AS CONVEYED TO IRVINE RANCH WATER DISTRICT BY QUITCLAIM DEED RECORDED JUNE 21, 2006 AS INSTRUMENT NO.2006000416403 OF OFFICIAL RECORDS.

APN: 104-584-47

ATTACHMENT NO. 7

CITY HOME REGULATORY AGREEMENT

[Attached]

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City HOME Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this _____ day of _____, 201__ ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and CYPRESS VILLAGE CIC, LP, a California limited partnership ("**Declarant**") (hereinafter, City and Declarant are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

R E C I T A L S

A. Declarant is the ground lessee of that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Property**").

B. City and Declarant are parties to that certain Affordable Housing and Loan Agreement (HOME Funds) dated _____, 2019 ("**City HOME Loan Agreement**"), which provides for Declarant to develop an 80-unit residential rental project with residential units income restricted and related improvements ("**Project**") on the Property. The City HOME Loan Agreement further provides for City to loan to Declarant an amount not to exceed the sum of Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00) ("**City HOME Loan**") to assist Declarant with the development costs of the Project units referred to herein as the "**HOME Units**". The City HOME Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the City HOME Loan Agreement.

C. The source of the funds for the City HOME Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

D. City and Declarant desire to enter into this Agreement to place certain covenants and restrictions on Declarant's development, use and operation of the Property, including the imposition of affordability covenants requiring that the HOME Units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Declarant that Declarant's leasehold interest in the Property shall be subject to this Agreement and that the terms hereof shall be binding on the Declarant and its successors in interest in the Property for so long as this Regulatory Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporate by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordability Term" shall have the meaning ascribed in Section 3 of this Agreement.

"Agreement" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Declarant.

"Capital Replacement Reserve" shall have the meaning ascribed in Section 11.1 of this Agreement.

"City" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"City HOME Loan" shall mean the loan to be provided by City to Declarant in the amount not to exceed the sum of Six Hundred Seventy-Six Thousand Nine Hundred Fifty-Two Dollars ($676,952.00) for certain costs attributable to the HOME Units.

"City HOME Loan Agreement" shall mean the certain Affordable Housing and Loan Agreement between City and Declarant, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"City HOME Loan Note" shall mean that certain Promissory Note (City HOME Loan) Secured by Leasehold Deed of Trust, evidencing Declarant's obligation to repay the City HOME Loan.

"Construction Completion Date" shall mean the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed in accordance with the City HOME Loan Agreement.

"Contract Officer" shall mean the Manager of Neighborhood Services of City or such other person as may be designated by the City Manager to administer this Agreement.

"CPI Adjustment" shall have the meaning ascribed in Section 16.1 of this Agreement.

"Declarant" shall mean Cypress Village CIC, LP, a California limited partnership, and its permitted successors and assigns in and to the Property.

"Declarant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Declarant or any other person under Declarant's supervision and direction, including the contractors and subcontractors constructing the Project. Declarant is responsible for the full compliance of all Declarant Personnel with this Agreement and the City HOME Loan Agreement, including without limitation all labor standards applicable to the Project.

"Density Bonus Agreement" shall mean that certain Density Bonus Housing Agreement, entered into and recorded against the Property concurrently herewith, as may be amended from time to time.

"Eligible HOME Unit Tenant" shall mean a tenant of one of the HOME Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the limit permitted for the particular HOME Unit as set forth in the HOME Unit Mix, and thereafter does not exceed the limit permitted under this Agreement.

"Eligible Tenant" shall mean a tenant of one of the Residential Units (other than the HOME Units) within the Project whose household income as of the commencement date of his or her occupancy does not exceed the income limit and any other eligibility requirements permitted for the particular Residential Unit pursuant to any applicable regulation or agreement, including, without limitation, the Land Trust Regulatory Agreement and Ground Lease, and thereafter meets all income limits and other eligibility requirements.

"GAAP" shall mean generally accepted accounting principles.

"Ground Lease" shall mean the Ground Lease between Declarant, as lessee, and the Land Trust, as lessor, for the ground lease of the Property to Declarant.

"HOME Affordable Rent" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252, which are summarized in Section 4.6 of this Agreement.

"HOME Requirements" shall collectively refer to the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 to the City HOME Loan Agreement which is incorporated herein by this reference.

"HOME Unit Mix" shall mean the household income levels permitted for each HOME Unit, as follows:

11 one-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for household size.

"HOME Units" shall mean 11 units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all seventy-nine (79) Income Restricted Units in the Project so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Declarant to the Project or the Construction Completion Date, whichever is later, Declarant shall deliver to City the unit numbers (addresses) that comprise the eleven (11) HOME Units, in a format mutually agreed upon by City and Declarant. Declarant shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the eleven (11) HOME Units if Declarant changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

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

"Income Restricted Unit" shall mean the seventy-nine (79) units in the Project required pursuant to the Ground Lease and Land Trust Regulatory Agreement to be income and rent restricted such that the units will be affordable to very low income individuals and families.

"Index" shall have the meaning ascribed in Section 16.1 of this Agreement.

"Investor" shall have the meaning ascribed in Section 19.1 of this Agreement.

"Land Trust" shall mean the Irvine Community Land Trust, a California nonprofit public benefit corporation, or successor in interest.

"Land Trust Regulatory Agreement" shall mean the Affordable Housing Regulatory Agreement between Declarant and Land Trust, which requires the Property to be developed and operated as an affordable rental apartment development.

"Median Income" shall mean the Orange County area median income, as periodically published by the HUD pursuant to the HOME Requirements, or successor regulation. Upon request by Declarant, City shall provide to Declarant the amount of the Median Income.

"Operating Expenses" shall have the meaning ascribed in Section 11.2 of this Agreement.

"Operating Reserve Account" shall have the meaning ascribed in Section 11.2 of this Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"Program Activities" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement that Declarant is required to perform.

"Program Default" shall have the meaning ascribed in Section 6.4 of this Agreement.

"Project" shall mean the leasehold interest in the Property, the grading of the Property and the development on the Property of an eighty (80) unit apartment project with landscaping, driveways, and related improvements, and all other on-site and off-site improvements required for development, with all improvements to be consistent with the development and building plans and permits approved by City. The Project shall be comprised of one-bedroom units, two-bedroom units and three-bedroom units, shall be restricted to occupancy by Eligible Tenants, and the HOME Units shall be available and occupied by Eligible HOME Unit Tenants and shall be in compliance with the HOME Unit Mix and this Agreement. In the event of any inconsistency between the description of the Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

"Property" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

"Property Manager" shall have the meaning ascribed in Section 9.1 of this Agreement.

"Property Management Plan" shall have the meaning ascribed in Section 9.3 of this Agreement.

"Regulatory Agreement Effective Date" is defined in the Preamble of this Agreement.

"Residential Unit(s)" shall mean the eighty (80) residential units to be developed on the Property. The Residential Units shall include the HOME Units in accordance with the HOME Unit Mix.

"Target Balance" shall have the meaning ascribed in Section 11.2 of this Agreement.

"TCAC" shall mean the California Tax Credit Allocation Committee or successor state agency responsible for the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

"TCAC Requirements" shall mean all federal, state, and local laws, regulations, and policies governing the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

2. Development of the Project. Declarant shall commence and complete development of the Project on the Property within the times and subject to the terms and conditions set forth in the City HOME Loan Agreement.

3. Term. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the date that is twenty (20) years following the Construction Completion Date ("**Affordability Term**").

4. Use; Affordability Covenants. Declarant hereby covenants and agrees that the Property shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Declarant shall devote the Property for use as an affordable residential rental complex with the HOME Units to be rented to and occupied or held available for occupancy only by Eligible HOME Unit Tenants at HOME Affordable Rent in compliance with the HOME Unit Mix. Declarant shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible Tenants. The lease for each HOME Unit shall provide that it is to be used as the principal residence of the Eligible HOME Unit Tenant and for no other purpose. The lease shall further provide that an Eligible Tenant shall not lease or sublease its HOME Unit or its right of occupancy. Declarant shall institute a program to ensure that the HOME Units remain occupied by the Eligible HOME Unit Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each HOME Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two (2) persons per bedroom, plus one (1) person (e.g., for a two (2) bedroom unit the maximum number of persons residing in the unit can

be five (5) persons). The lease for each HOME Unit shall include a provision limiting the number of persons permitted to occupy each HOME Unit in accordance with the preceding sentence and Declarant shall enforce such occupancy restrictions. In addition, the minimum household size to lease a HOME Unit shall be one (1) person per bedroom.

4.4 Determination of Eligible Tenant Status. Immediately prior to an Eligible HOME Unit Tenant's occupancy of a HOME Unit, Declarant shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible HOME Unit Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible HOME Unit Tenant. In addition, Declarant shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible HOME Unit Tenant, provided the same is reasonably available to Declarant without unreasonable expense in connection with obtaining the same. Declarant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Declarant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a HOME Unit by an Eligible HOME Unit Tenant, and on each anniversary date thereafter, or if preferred by Declarant and approved in writing by City, within sixty (60) days prior to January 1 of each year, Declarant shall recertify the income of such Eligible HOME Unit Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the HOME Unit. Subject to Section 5.2 during the Affordability Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible HOME Unit Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible HOME Unit Tenants, the rent shall be increased to the HOME Affordable Rent applicable to the new income category, provided a HOME Unit reserved for the new income category exists and is permitted pursuant to Declarant's agreement with any third party as may be in effect as described in the definition of "HOME Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible HOME Unit Tenant status, the occupants' lease shall not be renewed and said

occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Residential Unit will be leased to an Eligible HOME Unit Tenant at an income level that will cause the Project to be in compliance with the HOME Unit Mix as quickly as possible.

4.6 HOME Affordable Rent. The rent for each HOME Unit shall not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits at the lesser of (a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a household whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The Home Requirements also require that affordable units occupied by Eligible HOME Unit Tenants whose income does not exceed fifty percent (50%) of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a household whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger households. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed thirty percent (30%) of the household's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible HOME Unit Tenant pays as a contribution toward rent not more than thirty percent (30%) of the household's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

If the Eligible HOME Unit Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orangey County Housing Authority for utilities and services.

It shall constitute a default for Declarant to charge or accept rent amounts in excess of the HOME Affordable Rent. In the event that Declarant charges or receives such higher rental amounts, in addition to any other remedy City shall have, Declarant shall be required to pay to City the entire amount of rent received in excess of the amount permitted pursuant to this Agreement.

4.7 Leasing HOME Units. The HOME Units shall be available for rental on a continuous basis and Declarant shall not give preference to any particular class or group in renting HOME Units, except to the extent that the HOME Units are required to be rented to Eligible HOME Unit Tenants. Declarant shall market the HOME Units to the citizens of the City of Irvine on a nonexclusive basis.

The initial lease-up of the HOME Units shall be done pursuant to a lottery system. Prior to commencing any marketing activities for the HOME Units, Declarant shall submit to City for City's review and approval Declarant's proposed marketing plan, and procedures for conducting the lottery. A representative of City shall attend the lottery. Notwithstanding anything in this Agreement to the contrary, none of Declarant, Chelsea Investment Corporation, and their respective officials, directors, and employees, and the immediate family members of their respective officials, directors, and employees shall be eligible to participate in the lottery for the initial lease-up of the HOME Units. As used herein, the term "immediate family member" shall mean and include a parent or step-parent, grandparent or step-grandparent, sibling or step-sibling and child or step-child.

Following the initial lease-up of the HOME Units, Declarant shall maintain a waiting list of persons interested in renting a HOME Unit. Subject to Section 4.3 above, at such time as a HOME Unit becomes available for rental, Declarant shall rent such HOME Unit to the first person on the waiting list that qualifies as an Eligible HOME Unit Tenant to rent the HOME Unit. Declarant shall use commercially reasonable efforts to lease HOME Units that become available as quickly as possible

4.8 Rental Agreement. The form of the lease agreement between Declarant and each of the Eligible HOME Unit Tenants shall comply with Section 5.3 of this Agreement.

5. HOME Requirements. The covenants set forth in this Section 5 shall be applicable during the Affordability Term and shall apply notwithstanding any other provision herein to the contrary.

5.1 Compliance with HOME Requirements. Declarant shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Declarant, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Declarant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the applicable HOME Requirements.

5.2 Recertification. In accordance with 24 C.F.R. §92.252(i), in the event a recertification demonstrates that a household's income exceeds the income allowed for Eligible HOME Unit Tenant status, such household will no longer qualify as an Eligible HOME Unit Tenant and will be required to pay as rent an amount equal to the lesser of the amount payable by the tenant under State or local law or 30% of the

household's adjusted income, except that if the HOME Unit has been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the tenant must pay rent governed by Section 42 of the Internal Revenue Code.

5.3 Lease. The form of the lease between Declarant and each Eligible HOME Unit Tenant shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Declarant and the Eligible HOME Unit Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Declarant in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Declarant may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Declarant or Declarant's agents legally responsible for any action or failure to act, whether intentional or negligent; (vi) an agreement of the tenant that Declarant may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Declarant may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Declarant against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

In addition, the form of the lease between Declarant and each Eligible HOME Unit Tenant shall obligate the Eligible HOME Unit Tenant to comply with the provisions set forth in Section 4 of this Agreement and an Eligible HOME Unit Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible HOME Unit Tenant shall include a provision to the effect that the Declarant has relied on the information provided by the Eligible HOME Unit Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible HOME Unit Tenant in determining qualification for occupancy of the applicable HOME Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible HOME Unit Tenant as such and will be cause for immediate termination of such lease agreement.

5.4 Monitoring. City shall monitor and evaluate Declarant's performance under this Agreement to determine compliance with this Agreement and the

HOME Requirements. Declarant shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the HOME Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Declarant's performance hereunder.

5.5 Records to be Maintained. Declarant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Declarant's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Declarant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Declarant pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Declarant.

5.6 Audits. Declarant shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Declarant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Operation of Program.

6.1 Standard of Performance. Declarant shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the HOME Requirements. Declarant shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Declarant shall cause the Program Activities to be performed by Declarant or Declarant Personnel under Declarant's direct supervision, and shall ensure that all Declarant Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Declarant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Declarant shall be responsible for all costs related to the Program.

6.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 6.4 or knowingly allows such conduct to occur at the Property or by Declarant Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Declarant immediately replace such manager or supervisor of the Program.

6.3 Drug Free Covenant. Declarant shall use its best efforts to maintain a drug free environment on the Property. Declarant covenants to City that Declarant shall use its best efforts pursuant to Section 6.5 of this Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by City law.

6.4 Program Defaults. If Declarant shall or permit Declarant Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use best efforts in violation of Section 6.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to the City, reflect adversely upon the City or its funding programs or upon Declarant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Declarant and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Declarant agrees to thereafter promptly implement the resolution. The failure of Declarant to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

6.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Declarant shall include in its occupancy or lease agreements with the Eligible HOME Unit Tenants a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Property, shall be grounds for immediate termination of the tenant's right to reside within the HOME Unit and City shall have the right to require that Declarant enforce such provision.

7. No Discrimination. Declarant shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, sexual orientation, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Declarant for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

8. Maintenance of Property. For the entire Affordability Term, Declarant shall maintain or cause to be maintained the Property and all improvements on the Property in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of

all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Declarant shall keep the Property free from all graffiti and any accumulation of debris or waste material. Declarant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Declarant breaches any of the covenants contained in this Section 8, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to charge a fee to Declarant 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Declarant to City upon demand.

9. Management.

9.1 Property Manager. Declarant shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Declarant may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 9.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Declarant shall conduct due diligence and background evaluation of any potential third party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property manager/company shall be investigated (or caused to be investigated) by Declarant prior to submitting the name and qualifications of such proposed property manager to City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the

Project by one qualified Property Manager. The replacement of the Property Manager by Declarant and/or the selection by Declarant of any new or different Property Manager shall also be subject to the foregoing requirements. City hereby approves CIC Management Inc., as the initial Property Manager, and approves ConAm Management Corporation as the Property Manager's sub-management agent.

9.2 On-Site Residential Manager. The Property Manager, or an employee or agent of Property Manager or its sub-management agent, shall reside full-time in a Residential Unit located within the Project, and said Residential Unit shall be the Property Manager's only residence.

9.3 Property Management Plan. Prior to the completion of the Project, Declarant shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Declarant and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

9.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a three hundred sixty-five (365) day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 19;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Declarant is obligated and shall use its best 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. Declarant shall include provisions of the foregoing requirements and requirements of this Agreement within any contract between Declarant and its Property Manager for the Property.

10. Code Enforcement. Declarant acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Declarant and/or an individual tenant. If such notice is provided by City or its representative(s) to Declarant, then Declarant (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Declarant shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11. Reserves.

11.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Declarant shall annually set aside into a separate interest-bearing trust account an amount of the higher of (i) Two Hundred Fifty Dollars ($250.00) per Residential Unit, increasing by three percent (3%) every year (or such increased amount as reasonably agreed upon by City and Declarant from time to time), or (ii) the minimum amount for capital reserves per

Residential Unit required by the TCAC Requirements ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which are normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Declarant's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Declarant, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section. Any capital replacement reserve requirements of any other lenders that are not an affiliate (as defined in Section 20.3 below) of Declarant, or any capital replacement reserve requirements of the Land Trust in the Ground Lease, may be deemed to satisfy the Capital Replacement Reserve funding requirements under this Section upon prior written approval by City in its reasonable discretion.

11.2 Operating Reserve. Declarant shall establish an interest bearing account to be known as the "**Operating Reserve Account**." Commencing upon the closing of the permanent financing for the Project, Declarant shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Property ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Declarant may draw upon the funds in the Operating Reserve Account only when the amount of HOME Affordable Rent received by Declarant is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to fifty percent (50%) of the Target Balance amount, Declarant shall deposit Project Cash Flow in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Declarant to pay Operating Expenses or in the event of a default by Declarant under the City HOME Loan Agreement or this Agreement that would provide for the acceleration of the City HOME Loan, then City may, after delivery of notice to Declarant and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City HOME Loan or use such funds for the continued operation of the Project. Nothing in this Section 11.2 shall modify or be deemed to modify any payment obligation of Declarant pursuant to the City HOME Loan Agreement or any attachments thereto entered into by and between Declarant and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the City HOME Loan Note evidencing the City HOME Loan. Upon the Project achieving an annual debt service coverage ratio of one and twenty-five hundredths (1.25) or greater for three (3)

consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

12. Records. Declarant shall maintain complete and accurate records pertaining to the HOME Units for a period of five (5) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Declarant pertaining to the HOME Units.

13. Right to Inspect. City shall have the right to inspect the Property and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

14. Relocation. Declarant shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by a public agency, such as the City, under any applicable federal, state, or local laws, rules or regulations. Declarant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

15. Indemnification. Declarant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Property and the operation of the rental project thereon or Declarant's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

16. Insurance. Upon completion of the Project and for the term of this Agreement, Declarant shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Declarant and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 16.

16.1. Types of Insurance Policies. The insurance policies to be maintained by Declarant upon completion of the Project and for the duration of the term of this Agreement are as follows:

i. Commercial General Liability insurance with respect to the Property and the operations of or on behalf of Declarant, in an amount not less than Five Million Dollars ($5,000,000.00) per occurrence limit including products, completed operations, contractual, bodily injury, personal injury, death and property damage liability, subject to such increases in amount as City may reasonably require from time to time; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index

published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "**Index**"), from and after the date of this Agreement, or, if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index (the "**CPI Adjustment**"). Unless otherwise approved in advance by the City, the insurance to be provided by Declarant may provide for a deductible or self-insured retention of not more than Ten Thousand Dollars ($10,000.00), with such maximum amount to increase at the same rate as the periodic increases in the minimum amount of total insurance coverage set forth above. City and its officers, officials, employees, volunteers, agents, and representatives shall be named as additional insureds under such policy or policies.

ii. With respect to the improvements and any fixtures and furnishings to be owned or leased by Declarant on the Property, all risk property insurance against fire, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. Declarant shall also procure earthquake insurance through a policy or policies with coverage in an amount equal to actual replacement cost of the improvements on the Property. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

16.2 Policy Requirements. Declarant/Owner shall provide to City a Certificate(s) of Insurance evidencing such coverage together with copies of the required policy endorsements no later than five (5) business days prior to commencement of service and at least fifteen (15) business days prior to the expiration of any policy. Coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits, non-renewed, or materially changed for any reason, without thirty (30) days prior written notice thereof given by the insurer to City by U.S. mail, or by personal delivery, except for nonpayment of premiums, in which case ten (10) days prior notice shall be provided.

A statement on an insurance certificate will not be accepted in lieu of the actual endorsement. Insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the City for approval.

The City project title or description MUST be included in the "Description of Operations" box on the certificate. In no event shall the limits of any policy be considered as limiting the liability of Declarant hereunder. In addition to the requirements set forth in Section 16.1, each insurance policy required to be carried by Declarant pursuant to this Agreement:

i. shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

ii. shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

iii. shall be "per occurrence" rather than "claims made" insurance;

iv. shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

v. shall provide that the policy will not be cancelled by the insurer or Declarant unless there is a minimum of thirty (30) days (10 days for nonpayment of premium) prior written notice by mail, return receipt requested to City;

vi. shall be written by a California licensed insurer with a Best rating of not less than A:VII;

vii. shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

viii. shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer and agents, which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, officials, members, employees, agents, or representatives.

17. Repair of Damage. If any improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Declarant shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Property and the insurance proceeds are made available therefor by the secured lenders, 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 improvements to substantially the

same condition as the improvements are required to be maintained in pursuant to this Agreement, and Declarant shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time.

18. Ground Lease and Land Trust Regulatory Agreement. Declarant represents and warrants that Declarant's performance under this Agreement will not cause Declarant to be in default of the Ground Lease, and the development, use and operation of the Property under this Agreement is consistent with the use of the Property permitted under the terms of the Ground Lease. Declarant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Ground Lease and Land Trust Regulatory Agreement in order not to cause a default under either of the foregoing. Declarant shall not amend or modify the Ground Lease or Land Trust Regulatory Agreement in any respect inconsistent with this Agreement or in any respect that affects the rights of City as a leasehold mortgagee, without the prior written consent of City, which consent City may withhold in its reasonable discretion. Declarant shall promptly give City notice of any defaults and default notices issued under the Ground Lease or Land Trust Regulatory Agreement.

19. Defaults and Remedies.

19.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Declarant's cure rights hereunder, Citi Community Capital, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Declarant, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. Declarant shall have the obligation to deliver to City written notice of the Investor's mailing address for purposes of delivering any default notice. City shall accept any cure made by Investor as if made by Declarant, but failure

by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

19.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

19.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

20. Miscellaneous.

20.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the City HOME Loan Agreement and all executed versions of the agreements attached to those agreements. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Declarant.

20.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

20.3 Prohibition Against Assignment and Transfer by Declarant. The qualifications and identity of Declarant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Declarant and entered into this Agreement with Declarant. Accordingly, except as expressly set forth herein, Declarant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project without the City's prior written approval. As used herein, the term "significant change in ownership" shall mean any change by virtue of which any member of C & C Development Co., LLC or any affiliated entity does not continue to be the managing member of the developer general partner of Declarant.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 20.3 (the Permitted Transfers"):

(a) "Permitted Encumbrances" (as defined in the City HOME Loan Agreement);

(b) a conveyance of the Declarant's leasehold interest in the Property under the Ground Lease and/or the Declarant's interest in the fee interest in the improvements thereon resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) the transfer of the Declarant's interest in this Agreement, the Declarant's leasehold interest in the Property under the Ground Lease and the Declarant's fee interest in the improvements thereon by the Declarant to a limited partnership in which at least two members of the Declarant or their affiliates serve as general partners, and at least two members of the Declarant or their affiliates have and maintains a controlling interest in the management and ownership of the limited partnership ("**Partnership**");

(d) any transfer of equity in the Declarant that does not change management or operational control of the Project;

(e) the lease of the Residential Units consistent with this Agreement;

(f) the transfer and sale of limited partnership interests in the Partnership;

(g) in the event that any general partner of the Partnership is removed by the limited partner of the Partnership for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner or a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner and approved by City, in its reasonable discretion, if the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Declarant did at the Regulatory Agreement Effective Date of this Agreement;

(h) the transfer of the Project from the Partnership to one of the general partners the Declarant or an affiliate of the general partners of the Declarant at the end of the tax credit compliance period for the Project; and

(i) any dilution of a general partner's interest in the Partnership in accordance with the Partnership's limited partnership agreement, which limited partnership agreement is subject to approval by City in its reasonable discretion.

As used in this Section, the term "affiliate" shall mean an entity that directly or indirectly controls or is controlled by Declarant.

Declarant shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Declarant of its interest in the Property and this Agreement or any portion thereof, Declarant shall consider factors such as the financial strength and capability of the proposed transferee to perform Declarant's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Declarant execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

20.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Declarant's prior written approval, which shall not be unreasonably withheld.

20.5 Compliance with Laws and Regulations. Declarant shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the City HOME Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Declarant acknowledges and agrees that it shall be and remain, and shall cause the Declarant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Declarant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Declarant or Declarant Personnel of any applicable local, state and/or federal law.

20.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

20.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

20.8. Third Party Beneficiaries. No person or entity other than City and Declarant and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

20.9. Notices. Formal notices, demands, and communications between City and Declarant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine Community Development Department One Civic Center Plaza Irvine, CA 92623-9575 Attn: Manager of Neighborhood Services Email: sholtz@ci.irvine.ca.us
With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Jeffrey S. Melching Email: jmelching@rutan.com
To Declarant:	Cypress Village CIC, LP c/o Chelsea Investment Corporation 6339 Pasea del Lago Carlsbad, CA 92008 Attn: Cheri Hoffman Email: choffman@chelseainvestco.com
With a copy to:	Odu & Associates, PC 2195 Queensberry Road Pasadena, CA 91104 Attn: Nkechi C. Odu, Esq. Email: nodu@chelseainvestco.com

With a copy to:

Citibank N.A.
388 Greenwich St., 8th Floor
New York, NY 10013
Attention: Mark Sherman

Nixon Peabody LLP
779 9th Street, NW, Suite 500
Washington, DC 20001-4501
Attention: Matthew W. Mullen

TCAM
30 Federal Street, Floor 6
Boston, MA 02110-2508
Attention: Jenny Netzer

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

20.10 Covenants Run with the Land. This Agreement shall be binding on Declarant's successors in interest in the Property until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Declarant, its successors and assigns and successors in interest; and may be enforced by Declarant and its successors and assigns. Declarant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Declarant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

The parties acknowledge and agree that this Agreement encumbers Declarant's leasehold interest in the Property and not the Land Trust's fee interest in the Property.

20.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements will be recorded against the Property, imposing income restrictions on the tenants of the Residential Units and limiting the amount of rent that may be charged. Declarant shall comply with the most restrictive terms of such agreements. Declarant acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible HOME Unit Tenants to Declarant may be less than the HOME Affordable Rent amounts set forth in this Agreement.

20.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Declarant have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: _____

By: _____
John Russo, City Manger

ATTEST:

_____
Molly M. Perry, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

CYPRESS VILLAGE CIC, LP,
a California limited partnership

By: UCP-LA MGP, LLC,
a California limited liability company, its Managing General Partner

By: United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties, a California nonprofit public benefit corporation, its Sole Member and Manager

By: _____
Lori Anderson, President and Chief Executive Officer

By: CIC Cypress Village, LLC,
a California limited liability company, its Administrative General Partner

By: Chelsea Investment Corporation, a California corporation, its Manager

By:_____
Cheri Hoffman, President

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 OF TRACT NO. 17612, AS PER MAP RECORDED IN BOOK 924, PAGES 1 THROUGH 14, INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING FROM THE LAND, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY, A DELAWARE CORPORATION IN THE DEED RECORDED NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ALL WATER RIGHTS, INCLUDING RIGHTS CLASSIFIED AS OVERLYING, RIPARIAN, APPROPRIATIVE OR OTHER CLASSIFICATION, DERIVED FROM USAGE, EXTRACTION OR DIVERSION UPON OR OTHERWISE PERTAINING TO THE ABOVE LAND AS CONVEYED TO IRVINE RANCH WATER DISTRICT BY QUITCLAIM DEED RECORDED JUNE 21, 2006 AS INSTRUMENT NO.2006000416403 OF OFFICIAL RECORDS.

APN: 104-584-47

ATTACHMENT NO. 8

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT

(CITY HOME LOAN)

[Attached]

WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Director of Community Development

(Space Above For Recorder's Use)

This Memorandum is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

This MEMORANDUM OF AFFORDABLE HOUSING AND LOAN AGREEMENT ("Memorandum") is entered into this _____ day of _____, 2019, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and CYPRESS VILLAGE CIC, LP, a California limited partnership ("Developer").

This Memorandum is made with reference to the following:

1. Developer is the ground lessee of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "A" ("Property").

2. On or about _____ ___, 2019, City and Developer entered into that certain Affordable Housing and Loan Agreement (HOME Funds) ("Agreement") relating to the development and operation of an affordable housing rental project on the Property.

3. The Agreement provides for City and Developer to enter into this Memorandum and to record the same in the Official Records of Orange County, California, to provide notice to all persons of the existence of said Agreement, which Agreement is binding on Developer and Developer's successors-in-interest in and to the Property.

4. This Memorandum is not intended as a full description of the terms and conditions of the Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the Agreement, nor shall it be used to interpret the terms and conditions of the Agreement.

5. This Memorandum may be executed in several counterparts, and all so executed shall constitute one agreement binding on both parties hereto, notwithstanding that both parties are not signatories to the original or the same counterpart.

6. City shall execute, acknowledge, and deliver to Developer upon Developer's request after the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed, a document in recordable form removing this Memorandum from title to the Property.

7. This Memorandum shall encumber Developer's leasehold interest in the Property and not the Irvine Community Land Trust's fee interest in the Property.

IN WITNESS WHEREOF, City and Developer have entered into this Memorandum as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: _____

By: _____
John Russo, City Manger

ATTEST:

_____
Molly M. Perry, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

CYPRESS VILLAGE CIC, LP,
a California limited partnership

By: UCP-LA MGP, LLC,
a California limited liability company, its Managing General Partner

By: United Cerebral Palsy/Spastic Children's Foundation of Los Angeles and Ventura Counties, a California nonprofit public benefit corporation, its Sole Member and Manager

DATED: _____

By: _____
Lori Anderson, President and Chief Executive Officer

By: CIC Cypress Village, LLC,
a California limited liability company, its Administrative General Partner

By: Chelsea Investment Corporation, a California corporation, its Manager

DATED: _____

By: _____
Cheri Hoffman, President

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A" TO MEMORANDUM

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Irvine, County of Orange, State of California, described as follows:

LOT 7 OF TRACT NO. 17612, AS PER MAP RECORDED IN BOOK 924, PAGES 1 THROUGH 14, INCLUSIVE OF MISCELLANEOUS MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING FROM THE LAND, ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY, A DELAWARE CORPORATION IN THE DEED RECORDED NOVEMBER 30, 2005 AS INSTRUMENT NO. 2005000953645 OF OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM ALL WATER RIGHTS, INCLUDING RIGHTS CLASSIFIED AS OVERLYING, RIPARIAN, APPROPRIATIVE OR OTHER CLASSIFICATION, DERIVED FROM USAGE, EXTRACTION OR DIVERSION UPON OR OTHERWISE PERTAINING TO THE ABOVE LAND AS CONVEYED TO IRVINE RANCH WATER DISTRICT BY QUITCLAIM DEED RECORDED JUNE 21, 2006 AS INSTRUMENT NO.2006000416403 OF OFFICIAL RECORDS.

APN: 104-584-47

Supporting Documents from Table 1

Documents 44 and 52-53

Project Name: Carwright Family Apartments

Year: 2020

DRAFT

AMENDED AND RESTATED AFFORDABLE HOUSING AGREEMENT

by and between

CITY OF IRVINE,
a California municipal corporation

and

CARTWRIGHT FAMILY APARTMENTS, LP,
a California limited partnership

TABLE OF CONTENTS

Page

1. SUBJECT OF AGREEMENT 1
   1.1 Purpose of Agreement 1
   1.2 The Original Agreement; Replacement of Funding; Execution of Amended and Restated Documents 1
   1.3 Parties to the Agreement 3
   1.4 Definitions 3
   1.5 Prohibition Against Change in Ownership, Management and Control of Developer and Prohibition Against Transfer of the Site 11
   1.6 Representations by Developer 14
   1.7 Representations by City 16
2. FINANCING 17
   2.1 Developer's Financing Plan 17
   2.2 City's Disbursement of City Construction Assistance 19
   2.3 Subordination 20
   2.4 Cost Savings Obligation 20
   2.5 Repayment of City Loan 21
3. DEVELOPMENT OF THE SITE 21
   3.1 Scope of Development 21
   3.2 Changes to Construction Plans 22
   3.3 Cost of Development 22
   3.4 Construction Contract; Construction Schedule 22
   3.5 Indemnity 22
   3.6 Insurance Requirements 22
   3.7 Remedies for Defaults Re 26
   3.8 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance 27
   3.9 City and Other Governmental Agency Permits 27
   3.10 Rights of Access 27
   3.11 Local, State and Federal Laws 27
   3.12 Anti-Discrimination 29
   3.13 Taxes and Assessments 29
   3.14 Right of City to Satisfy Other Liens on the Site After Title Passes 29
   3.15 Release of Construction Covenants 30
   3.16 Limitation on Encumbrances 30
   3.17 Holder Not Obligated to Construct Improvements 30
   3.18 Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure 31
   3.19 Failure of Holder to Complete Improvements 31
   3.20 Right of City to Cure Mortgage, Deed of Trust or Other Security Interest Default 32
   3.21 Developer Indemnity 32
   3.22 Duty to Prevent Hazardous Material Contamination 32
   3.23 Obligation to Remediate Premises 33
   3.24 Environmental Inquiries 33
   3.25 Materiality 33

TABLE OF CONTENTS

Page

4. USE OF THE SITE 34
4.1 Affordable Housing 34
4.2 Uses in Accordance with City Regulatory Agreement 34
4.3 Nondiscrimination 34
4.4 Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction 36
4.5 Maintenance of the Site 36
5. DEFAULTS AND REMEDIES 36
5.1 Event of Default 36
5.2 No Waiver 37
5.3 Remedies; Institution of Legal Actions 37
5.4 Rights and Remedies are Cumulative 37
5.5 Attorneys' Fees 37
5.6 Reimbursement of City 38
5.7 City Option to Acquire Site 38
6. GENERAL PROVISIONS 39
6.1 Notices, Demands and Communications Between Parties 39
6.2 Developer Covenant to Defend this Agreement 39
6.3 Conflicts of Interest 40
6.4 Enforced Delay; Extension of Times of Performance 40
6.5 Non-Liability of Officials and Employees of City 40
6.6 Interpretation; Entire Agreement, Waivers; Attachments 40
6.7 Time of Essence 41
6.8 Maintenance of Books and Records 41
6.9 Right to Inspect 41
6.10 Binding Effect of Agreement 41
6.11 Severability 41
6.12 Governing Law 41
6.13 Counterparts 41
6.14 No Third-Party Beneficiaries 42
6.15 Administration of this Agreement 42

ATTACHMENTS

1 Site Map
2 Legal Description
3 Scope of Development
4 Schedule of Performance
5 Form of City Note
6 Form of City Deed of Trust
7 Form City Regulatory Agreement
8 Release of Construction Covenants
9A Preliminary Project Budget
9B Final Project Budget

AMENDED AND RESTATED AFFORDABLE HOUSING AGREEMENT

This Amended and Restated Affordable Housing Agreement ("**Agreement**") is entered into as of the 31st day of January, 2023 ("**Effective Date**") by and between CITY OF IRVINE, a California municipal corporation (the "**City**"), and CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership (the "**Developer**"). City and Developer (individually referred to herein as a "**Party**," and collectively referred to herein as the "**Parties**") hereby agree as follows:

1. SUBJECT OF AGREEMENT.

1.1 Purpose of Agreement. The purpose of this Agreement is to assist in the financing of the development on real property located at 17861 Cartwright Road in the City of Irvine, County of Orange, State of California (APN 435-142-39 and 435-142-41) (the "**Site**") of an affordable rental housing development, consisting of approximately sixty (60) residential dwelling units, with fifty-nine (59) of such units restricted for rental and occupancy by income-eligible households at rents affordable to such households, and related improvements (collectively the "**Project**"). One (1) unit in the Project shall be occupied by on-site management staff, and is not subject to any occupancy and/or rent restrictions.

The Site consists of approximately one and sixty-two hundredths (1.62) acres of land area, is depicted on the Site Map, which is attached hereto and incorporated herein as Attachment No. 1, and is more particularly described in Attachment No. 2, which is attached hereto and incorporated herein by this reference.

The development of the Site and the occupancy of the affordable rental housing project as developed for households of limited incomes, all as provided in this Agreement, are in the vital and best interests of the City of Irvine and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements under which the Project has been undertaken.

1.2 The Original Agreement; Replacement of Funding; Execution of Amended and Restated Documents. On or about January 28, 2020, City entered into an Affordable Housing Agreement (the "**Original Agreement**") with C & C Development Co., LLC, a California limited liability company ("**C&C**"), and The Waterford Group, Inc., a California corporation ("**Waterford**"), to assist C&C and Waterford with the acquisition of the Site and the financing of the development of the Project. On or about February 7, 2020, C&C and Waterford assigned all of their interests and obligations under the Original Agreement to Cartwright CCR LLC, a California limited liability company ("**CCR**"). On February 13, 2020 (the "**Site Closing Date**"), CCR acquired the Site from then-owner MCREIF SUBREIT TRS I, LLC, a Delaware limited liability company, with loan funds provided by City pursuant to the Original Agreement, in the amount of Nine Million Four Hundred Fifty Thousand Dollars ($9,450,000) (the "**Original City Loan**"). The Original City Loan was

sourced from the following City funding accounts: (i) Affordable Housing In Lieu; and (ii) Park Place Settlement.

In connection with the Original City Loan, (i) CCR executed that certain Promissory Note, dated February 10, 2020, evidencing the Original City Loan (the "**Original City Note**"), and that certain Deed of Trust with Assignment of Rents, dated February 13, 2020, which was recorded in the Official Records as Instrument No. 2020000062263 on February 13, 2020 ("**Original City Deed of Trust**"), and (ii) City and CCR entered into that certain Affordable Housing Regulatory Agreement, dated February 13,2020, which was recorded in the Official Records as Instrument No. 2020000062262 on February 13, 2020 ("**Original City Regulatory Agreement**"), and that certain Memorandum of Unrecorded Option Agreement, dated February 10, 2020, which was recorded in the Official Records as Instrument No. 2020000062264 on February 13, 2020 ("**Original Memorandum of Option**").

On or about September 1, 2021, CCR assigned all of its interests and obligations under the Original Agreement, Original City Note, Original City Deed of Trust, Original City Regulatory Agreement, and Original Memorandum of Option (collectively, the "**Original City Agreements**") to Developer, pursuant to that certain Assignment, Assumption and Modification Agreement (City Loan Documents) by and among City, CCR and Developer, which was recorded in the Official Records as Instrument No. 2022000005801, on January 5, 2022.

The Original Agreement contemplated that if other sources of funds from City were to become available, Developer (as the successor-in-interest to C&C and Waterford) would apply for such funding, and if awarded, the original funds sourced for the Original City Loan would be replaced, on a dollar-for-dollar basis, with such other City funds. In Spring 2020, the California Department of Housing and Community Development ("**HCD**") issued a Notice of Funding Availability for the first year (i.e., 2019) of Permanent Local Housing Allocation ("**PLHA**") funds which, among other things, directed City to adopt a five-year plan for the use of PLHA funds allocated to City (the "**City PLHA Plan**"). The City PLHA Plan allocates PLHA funds from the first year to the Project, to replace a portion of the funds originally sourced for the Original City Loan. On May 26, 2020, the Irvine City Council approved the City PLHA Plan, which was subsequently approved by HCD. The amount of PLHA funds available for allocation to the Project is Seven Hundred Twenty Thousand One Hundred Dollars ($720,100) (the "**PLHA Funds**").

City has been allocated funds from the HOME Investment Partnership Act, as amended (42 U.S.C. §§ 12741, et seq.) (the "**HOME Program**"). Prior to the Effective Date, City approved an allocation of HOME Program funds, in a collective amount up to Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) (the "**HOME Funds**"), to be loaned to the Project (the "**City HOME Loan**"), which City Home Loan shall be evidenced by a separate agreement between Developer and City.

City and Developer now desire to (i) reduce the Original City Loan by One Million Thirty Thousand Forty-Seven Dollars and Eighty-Two Cents ($1,030,047.82), and (ii) replace a portion of the funds, in the amount of Seven Hundred Twenty Thousand One Hundred Dollars ($720,100), that were originally sourced for the Original City Loan, with the PLHA Funds. To satisfy certain administrative requirements related to use of the PLHA Funds, and to reflect the reduction in the amount of the Original City Loan, City and Developer further desire to amend and restate each of the Original City Agreements. Concurrently with the execution of this Agreement, Developer shall execute, with signatures acknowledged where applicable, and deliver to City the new, amended and restated forms of the City Note, City Deed of Trust, and City Regulatory Agreement attached to this Agreement, and City shall execute the new, amended and restated form of the City Regulatory Agreement, with signatures acknowledged, and shall promptly thereafter record the City Deed of Trust and City Regulatory Agreement in the Official Records. Upon receipt of the signed new, amended and restated form of City Note, the City shall cancel the Original City Note. Upon recordation of the new, amended and restated forms of the City Deed of Trust and City Regulatory Agreement, the City shall reconvey the Original City Deed of Trust and the City and the Developer shall release the Original City Regulatory Agreement from the Official Records.

This Agreement amends and restates, in its entirety, the Original Agreement.

1.3 Parties to the Agreement.

1.3.1 The City. City is the City of Irvine, a California municipal corporation. The principal office of City is located at One Civic Center Plaza, Irvine, CA 92606, or such other address as City shall hereafter designate in writing to Developer.

1.3.2 The Developer. Developer is Cartwright Family Apartments, LP, a California limited partnership, which was established by C&C and Waterford. The principal office and mailing address of Developer for purposes of this Agreement is Cartwright Family Apartments, LP, c/o C & C Development Co., LLC, 14211 Yorba Street, Suite 200, Tustin, CA 92780, Attn: Todd Cottle, with a copy to The Waterford Group, Inc. PO Box 10175, Newport Beach, CA 92658, Attn: Sean Rawson.

By executing this Agreement, each person signing on behalf of Developer warrants and represents to City that Developer has the full power and authority to enter into this Agreement, that all authorizations required to make this Agreement binding upon Developer have been obtained, and that the person or persons executing this Agreement on behalf of Developer are fully authorized to do so.

Whenever the term "**Developer**" is used in this Agreement, such term shall include any and all nominees, assignees, or successors in interest as herein provided.

1.4 Definitions.

"**Affiliate**" shall mean any "**Person**," directly or indirectly, "**Controlling**" or "**Controlled**" by or under common "**Control**" with Developer, whether by direct or indirect

ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"**Affordable Rent**" shall mean the amount of monthly rent, including a reasonable utility allowance, that does not exceed the maximum allowable rent to be charged by Developer and paid by Eligible Tenants occupying the Affordable Units, adjusted for family size appropriate to the Affordable Unit, as determined pursuant to the requirements of the Tax Credit Program and Tax Credit Regulatory Agreement; and (b) as authorized in Health and Safety Code Section 50052.5(h), the term "adjusted for family size appropriate to the unit" shall have the meaning set forth by TCAC in implementing the federal Tax Credit Program.

"**Affordable Unit**" shall mean each residential unit in the Project other than the one (1) unrestricted manager's unit.

"**AMI**" shall mean the median family income (adjusted for family size) for the Orange County area as established by the U.S. Department of Housing and Urban Development ("**HUD**") and published annually by TCAC in implementing the Tax Credit Program. If TCAC ceases annually to publish median incomes, AMI shall be as established by HUD.

"**Annual Financial Statement**" shall mean the financial statements prepared by Developer for each calendar year, including a balance sheet, income statement, statement of retained earnings, statement of cash flow, and footnotes thereto, prepared in accordance with generally accepted accounting principles consistently applied, as audited by an independent certified public accountant except in the case of C&C and Waterford, which can be unaudited internally prepared statements.

"**C&C**" shall have the meaning ascribed in Section 1.2 above.

"**CalHFA**" shall mean the California Housing Finance Agency.

"**CDLAC**" shall mean the California Debt Limit Allocation Committee.

"**Certificate of Occupancy**" shall mean a certificate of occupancy, issued by City, or other equivalent document or approval, if City does not issue certificates of occupancy for developments like the Project.

"**CEQA**" shall mean the California Environmental Quality Act, Public Resources Code Section 21000 *et seq.*, as amended.

"**City**" shall mean the City of Irvine.

"**City Acquisition Assistance**" shall mean the financial assistance provided by City to Developer prior to the Effective Date in an amount equal to Seven Million One Hundred Thousand Dollars ($7,100,000), to assist Developer with the costs (excluding any commissions) Developer incurred to acquire the Site.

"**City Approved Title Condition**" shall have the meaning ascribed in Section 5.7.2.

"**City Construction Assistance**" shall mean the financial assistance to be provided by City to Developer in an amount equal to Seven Hundred Twenty Thousand One Hundred Dollars ($720,100) to assist Developer with the costs Developer incurs to construct the Project.

"**City Deed of Trust**" shall mean a deed of trust with assignment of rents to secure the City Note and Developer's performance of its obligations under the City Regulatory Agreement, which shall be substantially in the form attached hereto and incorporated herein as Attachment No. 6, and which includes City's right to foreclose upon a Developer default. The City Deed of Trust will amend and restate, in its entirety, the Original City Deed of Trust.

"**City/Lender Subordination Agreement**" means, with respect to the Funding Closing, (i) a subordination agreement between City and the Construction Lender, pursuant to which City agrees to subordinate the City Deed of Trust to the Construction Loan security documents; and the Construction Lender agrees to subordinate the Construction Loan security documents to the City Regulatory Agreement, and with respect to the closing of the Take-Out Loan at conversion, (ii) a subordination agreement between City and the Take-Out Lender(s), pursuant to which City agrees to subordinate the City Deed of Trust to the Take-Out Loan(s) security documents, and the Take-Out Lender(s) agrees to subordinate the Take-Out Loan(s) security documents to the City Regulatory Agreement, each in a form reasonable acceptable to the City Attorney.

"**City Loan**" means the loan being made to Developer pursuant to this Agreement which is comprised of the City Acquisition Assistance, the City Predevelopment Assistance, and the City Construction Assistance for a total City loan amount equal to Eight Million Four Hundred Nineteen Thousand Nine Hundred Fifty-Two Dollars and Eighteen Cents ($8,419,952.18).

"**City Note**" shall mean the amended and restated promissory note, substantially in the form attached hereto and incorporated herein as Attachment No. 5, in favor of City, evidencing the City Loan. The City Note will amend and restate, in its entirety, the Original City Note.

"**City Predevelopment Assistance**" shall mean the financial assistance provided by City to Developer prior to the Effective Date in an amount equal to Five Hundred Ninety-Nine Thousand Eight Hundred Fifty-Two Dollars ($599,852) to assist Developer with certain predevelopment costs Developer incurred in connection with the Project.

"**City Regulatory Agreement**" shall mean the amended and restated affordable housing regulatory agreement substantially in the form attached hereto and incorporated herein as Attachment No. 7. The City Regulatory Agreement shall specify the precise number of Affordable Units to be developed, and shall include a unit matrix reflecting the number of bedrooms and bathrooms in each Affordable Unit and the income restrictions applicable to each Affordable Unit. The Parties acknowledge that in the event that prior to the Funding Closing Date Developer proposes a different unit matrix that is consistent with the City-approved Project Budget and is acceptable to City in City's reasonable discretion, the form of City Regulatory Agreement will be revised to reflect such revised unit matrix. The City Regulatory Agreement will amend and restate, in its entirety, the Original City Regulatory Agreement.

"**Community Development Director**" shall mean the individual duly appointed to the position of Community Development Director of City, or his or her authorized designee. Whenever an administrative action is required by City to implement the terms of this Agreement, the Community Development Director, or his or her authorized designee, shall have authority to act on behalf of City, except with respect to matters reserved for City Council determination.

"**Construction Lender**" shall mean the first trust deed lender that provides the Construction Loan to Developer. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such Tax-Exempt Bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender. The Construction Lender shall be an Institutional Lender.

"**Construction Loan**" shall mean the construction loan for the Project, in an amount to be approved by City. If the Project is financed through issuance of the Tax-Exempt Bonds, then Construction Loan shall be understood to mean the proceeds of such Tax-Exempt Bonds.

"**Conversion Date**" shall have the meaning set forth in the documents securing the Construction Loan, or, if such term is not defined therein, shall mean the date the Construction Loan converts from a construction loan to a permanent loan.

"**County**" means the County of Orange, California

"**County ARPA Loan**" means a permanent loan to be obtained by Developer from the County of Orange from American Rescue Plan Act of 2021 funds (the "ARPA Funds") available to the County. The County ARPA Loan will be in the approximate amount of Two Million Sixty-Seven Thousand Dollars ($2,067,000). Developer acknowledges and agrees that the deed of trust securing the County ARPA Loan shall be subordinated, in all respects, to the City Loan and City Regulatory Agreement pursuant to a form of subordination agreement reasonably acceptable to the City Attorney.

"**County MHSA Loan**" means a construction and permanent loan to be obtained by Developer from the County of Orange from Local Government Special Needs Housing

Program/Mental Health Services Act (MHSA) funds available to the County. The County MHSA Loan will be in the approximate amount of One Million Five Hundred Seventy-Four Thousand Eight Hundred Ten Dollars ($1,574,810). Developer acknowledges and agrees that the deed of trust securing the County MHSA Loan shall be subordinated, in all respects, to the City Loan and City Regulatory Agreement pursuant to a form of subordination agreement reasonably acceptable to the City Attorney.

"**Developer**" shall have the meaning ascribed in Section 1.3.2 above.

"**Escrow Holder**" shall mean Ticor Title Company of California, with its offices located at 1500 Quail Street, 3rd Floor, Newport Beach, CA 92660, or another escrow company mutually acceptable to City and Developer.

"**Funding Closing**" shall mean (i) the close of the Construction Loan and any other funding obtained by Developer to construct the Project; and (ii) Developer's receipt of its first tranche of Tax Credit equity from the Qualified Tax Credit Investor. As conditions to the Funding Closing, Developer and City shall amend or amend and restate (if necessary, based on entitlements and City-approved Project Budget) the City Regulatory Agreement.

"**Funding Closing Date**" shall mean the date on which each of the following occurs (i) Developer closes on the Construction Loan; and (ii) Developer receives its first tranche of Tax Credit equity from the Qualified Tax Credit Investor.

"**Governmental Requirements**" shall mean all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Irvine, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Site, and/or the Project, including common law.

"**Hazardous Materials**" shall mean 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", "extremely hazardous waste", or "restricted 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 a "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, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" 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) 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., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements 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. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"**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 Site 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 emanating from the Site.

"**HCD**" shall mean the California Department of Housing and Community Development.

"**Institutional Lender**" shall mean any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange. Bank of America N.A., Citibank, N.A. and National Equity Fund, Inc. are each hereby deemed to be an Institutional Lender.

"**Management Unit**" shall mean the one (1) three-bedroom residential unit in the Project that may be occupied by on-site management and staff.

"**Memorandum of Option**" shall have the meaning ascribed in Section 1.2 above. The Memorandum of Option will automatically terminate on the Funding Closing Date.

"**NPDES**" means the National Pollutant Discharge Elimination System.

"**Official Records**" means the records recorded with the County Recorder's Office.

"**Outside Funding Closing Date**" shall mean the CDLAC deadline to meet the readiness to proceed requirements, as provided to Developer by CDLAC upon an allocation of Tax-Exempt Bonds for the Project from CDLAC, but in no event later than June 30, 2023.

"**Partnership Agreement**" shall mean the agreement that 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 amendments that materially affect the cash flow priorities are consistent with this Agreement and subject to prior submissions to the Community Development Director for review and approval (which approval shall not be unreasonably withheld or delayed)). The Partnership Agreement shall include provisions which incorporate or otherwise substantially conform to the cash flow priorities set forth in the City Note.

"**Permitted Encumbrances**" means the security documents and regulatory agreements related to the Construction Loan, the Take-Out Loan(s), the City HOME Loan, the County ARPA Loan, the County MHSA Loan, the TCAC Regulatory Agreement, the documents set forth or any documents related to actions set forth in Section 1.5 (a) through (q) inclusive, and any other exceptions to title approved by the Community Development Director.

"**Preliminary Project Budget**" shall mean that certain preliminary Project budget set forth in Attachment No. 9A, which is attached hereto and incorporated herein by this reference.

"**Project**" shall mean the construction on the Site of an affordable rental housing complex with approximately sixty (60) units, with fifty-nine (59) of such units restricted for rental to and occupancy by income-eligible tenants at a rent affordable to such tenants, related interior and exterior improvements and amenities appropriate and/or necessary for the development. The Project, including the Project improvements and amenities, is more particularly described in the Scope of Development attached hereto and incorporated herein as Attachment No. 3.

"**Project Budget**" shall mean, collectively, a budget, sources and uses of funds statement, and cash flow projection referred to in Section 2.1.6 of this Agreement. Developer shall submit a proposed revised project budget to City for review and approval not less than thirty (30) days prior to the anticipated Funding Closing, and upon City approval thereof, as evidenced by the initialing thereof by the Community Development Director, such approved revised budget (the "**Final Project Budget**") shall be inserted herein as Attachment No. 9B, and shall automatically replace the Preliminary Project Budget as the Project Budget. Upon City approval thereof, the Project Budget, may not

be materially changed without the prior approval of the Community Development Director, which approval shall not be unreasonably withheld (a material change is one or more change(s) that causes the total Project cost to increase or decrease by a cumulative amount of five percent (5%) or more); notwithstanding the foregoing, Developer shall promptly notify City, in writing, if Developer makes changes to the Project Budget which cause the total Project cost to increase or decrease by a cumulative amount of more than five percent (5%) from what is shown in the approved Project Budget.

"**Project Documents**" shall mean, collectively, this Agreement, the City Note, the City Deed of Trust, the City Regulatory Agreement, the Memorandum of Option, and any other agreement, document or instrument that Developer and City enter into pursuant to this Agreement or in order to effectuate the purposes of this Agreement. Notwithstanding anything herein to the contrary, the Parties acknowledge and agree on the Funding Closing Date, the following documents shall be executed and recorded (as applicable): (a) if needed, an amendment to or amended and restated version of the City Regulatory Agreement, and (b) appropriate documents to terminate the Memorandum of Option.

"**Project Entitlements**" shall mean, collectively, any and all permits and approvals required in connection with the Project, including, without limitation, all conditions of approval issued in connection with any of the foregoing, and as any of such permits and/or approvals are amended from time to time. "Project Entitlements" shall not include demolition permits, grading permits and/or building permits.

"**Qualified Tax Credit Investor**" shall mean a person or entity who (i) is an experienced limited partner and investor in multifamily housing developments receiving low income housing tax credits issued by the State of California or the United States federal government and (ii) has obtained or is contractually obligated to obtain a limited partnership or limited liability company membership interest in Developer whereby it will receive ninety percent (90%) or more of the Tax Credits generated in connection with the Project. City shall promptly review any documents and/or proposals submitted by Developer with respect to the proposed Qualified Tax Credit Investor and Partnership Agreement.

"**Release of Construction Covenants**" shall mean a release of construction covenants, substantially in the form attached hereto and incorporated herein as Attachment No. 8.

"**Released/Indemnified Parties**" shall mean City and City's officers, officials, directors, members, employees, agents, and representatives.

"**Schedule of Performance**" shall mean that certain Schedule attached hereto and incorporated herein as Attachment No. 4.

"**Scope of Development**" shall mean a detailed description of the Project. Developer shall submit a proposed scope of development to City for review and approval not less than thirty (30) days prior to the anticipated Funding Closing, and upon City approval thereof, as evidenced by the initialing thereof by the Community Development

Director, such approved scope of development shall be automatically attached hereto and incorporated herein as Attachment No. 3.

"**Site**" shall have the meaning ascribed in Section 1.2 hereof.

"**Site Closing Date**" shall have the meaning ascribed in Section 1.2 hereof.

"**Take-Out Lender**" shall mean the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such Tax-Exempt Bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender. The Take-Out Lender shall be an Institutional Lender.

"**Take-Out Loan(s)**" shall mean one or more loans providing the permanent financing to be obtained by Developer in order to take out the Construction Loan. If the Project is financed through issuance of Tax-Exempt Bonds, then one Take-Out Loan shall be understood to be financed with the proceeds of such Tax-Exempt Bonds.

"**Tax Credit Program**" shall mean the low-income housing tax credit program authorized pursuant to Internal Revenue Code Section 42, California Health and Safety Code Sections 50199.6-50199.19, Revenue and Taxation Code Sections 17057.5, 17058, 23610.4, 23610.5, and applicable federal and State regulations.

"**Tax Credits**" shall mean the low-income housing tax credits allocated by TCAC for the Project pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code, Sections 17057.5, 17058, 23610.4, 23610.5 and California Health and Safety Code Section 50199, *et seq.*

"**Tax Credit Regulatory Agreement**" shall mean that certain regulatory agreement to be recorded against the Site as a condition of the receipt by the Project of an allocation by TCAC of Tax Credits.

"**Tax-Exempt Bonds**" shall mean tax-exempt multifamily housing revenue bonds.

"**TCAC**" shall mean the California Tax Credit Allocation Committee.

"**Title Company**" shall mean Ticor Title Company of California, with its offices located at 1500 Quail Street, 3rd Floor, Newport Beach, CA 92660, or another title company mutually acceptable to City and Developer.

"**Vouchers**" shall mean eight (8) Project-Based Section 8 vouchers from the County Housing Authority.

"**Waterford**" shall have the meaning ascribed in Section 1.2 above.

1.5 Prohibition Against Change in Ownership, Management and Control of Developer and Prohibition Against Transfer of the Site. The qualifications and identity of

Developer are of particular interest to City. It is because of these qualifications and identity that City has entered into this Agreement with Developer. Consequently, no person, whether a voluntary or involuntary successor of Developer, shall acquire any rights or powers under this Agreement nor shall Developer assign all or any part of this Agreement, the Site, or the City Regulatory Agreement without the prior written approval of City. A voluntary or involuntary sale or transfer of any interest in Developer or the Site during the term of this Agreement shall be deemed to constitute an assignment or transfer for the purposes of this Section 1.5, and the written approval of City shall be required prior to effecting such an assignment or transfer. Any purported transfer, voluntarily or by operation of law, except with the prior written consent of City, shall render this Agreement absolutely null and void and shall confer no rights whatsoever upon any purported assignee or transferee. During the term of this Agreement and the City Regulatory Agreement, Developer shall not, except as permitted by this Agreement, assign or attempt to assign this Agreement or any rights or duties herein, nor make any total or partial sale, transfer, conveyance, or assignment of the whole or any part of the Site or any of the improvements thereon, including, without limitation, the "resyndication" or application for a new allocation, of Tax Credits without the prior written approval of City.

Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment of this Agreement or transfer of the Site, or any interest therein, shall not be required in connection with:

(a) the conveyance or dedication of any portion of the Site to City, or other appropriate governmental agency, including public utilities, where the granting of such conveyance or easement permits or facilitates the development of the Project on the Site;

(b) the transfer of all or any part of the Project or Site to an Affiliate of Developer;

(c) the transfer of the Project Documents from Developer to the LLC and/or the Partnership;

(d) any assignment of the limited partner interests in Developer to an Affiliate of Developer;

(e) the transfer of all or any part of the Project or Site to C&C or the managing general partner of Developer when Developer is in the form of a limited partnership (the "**MGP**"), or an entity controlled by the MGP or C&C or both of them (any of the foregoing a "**Developer Affiliate Entity**"), or an entity in which a Developer Affiliate Entity is a general partner or managing member;

(f) any modification, termination, and/or amendment contemplated above under the definition of "Project Documents" in connection with the Funding Closing.

(g) any mortgage, deed of trust, sale and leaseback, or other form of conveyance required for any reasonable method of financing or refinancing the

development of the Project on the Site that is contemplated in the Project Budget or has otherwise been approved, in writing, by the Community Development Director, including all direct and indirect costs related thereto, and any refinancing of such mortgage, deed of trust, sale and leaseback, or other form of conveyance provided such refinancing has been approved, in writing, by the Community Development Director;

(h) transfer of title to the Site or Project in connection with a foreclosure, a deed in lieu of foreclosure, or similar conversion of such mortgage, deed of trust, sale and leaseback, or other form of conveyance referenced in clause (g) above;

(i) transfers resulting from the death or mental or physical incapacity of an individual;

(j) transfers in trust for the benefit of a spouse, children, grandchildren, or other family member, or for charitable purposes;

(k) transfers of stock in a publicly-held corporation or of the beneficial interest in any publicly-held partnership or real estate investment trust;

(l) the admission of a managing general partner to Developer when it is in the form of a partnership that is a nonprofit public benefit corporation that is reasonably satisfactory to City;

(m) the admission of the Qualified Tax Credit Investor to Developer as a limited partner thereof;

(n) the transfer of limited partnership interests by the Qualified Tax Credit Investor to an entity that has the same general partner or managing member as the Qualified Tax Credit Investor;

(o) the removal by the Qualified Tax Credit Investor of one or more general partners for a default under the Partnership Agreement; provided, however, that if the replacement General Partner is not an Affiliate of the Qualified Tax Credit Investor, the replacement general partner must be reasonably satisfactory to City;

(p) the transfer of all or any part of the Project or Site after expiration of the fifteen (15) year compliance period to a general partner of Developer pursuant to the purchase option and/or right of first refusal entered into as part of the syndication of the Project; and

(q) Developer's "resyndication," or application for a new allocation of Tax Credits, for the Project at any time after expiration of the fifteen (15) year compliance period, provided that Developer has, prior to such time, prepared and submitted to City, and the City Council has approved, a capital needs assessment for the Project which demonstrates the need for capital repairs

estimated to cost more than the funds available in the "**Capital Replacement Reserve**" (as that term is defined in the City Regulatory Agreement).

Notwithstanding anything in this Section 1.5 to the contrary, (i) any transfer or assignment by Developer or any successor in interest to Developer not requiring the approval by City shall be effective when made but shall not be deemed to relieve Developer or any successor party from the obligation to timely complete development of the Project or any other obligation under the Project Documents unless and until the transferor and transferee execute and deliver to City an assignment and assumption agreement in a form and with content reasonably acceptable to the City Attorney; and (ii) any transfer or assignment by Developer or any successor in interest to Developer requiring the approval by City pursuant to this Section 1.5 shall not be effective and shall not be deemed to relieve Developer or any successor party from the obligation to timely complete development of the Project unless and until the transferor and transferee execute and deliver to City an assignment and assumption agreement in a form and with content reasonably acceptable to the City Attorney. Upon the execution of a written assignment and assumption agreement as described in this Section, in a form approved by the City Attorney, the transferor shall be released from any liability under this Agreement arising from and after the effective date of such assignment.

This Section 1.5 shall not be applicable to the leasing of individual Affordable Units to Eligible Tenants in accordance with this Agreement and the City Regulatory Agreement, and no assignment and assumption agreement shall be required in connection therewith.

1.6 Representations by Developer. Developer represents and warrants to City as follows:

(a) Developer is duly established and in good standing under the laws of the State of California and has duly authorized, executed and delivered 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. This Agreement is enforceable against Developer in accordance with its terms.

(b) Developer does not have any contingent obligations or contractual agreements which will adversely affect the ability of Developer to carry out its obligations hereunder.

(c) There are no pending or, so far as is known to Developer, threatened, legal proceedings to which Developer is or may be made a party to or to which it or any of its property including, without limitation, the Site, is or may become subject, which have not been fully disclosed in the material submitted to City, which will adversely affect the ability of Developer to carry out its obligations hereunder.

(d) 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 adversely affect the ability of Developer to carry out its obligations hereunder.

(e) The execution and delivery of this Agreement and all other documents to be executed by Developer pursuant to this Agreement will not constitute or result in any default or event that with notice or the lapse of time, or both, would be a default, breach, or violation of any other agreement, instrument, or arrangement by which Developer is bound.

(f) The execution and delivery of this Agreement and all other documents to be executed by Developer pursuant to this Agreement and the consummation of the transactions contemplated herein will not violate any provision of or require any consent, authorization, or approval under any law or administrative regulation or any other order, award, judgment, writ, injunction or decree applicable to, or any governmental permit or license issued to Developer.

(g) No representation, warranty, or covenant of Developer in this Agreement, or in any document or certificate furnished or to be furnished to City pursuant to this Agreement, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained herein or therein not misleading.

(h) All financial information delivered to City, including, without limitation, information relating to the financial condition of Developer, the Site, and the Project accurately represents such financial condition and has been prepared in accordance with accepted accounting principles consistently applied, unless otherwise noted in such information. Developer shall notify City in writing of any material changes to such information delivered to the City.

(i) Developer has, and will as required by its obligations hereunder, dedicate, allocate and otherwise make available, sufficient financial and other resources to perform its obligations under this Agreement.

(j) To Developer's knowledge, no violation of any laws with respect to Hazardous Materials has occurred on the Site, and no part of the Site has ever been used by any person or entity to refine, produce, use, store, handle, transfer, process, transport or dispose of any Hazardous Materials.

As used in this Section 1.6, the term "knowledge" or "known" shall mean the actual (not constructive or imputed) knowledge of the development personnel at C&C, without any investigation or inquiry or duty of investigation or inquiry.

Each of the foregoing items (a) to (j), inclusive, shall be deemed to be an ongoing representation and warranty continuing through the construction period (e.g., until the

Conversion Date). Developer shall advise City in writing if there is any change material pertaining to any matters set forth or referenced in the foregoing items (a) to (j), inclusive.

1.7 Representations by City. City represents and warrants to Developer as follows:

(a) City is a California municipal corporation. The execution, performance, and delivery of this Agreement by City has been fully authorized by all requisite actions on the part of City. The persons who have executed this Agreement on behalf of City are authorized to bind City by their signatures hereto.

(b) City does not, as far as is known to City, have any contingent obligations or contractual agreements which will adversely affect the ability of City to carry out its obligations hereunder.

(c) There are no pending or, so far as is known to City, threatened, legal proceedings to which City is or may be made a party or to which it or any of its property is or may become subject, which will adversely affect the ability of City to carry out its obligations hereunder.

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

(e) City is not the subject of a bankruptcy proceeding.

(f) To City's knowledge, the execution and delivery of this Agreement and all other documents to be executed by City pursuant to this Agreement will not constitute or result in any default or event that with notice or the lapse of time, or both, would be a default, breach, or violation of any other agreement, instrument, or arrangement by which City is bound.

(g) To City's knowledge, the execution and delivery of this Agreement and all other documents to be executed by City pursuant to this Agreement and the consummation of the transactions contemplated herein will not violate any provision of or require any consent, authorization, or approval under any law or administrative regulation or any other order, award, judgment, writ, injunction or decree applicable to, or any governmental permit or license issued to City.

(h) To City's knowledge, no representation, warranty, or covenant of City in this Agreement, or in any document or certificate furnished or to be furnished to Developer pursuant to this Agreement, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading.

As used in this Section 1.7, the term "knowledge" or "known" shall mean the actual (not constructive or imputed) knowledge of the Community Development Director, without any investigation or inquiry or duty of investigation or inquiry.

2. FINANCING.

2.1 Developer's Financing Plan. Developer contemplates financing the development of the Project (other than permanent financing) with a combination of funds from the proceeds of the following: (i) the City Loan; (ii) the City HOME Loan, (iii) the County MHSA Loan, (iv) Tax Credits; (v) the Construction Loan; and (vi) such other financing sources as may be obtained by Developer in accordance with the terms and conditions of this Agreement. Developer shall utilize all of such funding exclusively for acquisition of the Site and development of the Project thereon, and not for any other purpose.

2.1.1 City Loan. Prior to the Effective Date, City disbursed to Developer the City Predevelopment Assistance and the City Acquisition Assistance. The City Construction Assistance shall be disbursed to Developer in accordance with the provisions of Section 2.2.1 below. City and Developer acknowledge and agree that the amount of the City Loan reflects a reduction from the amount of the Original City Loan by the amount of One Million Thirty Thousand Forty-Seven Dollars and Eighty-Two Cents ($1,030,047.82).

2.1.2 Applications to CDLAC and TCAC. Within the times set forth in the Schedule of Performance, Developer shall (i)(a) prepare for filing in the name of the California Municipal Finance Authority, California Statewide Communities Development Authority, or other reputable issuer acceptable to City a complete application to CDLAC for an allocation for the Tax-Exempt Bonds, and (b) apply to reputable Institutional Lenders for the third party credit enhancement or private placement of the Tax-Exempt Bonds in order to provide the Construction Loan and Take-Out Loan for the Project; and (ii)(a) prepare and submit a complete application to TCAC for an allocation of 4% Tax Credits, and (b) apply to reputable institutional investors and syndicators qualified to act as the Qualified Tax Credit Investor.

Developer agrees to promptly submit to City all of the following documents at such time as the same are submitted by Developer to TCAC or other applicable body or when such documents are received by Developer, as applicable (any documents submitted prior to the Effective Date of this Agreement shall also have been submitted by Developer to City and reviewed by City prior to the Effective Date of this Agreement):

(a) A true and correct copy of the tax-exempt reservation letter from TCAC, a copy of the letter of intent from the Qualified Tax Credit Investor reflecting the total amount of the syndication proceeds and the timing of the payment of such proceeds.

(b) A complete copy of the Tax Credit Regulatory Agreement (4 California Code of Regulations § 10340(c)). (As more fully discussed in Section

4.14 of the City Regulatory Agreement, should City be prevented by a final order of a court of competent jurisdiction, applicable and binding appellate opinion, or regulatory body with jurisdiction from enforcing, for any reason, the affordability restrictions set forth in the City Regulatory Agreement, City shall be a third-party beneficiary under said agreement and shall have full authority to enforce any breach or default by Developer thereunder in the same manner as though it were a breach or default under the City Regulatory Agreement.)

(c) Complete copies of all correspondence or transmittals from TCAC or other jurisdiction (such as the Internal Revenue Service) containing any notification regarding the Project's noncompliance with applicable provisions of the Tax Credit Program.

2.1.3 Applications to County and County Housing Authority. Within the times set forth in the Schedule of Performance, Developer shall (i) prepare and submit to the County an application for the County ARPA Loan and the County MHSA Loan; and (ii) prepare and submit to the County an application for the Vouchers.

Developer agrees to promptly submit to City all of the following documents at such time as the same received by Developer, as applicable (any documents submitted prior to the Effective Date of this Agreement shall also have been submitted by Developer to City and reviewed by City prior to the Effective Date of this Agreement):

(a) A true and correct copy of the award letter for the County ARPA Loan.

(b) A true and correct copy of the award letter for the County MHSA Loan.

(c) A true and correct copy of the award letter for the Vouchers.

2.1.4 Replacement of Portion of Original City Loan Funds with PLHA Funds. City and Developer agree that as of the Effective Date, a portion of the funds comprising the Original City Loan, in the amount of Seven Hundred Twenty Thousand One Hundred Dollars ($720,100), are hereby replaced on a dollar-for-dollar basis with the PLHA Funds.

2.1.5 Application for Other Financing. Developer shall diligently and in good faith seek and apply for other sources of financing for the Project that are appropriate for the Project, in terms of timing issues, likelihood of a successful application, and the populations contemplated hereunder to be served by the Project. If Developer is successful in securing any such other financing, the City Loan shall be reduced on a dollar-for-dollar basis, by the amount of such other financing; provided, however, that if Developer provides evidence reasonably satisfactory to the Community Development Director that the cumulative costs Developer will incur in developing the Project have increased beyond the costs set forth in the Preliminary Project Budget, then the Community Developer Director shall have the discretion to permit the City Loan to not be so reduced. Further, no such reduction shall include any portions of the City Loan that

as of the time of said reduction have already been disbursed to Developer. Developer shall provide evidence to the Community Development Director of Developer's compliance with this Section, including providing, upon written request of the Community Development Director, copies of funding applications submitted by Developer pursuant to this Section.

2.1.6 Project Budget. The Project Budget includes a detailed development budget for the Project, anticipated sources and uses of funds for the development of the Project and the financial projections for the Project.

2.1.7 Developer Submittals. Promptly upon Developer's receipt of a notification of an award of any of the financing described in the Project Budget, Developer shall submit to the Community Development Director a copy of such award or evidence of such award.

2.1.8 Financial Statements. Within five (5) days after the Effective Date, Developer shall provide an opportunity for the City Community Development Director to review the most recent internally prepared, unaudited financial statement, which shall include a balance sheet, income statement, statement of retained earnings, statement of cash flows, and footnotes thereto, for each entity comprising Developer.

2.2 City's Disbursement of City Construction Assistance.

2.2.1 City Construction Assistance Funding Conditions. With the exception of Four Hundred Twenty Thousand Nine Hundred Ninety-Seven Dollars and Sixty-One Cents ($420,997.61) of the City Construction Assistance, which amount represents five percent (5%) of the City Loan (the "**Retention Amount**"), the City Construction Assistance shall be disbursed by City following the Funding Closing. City's obligation to provide the City Construction Assistance shall be conditional and contingent upon the satisfaction, or waiver by City in its sole and absolute discretion, of each and all of the following conditions (collectively, the "**City Construction Assistance Funding Conditions**"):

(a) The Funding Closing shall have closed;

(b) Developer has submitted to City (i) a disbursement request in a form reasonably acceptable to City, (ii) written evidence of previously paid invoices, such as receipts from the vendor and written evidence that the invoices and receipts are for actual development costs that have been incurred as a result of development of the Project, and (iii) conditional lien releases (to the extent such disbursement relates to hard costs of construction) covering the work to be reimbursed or paid.

(c) Developer is not in material default of any term or condition of this Agreement, City Regulatory Agreement, City Note, or City Deed of Trust.

Subject to Developer's satisfaction of the City Construction Assistance Funding Conditions, within thirty (30) days after City's receipt of a complete disbursement request, City shall disburse the amount requested.

The Retention Amount shall be disbursed to Developer when the City issues a Release of Construction Covenants to Developer. Notwithstanding anything herein to the contrary, in the event City's financial assistance toward the Project is reduced by reason of Developer obtaining additional funding from sources other than City, the Retention Amount shall be reduced such that the Retention Amount shall represent five percent (5%) of the total City financial assistance.

2.2.2 Waiver. City may at any time or times, at its election, waive any of the conditions set forth in Section 2.2.1 above to its obligations hereunder, but any such waiver shall be effective only if contained in a writing signed by City and delivered to Developer.

2.3 Subordination. City agrees to subordinate the City Deed of Trust to the deed of trust securing the Construction Loan and to the deed(s) of trust securing the Take-Out Loan(s) pursuant to a City/Lender Subordination Agreement.

2.4 Cost Savings Obligation. Subject to the requirements of TCAC and other lenders providing loans to the Project that have been approved by City, Developer hereby agrees to provide and pay to City a "Cost Savings" payment for the Project in an amount to be determined based on the "Audit" (as those terms are described in subparagraph (a) below) to be conducted upon completion of construction of the Project.

(a) Audit to Determine Cost Savings Amount. The actual amount of Cost Savings to be paid to City shall be determined after the Audit, as hereafter described, and the amount of such Cost Savings shall be equal to the amount by which the total sources of permanent financing for the Project (which financing includes, but is not limited to, the City Loan, the Take-Out Loan(s), the City HOME Loan, the County ARPA Loan, the County MHSA Loan, the equity raised by the sale of the Tax Credits, and any other funding obtained for the Project (if applicable)) exceed the costs of development incurred for the Project (which costs include, but are not limited to, the hard and soft costs incurred by Developer to perform predevelopment activities and construct the Project (including all permitted deferred developer fee), and the amount spent to reduce the principal balance of the Construction Loan to the principal balance of the Take-Out Loan(s)). The amount of Cost Savings to reduce the principal balance of the City Loan shall be proportional to the amount of contribution by the public agency soft lenders. Within one hundred twenty (120) days after construction completion, Developer shall submit a final audit of the costs of development of the Project in accordance with the requirements of the Tax Credits and generally accepted accounting principles ("**GAAP**") and generally accepted auditing standards (herein referred to as "**Audit**"). If the Audit determines that the total sources of permanent financing for the Project (which financing includes, but is not limited to, the City Loan, the Take-Out Loan(s), the City HOME Loan the County ARPA Loan, the County MHSA Loan, the equity raised by the sale of the Tax Credits, and any other funding obtained for the Project (if applicable)) exceed Developer's total costs to develop the Project (which costs include, but are not limited to, the hard and soft costs incurred by Developer to perform predevelopment activities and construct the

Project, the amount spent to reduce the principal balance of the Construction Loan to the principal balance of the Take-Out Loan(s) and all permitted deferred developer fee), such excess shall be considered the "**Cost Savings**" for the Project.

(b) Cost Savings Payment as Payment Towards City Loan. Subject to the requirements of TCAC and other lenders providing loans to the Project that have been approved by City, the Cost Savings for the Project, once determined by the Audit pursuant to Section 2.4(a) above and subject to Section 2.4(c) below, shall be due and paid by Developer to City and allocated and credited as a payment on the City Loan, as and when paid, first to outstanding interest balance and then to the outstanding principal balance. Any Cost Savings above and beyond the amount needed to fully repay the City Loan shall be used to repay the City HOME Loan, and any Cost Savings above and beyond the amount needed to fully repay the City HOME Loan may be used by Developer in its discretion.

(c) Timing of Payment of Cost Savings. The Cost Savings for the Project shall become due and payable by Developer to City on the Conversion Date.

2.5 Repayment of City Loan. Developer shall repay the City Loan in accordance with the terms of the City Note, which provides for repayment to City, in full, over a period of fifty-five (55) years, out of the cash flow generated by Developer's operation of the Project (the "**Cash Flow**"). As further set forth in the City Note, City's share of the Cash Flow shall include City's share with respect to the City HOME Loan, and shall be a proportional collective interest of fifty percent (50%) of the Cash Flow, shared with other lenders of Project loans approved by City pursuant to this Agreement that are repaid out of the Cash Flow. For example, if City and County are the only lenders whose loans are to be repaid from the Cash Flow, and the collective amount of the City Loan and City HOME Loan is four (4) times greater than the collective amount of the County MHSA Loan and County ARPA Loan, then City shall be entitled to forty percent (40%) of the Cash Flow and County shall be entitled to ten percent (10%) of the Cash Flow.

3. DEVELOPMENT OF THE SITE.

3.1 Scope of Development. The Project will be comprised of the construction of an affordable rental housing development with the maximum number of affordable rental units as commercially feasible, and shall include all of the onsite private amenities and improvements appropriate and/or necessary for the development, as described and set forth in the Project Entitlements, and all public improvements required pursuant to the Project Entitlements, all in accordance with the Project Entitlements and any other

approved plans and permits, and as set forth in this Agreement and in the Scope of Development.

Notwithstanding the foregoing paragraph, the Parties acknowledge and agree that City's goal is to maximize the number of Affordable Units developed on the Site, with the goal of approximately sixty (60) total units, and fifty-nine (59) Affordable Units.

3.2 Changes to Construction Plans. If Developer desires to make any material changes in the construction plans for the Project after the approval thereof by City, Developer shall submit the proposed changes to City for approval. Any such proposed changes that conform to the requirements of the City Municipal Code and this Agreement, including, without limitation, the Scope of Development, shall be approved.

3.3 Cost of Development. With the exception of the City Loan, all costs for acquiring the Site, and planning, designing, and constructing the Project, including but not limited to all development and building fees, Site remediation (if any), demolition, grading and preparation costs, off-site and on-site construction and improvement costs shall be borne exclusively by Developer. Developer shall also bear all costs related to discharging the duties of Developer set forth in this Agreement.

3.4 Construction Contract; Construction Schedule. Prior to selecting a general contractor, Developer shall obtain bids from three (3) qualified general contractors, copies of which bids shall be provided to the Community Development Director. Developer's selection of general contractor shall be subject to the prior reasonable approval of the Community Development Director. Prior to commencing construction of the Project, Developer shall provide to City a copy of a stipulated sum-based construction contract or guaranteed maximum price construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

Developer shall obtain building permits, and commence and complete construction of the Project by the respective times established therefor in the Schedule of Performance.

3.5 Indemnity. Developer shall defend (by counsel reasonably satisfactory to City), assume all responsibility for and hold the Released/Indemnified Parties harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), to the extent arising out of the activities and/or performance of Developer or any of Developer's employees, agents, representatives, contractors, or subcontractors under or with respect to (i) this Agreement, (ii) the making of the City Loan; (iii) a claim, demand or cause of action that any person has or asserts against Developer; (iv) any act or omission of Developer, any of Developer's contractors, subcontractors or material suppliers, engineers, architects or other persons with respect to the Site; or (v) the ownership, occupancy or use of the Site by Developer, whether such damage shall accrue or be discovered before or after termination of this Agreement. Developer's indemnification obligations pursuant to this Section 3.5 shall not apply to the extent that such claims,

suits, or damages arise out of the intentional misconduct, active negligence, or illegal actions of any of the Released/Indemnified Parties. The obligations and indemnifications in this Section 3.5 shall constitute covenants running with the land.

3.6 Insurance Requirements. Commencing on the Site Closing Date and continuing in perpetuity, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the City's Community Development Director, the following policies of insurance:

(a) Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on a per-occurrence and not a claims-made basis containing the following minimum limits: (i) general aggregate limit of Five Million Dollars ($5,000,000); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000); and (iv) each occurrence limit of Three Million Dollars ($3,000,000). Said policy shall include the following coverages: (i) blanket contractual liability (specifically covering the indemnification clause contained in Section 3.5 hereof); (ii) products and completed operations; (iii) independent contractors; (iv) Owner's broad form property damage; (v) severability of interest; (vi) cross liability; and (vii) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(b) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for City and Developer against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Developer in the course of carrying out the work or services contemplated in this Agreement, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(c) A policy of comprehensive automobile liability insurance written on a per-occurrence basis in an amount not less than Two Million Dollars ($2,000,000) combined single limit covering all owned, non-owned, leased and hired vehicles used in connection with the work.

3.6.2 Commencing on the Site Closing Date and continuing until City issues a Release of Construction Covenants for the Project, Developer shall procure and maintain, at its sole cost and expense, in a form and content reasonably satisfactory to the Community Development Director, Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as (i) the City issues a final Certificate of Occupancy, and (ii) City issues a

Release of Construction Covenants, for the Project, and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. If such insurance includes an exclusion for "design error," such exclusion shall only be for the object or portion which failed. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

3.6.3 Prior to commencing any activities hereunder, Developer shall cause any general contractor with whom it has contracted for the performance of work on the Site to secure and thereafter to maintain insurance that satisfies all of the requirements of this Section 3.6.

3.6.4 Commencing on the date City issues a Release of Construction Covenants, and continuing in perpetuity, Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to the Community Development Director, the following types of insurance:

(a) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent generally and commercially available at commercially reasonable rates, if such insurance is generally obtained for affordable housing developments in the Counties of Orange and Los Angeles. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement.

(b) Business interruption and extra expense insurance to protect Developer and City covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all-risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period.

(c) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance.

3.6.5 The following additional requirements shall apply to all of the above policies of insurance:

(a) Endorsements:

(1) The policy or policies of insurance required for Commercial General Liability shall be endorsed to provide the following:

Additional Insured: City, its officials, officers, employees, agents, and volunteers shall be additional insureds with regard to liability and defense of suits or claims arising out of the performance of this Agreement.

"Additional Insured Endorsements" shall not (1) exclude "contractual liability"; (2) restrict coverage to "sole" liability of Developer; or (3) contain any other exclusions contrary to the Agreement.

Cancellation: Required insurance policies shall not be canceled or the coverage reduced until a thirty (30) day written notice of cancellation has been served upon the City except ten (10) days shall be allowed for non-payment of premium.

(2) The policy or policies of insurance required for Workers' Compensation shall be endorsed to provide the following:

Waiver of Subrogation: A waiver of subrogation stating that the insurer waives all rights of subrogation against the indemnified parties.

Cancellation: Required insurance policies shall not be canceled or the coverage reduced until a thirty (30) day written notice of cancellation has been served upon the City except ten (10) days shall be allowed for non-payment of premium.

(3) The policy or policies of insurance required Automobile Liability and Professional Liability, if required by City, shall be endorsed to provide the following:

Cancellation: Required insurance policies shall not be canceled or the

coverage reduced until a thirty (30) day written notice of cancellation has been served upon the City except ten (10) days shall be allowed for non-payment of premium.

(b) Primary and Non-Contributing Insurance. All insurance coverages shall be primary and any other insurance, deductible, or self-insurance maintained by the indemnified parties shall not contribute with this primary insurance. Policies shall contain or be endorsed to contain such provisions.

(c) Waiver of Subrogation. Required insurance coverages shall not prohibit Developer from waiving the right of subrogation prior to a loss. Developer shall waive all subrogation rights against the indemnified parties. Policies shall contain or be endorsed to contain such provisions.

(d) Deductible. Any deductible or self-insured retention must be approved in writing by City and shall protect the indemnified parties in the same manner and to the same extent as they would have been protected had the policy or policies not contained a deductible or self-insured retention.

(e) Evidence of Insurance. Not less than fourteen (14) days prior to the date Developer is required to obtain any insurance requires pursuant to this Section 3.6, Developer shall deliver either certified copies of the required policies, or original certificates and endorsements on forms approved by City. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15 days) prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with City. If such coverage is cancelled or reduced, Developer shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with City evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies.

(f) Acceptability of Insurers. Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and authorized to do business in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law. http://www.ambest.com/

(g) Insurance for Contractors and Subcontractors. All contractors and subcontractors shall be included as additional insureds under Developer's policies, or Developer shall be responsible for causing contractors and subcontractors to purchase the appropriate insurance in compliance with the terms of these insurance requirements, including adding City as an Additional Insured to the contractor's and subcontractor's policies.

3.7 Remedies for Defaults Re: Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may at its sole option, obtain such insurance and invoice Developer for the amount of said premium. Exercise of the remedy set forth herein, however, is an alternative to other remedies City may have and is not the exclusive remedy for Developer's failure to maintain insurance or secure appropriate endorsements.

3.8 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the Construction Lender, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, 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 to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this Agreement. City shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

3.9 City and Other Governmental Agency Permits. Before commencement of construction or development of any buildings, structures or other works of improvement upon the Site or in connection with any off-site improvement, Developer shall, at its own expense, secure or cause to be secured any and all permits which may be required by City or any other governmental agent affected by such construction, development or work. It is understood that Developer's obligation is to pay all necessary fees and to timely submit to City final drawings with final corrections to obtain building permits; City will, without obligation to incur liability or expense therefor, use its reasonable efforts to expedite issuance of building permits and certificates of occupancy for construction that meet the requirements of the Irvine Municipal Code.

3.10 Rights of Access. For purposes of assuring compliance with this Agreement, representatives of City shall have the right of access to the Site without charges or fees, upon reasonable advance notice of not less than forty-eight (48) hours and at normal business hours during the period of this Agreement for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed in constructing the Project, so long as they comply with all safety rules. Such representatives of City shall be those who are so identified in writing by the Community Development Director. City shall hold Developer harmless from any bodily injury or related damages and indemnify Developer for all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees,

and attorneys' fees, and costs) arising out of by the activities of City as referred to in this Section 3.10.

3.11 Local, State and Federal Laws.

3.11.1 Compliance with Laws. Developer shall carry out the construction, development and operation of the Project in conformity with all Governmental Requirements, including without limitation, all applicable local and state labor standards, City zoning and development standards, any permit issued pursuant to the NPDES and applicable to the Project and/or Site, building, plumbing, mechanical and electrical codes, and all other provisions of the Irvine Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq.

3.11.2 Compliance with Prevailing Wage Laws.

(a) Developer shall carry out the construction through completion of the Project and the overall development of the Site in conformity with all applicable Governmental Requirements relating to the payment of prevailing wages and compliance with prevailing wage rules, including, without limitation, if applicable, the requirements to pay prevailing wages under federal law (the Davis-Bacon Act, 40 U.S.C. Section 3141, et seq., and the regulations promulgated thereunder set forth at 29 CFR Part 1 (collectively, "**Davis-Bacon**")) and California law (Labor Code Section 1720, et seq.) ("**California Prevailing Wage Law**"). The parties acknowledge that a financing structure utilizing certain federal and/or state funding sources and financing scenarios may trigger compliance with applicable state and federal prevailing wage laws and regulations. Developer shall determine the applicability of federal, state, and local prevailing wage laws based upon the final financing structure and sources of funding of the Project, as approved by the Community Development Director.

(b) Developer shall be solely responsible, expressly or impliedly and legally and financially, for determining and effectuating compliance with all applicable federal, state, and local public works requirements, prevailing wage laws, and labor laws and standards, and City makes no representation, either legally and/or financially, as to the applicability or non-applicability of any federal, state, and local laws to the construction of the Project. 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 contractor(s) or any subcontractor(s) for the demolition work, construction, or development of the Project, in writing or otherwise, in a call for bids or otherwise, that the work and construction of the Project is (or is not) a "public work," as defined in Section 1720 of the Labor Code or under Davis-Bacon.

(c) Developer knowingly and voluntarily agrees that Developer shall have the obligation to provide any and all 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, and hold harmless the Indemnitees, with legal counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, expense, and/or "increased costs" (including reasonable attorney's 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 or its contractor with 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 and hire apprentices); (ii) the implementation of Section 1781 of the Labor Code and/or of 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 demolition work, 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 by Davis Bacon, as the same may be amended from time to time, and/or any other similar law or regulation. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Project by Developer.

"Increased costs," as used in this Section 3.11, shall have the meaning ascribed to it in Labor Code Section 1781, as the same may be amended from time to time.

3.12 Anti-Discrimination. Developer for itself and its successors and assigns, agrees, that in the construction of the Project on the Site or other performance under this Agreement, Developer shall not discriminate against any employee or applicant for employment on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955 and Section 12955.2 of the Government Code.

3.13 Taxes and Assessments. Developer shall pay prior to delinquency all real estate taxes and assessments on the Site so long as Developer retains any ownership interest therein. Developer shall remove or have removed any levy or attachment made on the Site or any part thereof, or assure the satisfaction thereof within a reasonable time

but in any event prior to any sale or transfer of all or any portions thereof. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto, and nothing herein shall limit the remedies available to Developer in respect thereto.

3.14 Right of City to Satisfy Other Liens on the Site After Title Passes. After Developer has had written notice and has failed after a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Site which are not otherwise permitted under this Agreement, City shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, Developer shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance available to Developer in respect thereto.

3.15 Release of Construction Covenants. Promptly after completion of construction of the Project by Developer in conformity with this Agreement, as evidenced by City's issuance of a Certificate of Occupancy, City shall issue to Developer a Release of Construction Covenants. City shall not unreasonably withhold such Release of Construction Covenants. The Release of Construction Covenants shall be, and shall so state, a conclusive determination of satisfactory completion of construction of the Project. The Release of Construction Covenants shall be in the form attached hereto as Attachment No. 8 or such other similar form as to permit it to be recorded in the Official Records. After the date Developer is entitled to issuance of the Release of Construction Covenants, and notwithstanding any other provision of this Agreement to the contrary, any party then owning or thereafter purchasing, leasing or otherwise acquiring any interest in the Site shall not (because of any such ownership, purchase, lease, or acquisition) incur any obligation or liability under this Agreement, except that such party shall be bound by the covenants herein that survive the issuance of the Release of Construction Covenants and the covenants set forth in the City Regulatory Agreement. The Release of Construction Covenants is not a notice of completion as referred to in California Civil Code Section 8182.

If City refuses or fails to furnish a Release of Construction Covenants after written request from Developer, City shall, within fifteen (15) days after the written request, provide Developer a written statement of the specific reasons City refused or failed to furnish a Release of Construction Covenants. The statement shall also contain City's opinion of the action(s) Developer must take to obtain a Release of Construction Covenants. If City refuses or fails to furnish the Release of Construction Covenants for the reason that specific minor non-life safety items or materials are not available or landscaping or other punch-list items are not complete, City shall issue the Release of Construction Covenants upon the posting by Developer with City of a cash deposit, bond, or irrevocable letter of credit (in a form acceptable to City), at Developer's option, in an amount representing one hundred percent (100%) of the fair value of the work not yet completed.

3.16 Limitation on Encumbrances. Except for the Permitted Encumbrances, Developer shall not mortgage the Site or any portion thereof or any interest therein, any other mortgages or conveyances for financing that encumber the Site or any portion

thereof, without the prior written approval of the Community Development Director, which approval shall not be unreasonably withheld.

3.17 Holder Not Obligated to Construct Improvements. The holder of any mortgage, deed of trust or other security interest authorized by this Agreement shall in no way be obligated by the provisions of this Agreement to construct or complete the Project or to guarantee such construction or completion, nor shall any covenant or any other provision in the City Regulatory 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 Site to any uses or to construct any improvements thereon other than those uses or improvements provided for or authorized by the City General Plan, any applicable Specific Plan, and applicable zoning, as the same may be amended from time to time.

3.18 Notice of Default to Mortgage, Deed of Trust or Other Security Interest Holders; Right to Cure. Whenever City shall deliver any notice or demand to Developer with respect to any breach or default by Developer in completion of construction of the Project, City shall at the same time deliver a copy of such notice or demand to each holder of record of any mortgage, deed of trust or other security interest authorized by this Agreement who has previously made a written request to City therefor. Each such holder shall (insofar as the rights of City are concerned) have the right, at its option, within sixty (60) days after the receipt of the notice, to cure or remedy or commence to cure or remedy any such default and to add the cost thereof to the security interest debt and the lien on its security interest. In the event there is more than one such holder, the right to cure or remedy a breach or default of Developer under this Section 3.18 shall be exercised by the holder first in priority or as the holders may otherwise agree among themselves, but there shall be only one exercise of such right to cure and remedy a breach or default of Developer under this Section 3.18. Nothing contained in this Agreement shall be deemed to permit or authorize such holder to undertake or continue the construction or completion of the Project (beyond the extent necessary to conserve or protect the improvements or construction already made) without first having expressly assumed Developer's obligations to City by written agreement satisfactory to City. The holder in that event must agree to complete, in the manner provided in this Agreement, the construction to which the lien or title of such holder relates and submit evidence satisfactory to City that it has the qualifications and financial responsibility necessary to perform such obligations. Any such holder properly completing such improvements shall be entitled, upon written request made to City, to a Release of Construction Covenants from City.

3.19 Failure of Holder to Complete Improvements. In any case where, sixty (60) days after an uncured default by Developer in completion of construction under this Agreement, the holder of any mortgage, deed of trust or other security interest creating a lien or encumbrance upon the Site has not exercised the option to construct, or if it has exercised the option, has not proceeded diligently with construction, City may purchase the mortgage, deed of trust or other security interest by payment to the holder of the amount of the unpaid debt, plus any accrued and unpaid interest. If the ownership of the Site has vested in the holder, City, if it so desires, shall be entitled to a conveyance of the

Site from the holder to City upon payment to the holder of an amount equal to the sum of the following:

1. The unpaid mortgage, deed of trust or other security interest debt at the time title became vested in the holder (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings);

2. All expenses with respect to foreclosure, including reasonable attorneys' fees and trustee's fees;

3. The net expenses, if any (exclusive of general overhead), incurred by the holder as a direct result of the subsequent management of the Site or part thereof;

4. The costs of any authorized improvements made by such holder; and

5. An amount equivalent to the interest that would have accrued on the aggregate of the amounts in Subparagraphs 1-4 had all such amounts become part of the mortgage or deed of trust debt and such debt had continued in existence to the date of payment by City.

3.20 Right of City to Cure Mortgage, Deed of Trust or Other Security Interest Default. In the event of a default or breach by Developer of a mortgage, deed of trust or other security interest with respect to the Site prior to the completion of the Project, and the holder has not exercised its option to complete the construction, City may cure the default prior to completion of any foreclosure. In such event, City shall be entitled to reimbursement from Developer of all costs and expenses incurred by City in curing the default. City shall also be entitled to a lien upon the Site to the extent of such costs and disbursements. Any such lien shall be subject to mortgages, deeds of trust or other security interests executed for the sole purpose of obtaining funds to purchase and develop the Site as authorized herein.

3.21 Developer Indemnity. Developer shall save, protect, defend, indemnify, and hold harmless the Released/Indemnified Parties 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, reasonable attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "**Liabilities**") which may now or in the future be incurred or suffered by any of the Released/Indemnified Parties by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result and to the extent of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's failure to comply with any permit issued pursuant to the NPDES, and applicable to the Project and/or Site; (iii) Developer's placement on or under the Site of any Hazardous Materials or Hazardous Materials Contamination; (iv) Developer's breach of its obligations under Section 3.22 or Section 3.23 hereinafter; or (iv) any Liabilities incurred after the Site

Closing Date under any Governmental Requirements relating to the acts described in the foregoing clauses (i), (ii), (iii) and (iv).

3.22 Duty to Prevent Hazardous Material Contamination. Developer shall take commercially reasonable actions to prevent the exacerbation of an existing release of any Hazardous Materials located on the Site and the release of new Hazardous Materials to the Site after the Site Closing Date. For the avoidance of ambiguity only, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Site prior to the Site Closing Date or consolidating such Hazardous Materials on the Site, all to the extent permitted by law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, Developer shall comply with any state or local Government Requirements pertaining to apartment complexes in Orange County, California, as respects the disclosure, permitting, notification, storage, use, removal, and disposal of Hazardous Materials.

3.23 Obligation to Remediate Premises. Developer acknowledges that, prior to the Site Closing Date, Developer shall have no obligation to undertake any action to address or respond to Hazardous Materials present on, under, or about the Site regardless of when the Hazardous Materials first occurred or when they were first discovered. After the Site Closing Date, any remediation, investigation, mitigation or other response action (collectively "**Response Action**") shall be performed by Developer at Developer's sole cost and expense, including (i) all Response Actions required by any federal, state, regional, or local governmental agency or political subdivision or to fulfill any Governmental Requirements and (ii) all actions necessary to use the Site for the purposes contemplated by the City Regulatory Agreement and this Agreement; and in either case (i) or (ii), regardless of whether the Hazardous Materials or Hazardous Materials Contamination that is the subject of such Response Action arose before or after the Site Closing Date and regardless of when it was first discovered. Such Response Actions shall include, but not be limited to, the investigation of the environmental condition of the Site, the preparation of any feasibility studies, risk assessments or other reports, and the performance of any cleanup, remedial, removal, mitigation or restoration work.

3.24 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination from any governmental agency, or when Developer is required to report to any governmental agency any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination (collectively, "**Environmental Inquiries**"), shall concurrently notify the Community Development Director, and provide to him/her a copy or copies of the Environmental Inquiries.

In the event of a release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to the Community Development Director a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies

of all correspondence with governmental agencies relating to the release. Upon request of the Community Development Director, Developer shall furnish to the Community Development Director a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Site including, but not limited to, all permit applications, permits, test results and final reports, including, without limitation, those reports and other matters which may be characterized as confidential. For the avoidance of ambiguity only, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Site.

3.25 Materiality. Developer acknowledges and agrees that the defense, indemnification, protection and hold harmless obligations of Developer for the benefit of City set forth in this Agreement are a material element of the consideration to City under this Agreement, and that City would not have entered into this Agreement unless Developer's obligations were as provided for herein.

4. USE OF THE SITE.

4.1 Affordable Housing. As more particularly provided in the City Regulatory Agreement, the Site may be utilized and developed only for use as affordable housing. The specific affordability restrictions shall be set forth in the City Regulatory Agreement.

4.2 Uses in Accordance with City Regulatory Agreement. Developer covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Site or any part thereof that as of the Site Closing Date, Developer and such successors and assigns, shall devote the Site to the uses specified in the City Regulatory Agreement and this Agreement for the periods of time specified therein and herein, as more particularly provided in the City Regulatory Agreement. Subject to applicable federal and state fair housing laws and provided that the applicants meet standard applicant screening standards for the Project, with respect to the rental of six (6) of the Affordable Units in the Project, Developer shall give a preference to income-qualified households that include one or more veterans of the United States military. Subject to applicable federal and state fair housing laws and provided that the applicants meet standard applicant screening standards for the Project, with respect to the rental of five (5) of the Affordable Units in the Project, Developer shall also give a preference to income-qualified households that include one or more persons with developmental disabilities (as defined by applicable California law). In addition, to the maximum extent permitted by law and provided that the applicants meet standard applicant screening standards for the Project, Developer shall give a preference in the rental of any Affordable Units in the Project to City residents or persons employed or that have been offered employment in the City. Notwithstanding anything to the contrary herein, nothing in this Section shall require that the local residency/work preference be based on a minimum duration for residency or employment. To the extent the preferences required under this Section 4.2 conflict with the requirements of applicable federal and state fair housing laws or Section 42 of the Internal Revenue Code and implementing guidelines, the requirements of the applicable federal and state fair housing laws and Section 42 will supersede. The preferences stated

in this Section apply to the rentals of Affordable Units in the Project throughout the term of this Agreement, as more particularly set forth in the City Regulatory Agreement.

4.3 Nondiscrimination. Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, or any part thereof, nor shall Developer, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Site, or any part thereof. The foregoing covenants shall run with the land.

Developer agrees for itself and any successor in interest that Developer shall refrain from restricting the rental, sale, or lease of any portion of the Site, or contracts relating to the Site, on the basis of race, color, creed, religion, sex, sexual orientation, marital status, ancestry, or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

1. In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

2. In leases: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees,

subtenants, or vendees in the premises herein leased. The foregoing covenants shall run with the land"

3. In contracts pertaining to the Site: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and City's successors and assigns, and any successor in interest to the Site, together with any property acquired by Developer pursuant to this Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

4.4 Effect of Violation of the Terms and Provisions of this Agreement After Completion of Construction. City is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own rights and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. This Agreement and the covenants shall run in favor of City, without regard to whether City has been, remains or is an owner of any land or interest therein in the Site. City shall have the right, if this Agreement or covenants are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other property proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Agreement and covenants may be entitled.

4.5 Maintenance of the Site. Developer shall maintain the Project on the Site in conformity with the City Municipal Code and the requirements of the City Regulatory Agreement, and shall keep the Site free from any graffiti and from any accumulation of debris or waste materials.

Developer shall also maintain the landscaping required to be planted under the Scope of Development in a healthy and attractive condition. If, at any time, Developer fails to maintain the Site or any portion thereof, and said condition is not corrected as soon as reasonably possible after written notice from City, City may enter the Site or applicable portion thereof to perform the necessary maintenance thereon and Developer shall pay such costs as are reasonably incurred for such maintenance plus a fifteen percent (15%) administrative fee. This covenant shall run with the land and shall remain in effect for the term of the City Regulatory Agreement.

5. DEFAULTS AND REMEDIES.

5.1 Event of Default. Any of the following events or occurrences with respect to either Party shall constitute a material breach of this Agreement and, after the expiration of any applicable cure period, shall constitute an "**Event of Default**" by such party:

5.1.1 The failure by either Party to pay any amount in full when it is due under this Agreement, if the failure has continued for a period of ten (10) days after the Party entitled to payment demands in writing that the other Party cure that failure.

5.1.2 The failure by either Party to perform any other obligation under this Agreement, if the failure has continued for a period of thirty (30) days after demand in writing that such Party cure the failure, or such shorter time period as may be provided for in one of the other Project Documents. If, however, by its nature the failure cannot reasonably be cured within said time period, such Party may have such longer period of time as is reasonably necessary to cure the failure, provided that such Party commences said cure within said thirty (30)-day period, and thereafter diligently prosecutes said cure to completion.

5.2 No Waiver. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any default shall not operate as a waiver of any default, or of any such rights or remedies, or deprive any 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.

5.3 Remedies; Institution of Legal Actions. In addition to any other rights or remedies and subject to the restrictions set forth in this Agreement, either Party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any default, to recover damages for any default (subject to the restriction on Developer's rights to recover monetary damages against City set forth in the final clause of this sentence), or to obtain any other remedy consistent with the purpose of this Agreement; provided, however, that notwithstanding anything in the foregoing to the contrary, in no event shall Developer be entitled to obtain monetary damages of any kind from City, including but not limited to damages for economic loss, lost profits, or any other economic or consequential damages of any kind. Such legal actions must be instituted in the Superior Court of the State of California in and for the County of Orange, California, in any other appropriate court within the County of Orange, California, or in the United States District Court for the Central District of California.

5.4 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the

exercise by it, at the same time or different times, of any other rights or remedies for the same default or any other default by the other Party.

5.5 Attorneys' Fees. If either Party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing Party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees. If either Party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other Party, then the Party so litigating shall be entitled to reasonable attorneys' fees from the other Party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a Party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

5.6 Reimbursement of City. Within thirty (30) days after its receipt of written demand from City, Developer shall reimburse City for all costs reasonably incurred by City (including the reasonable fees and expenses of attorneys, accountants, appraisers and other consultants) in connection with City enforcement of the Project Documents and all related matters, including, without limitation, 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, and other costs against which any of the Indemnitees is indemnified under the Project Documents. Such reimbursement obligations shall bear interest from the date occurring fifteen (15) days after City makes written demand to Developer at the rate of ten percent (10%) per annum or the maximum legal rate, whichever is less. Such reimbursement obligations shall survive termination of this Agreement.

5.7 City Option to Acquire Site.

5.7.1 In addition to any other remedies of City hereunder, on the occurrence of an Event of Default by Developer that occurs prior to the Funding Closing Date, City shall have an option to acquire the Site from Developer, in exchange for City's cancellation of the City Note (the "**City Option**"). City shall exercise the City Option by providing written notice of its intent to exercise the City Option.

5.7.2 Within fifteen (15) days after City exercises the City Option, (i) Developer shall execute and deliver to Escrow Holder a grant deed conveying the Site to City (the "**Developer Grant Deed**") with no title exceptions, liens, or encumbrances to title other than the title exceptions, liens, and encumbrances in effect as of the Site Closing Date excepted the Permitted Encumbrances (the "**City Approved Title Condition**"), (ii) City shall execute and deliver to Escrow Holder a reconveyance of the City Deed of Trust, (iii) City shall deliver to Escrow Holder the original City Note, marked "cancelled," and (iv) Developer and City shall execute a termination of the City Regulatory

Agreement. In connection with the recordation of the Developer Grant Deed, the Title Company shall issue to City, at Developer's cost, an ALTA owner's policy of title insurance, together with such endorsements as may be reasonably requested by City with liability in the amount of principal amount advanced under the City Note, covering the Site, showing title vested in City and in the City Approved Title Condition.

5.7.3 Upon City's acquisition of the Site pursuant to the City Option, this Agreement shall be automatically terminated, thereby releasing the Parties from further obligations hereunder, and Escrow Holder shall return all documents and funds delivered by Developer to City or the Title Company to Developer, and all documents and funds delivered by City to Developer or the Title Company to City. Nothing in this Section 5.7 shall be construed as releasing any Party from liability for any default of its obligations hereunder or breach of its representations and warranties under this Agreement occurring prior to the termination of this Agreement.

5.7.4 For the avoidance of doubt, upon the Funding Closing Date, the City Option shall automatically terminate and shall be of no further force or effect. If requested by Developer, City shall execute a quitclaim deed and/or termination of the Memorandum of Option to establish that the City Option and Memorandum of Option have terminated.

6. GENERAL PROVISIONS

6.1 Notices, Demands and Communications Between Parties. Written notices, demands and communications between City and Developer shall be sufficiently given if (i) delivered by hand, (ii) delivered by reputable same-day or overnight messenger service that provides a receipt showing date and time of delivery, or (iii) dispatched by registered or certified mail, postage prepaid, return receipt requested, to the principal offices of City and Developer at the addresses specified in Section 1.3.1 and 1.3.2, respectively. Such written notices, demands and communications may be sent in the same manner to such other addresses as either Party may from time to time designate by mail as provided in this Section 6.1.

Any written notice, demand, or communication shall be deemed received immediately if delivered by hand or delivered by messenger in accordance with the preceding paragraph, and shall be deemed received on the third (3rd) day from the date it is postmarked if delivered by registered or certified mail in accordance with the preceding paragraph.

6.2 Developer Covenant to Defend this Agreement. Developer acknowledges that City is a "public entity" and/or a "public agency" as defined under applicable California law. Therefore, City must satisfy the requirements of certain California statutes relating to the actions of public entities, including, without limitation, CEQA. Also, as a California public body, City's action in authorizing the entering into of this Agreement may be subject to proceedings to invalidate this Agreement or mandamus. Developer assumes the risk of delays and damages that may result to Developer from any third-party legal actions related to City's authorization to enter into this Agreement or the pursuit of the activities contemplated by this Agreement, including, without limitation, City's approval of any

Project approvals and issuance of any permits required for development of the Project, even in the event that an error, omission or abuse of discretion by City is determined to have occurred. If a third-party files a legal action regarding City's authorization to enter into this Agreement or the pursuit of the activities contemplated by this Agreement, including, without limitation, City's approval of any Project approvals and issuance of any permits required for development of the Project, City may terminate this Agreement on thirty (30) days written notice to Developer of City's intent to terminate this Agreement, referencing this Section 6.2, without any further obligation to perform the terms of this Agreement and without any liability to Developer resulting from such termination, unless Developer unconditionally agrees to indemnify and defend the Released/Indemnified Parties, with legal counsel acceptable to City, against such third-party legal action, as provided hereinafter in this Section 6.2; provided, however, that City's right to terminate under this Section 6.2 shall terminate upon Developer's acquisition of the Site. Within thirty (30) days after receipt of City's notice of intent to terminate this Agreement, as provided in the preceding sentence, Developer may in Developer's sole and absolute discretion offer to defend City, with legal counsel acceptable to City, in the third-party legal action and pay all of the court costs, attorney fees, monetary awards, sanctions, attorney fee awards, expert witness and consulting fees, and the expenses of any and all financial or performance obligations resulting from the disposition of the legal action. At the request of Developer, City shall cooperate with and assist Developer in its defense of any such third-party legal action, provided that City shall not be obligated to incur any expense in connection with such cooperation or assistance.

6.3 Conflicts of Interest. No member, officer, official, or employee of City shall have any personal interest, direct or indirect, in this Agreement, nor shall any member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

6.4 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Agreement, performance by either Party hereunder shall not be deemed to be in default, and all performance and other dates specified in this Agreement, including in the Schedule of Performance, shall be extended, where delays or defaults are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor; subcontractor or supplier; or any other causes beyond the control or without the default of the Party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Agreement, an extension of 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 after the commencement of the cause. Times of performance under this Agreement, including in the Schedule of Performance, may also be extended in writing by the mutual agreement of City and Developer. The Community Development Director

shall also have the authority on behalf of City to administratively approve extensions of time not to exceed a cumulative total of six (6) months.

Notwithstanding the foregoing portion of this Section 6.4, Developer is not entitled pursuant to this Section 6.4 to an extension of time to perform because of past, present, or future difficulty in obtaining suitable construction financing for the development of the Site, or because of economic or market conditions.

6.5 Non-Liability of Officials and Employees of City. No member, official or employee of City shall be personally liable to Developer, or any successor in interest, in the event of any default or breach by City, or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Agreement.

6.6 Interpretation; Entire Agreement, Waivers; Attachments. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against either Party by reason of the authorship of this Agreement or any other rule of construction that might otherwise apply.

This Agreement integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

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. Except as otherwise expressly provided, in any circumstance where under this Agreement either Party is required to approve or disapprove any matter, approval shall not be unreasonably withheld.

The exhibits and attachments to this Agreement are incorporated herein and made a part hereof.

6.7 Time of Essence. Time is of the essence in the performance of this Agreement.

6.8 Maintenance of Books and Records. Developer shall prepare and maintain all books, records, and reports necessary to substantiate Developer's compliance with the terms of this Agreement.

6.9 Right to Inspect. City shall have the right, upon not less than forty-eight (48) hours' notice, at all reasonable times during business hours, to inspect the books and records of Developer pertinent to the purposes of this Agreement.

6.10 Binding Effect of Agreement. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto, their legal representatives, successors, and assigns. This Agreement shall likewise be binding upon and obligate the Site and

the successors in interest, owner or owners thereof, and all of the tenants, lessees, sublessees, and occupants of such Site.

6.11 Severability. Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law. If, however, any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

6.12 Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to conflict of law principles.

6.13 Counterparts. This Agreement may be executed in counterparts, each of which, when this Agreement shall have been signed by both of the Parties hereto, shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

6.14 No Third-Party Beneficiaries. No person or entity other than Developer and City, and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

6.15 Administration of this Agreement. Following the execution of this Agreement by City, this Agreement shall be administered and executed on behalf of City by the Community Development Director. The Community Development Director shall have the authority to issue interpretations, waive terms and conditions, enter into one or more City/Lender Subordination Agreements, enter into subordination agreements with public funding sources where the public funding source's regulations require such subordination, and enter into implementing agreements and amendments of this Agreement (including, without limitation, to the Project Budget, Scope of Development and Schedule of Performance) on behalf of City provided that such actions do not substantially change the uses or development permitted on the Site, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies, of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal consent of the Irvine City Council.

[End of Agreement – Signature page follows]

IN WITNESS WHEREOF, City and Developer have signed this Agreement on the respective dates set forth below.

"City"

CITY OF IRVINE,
a California municipal corporation

Dated: 5/15/2023

By: _____
Oliver C. Chi, City Manager

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

ATTEST:

_____
Carl Petersen, City Clerk

[Signatures continue on following page]

"Developer"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

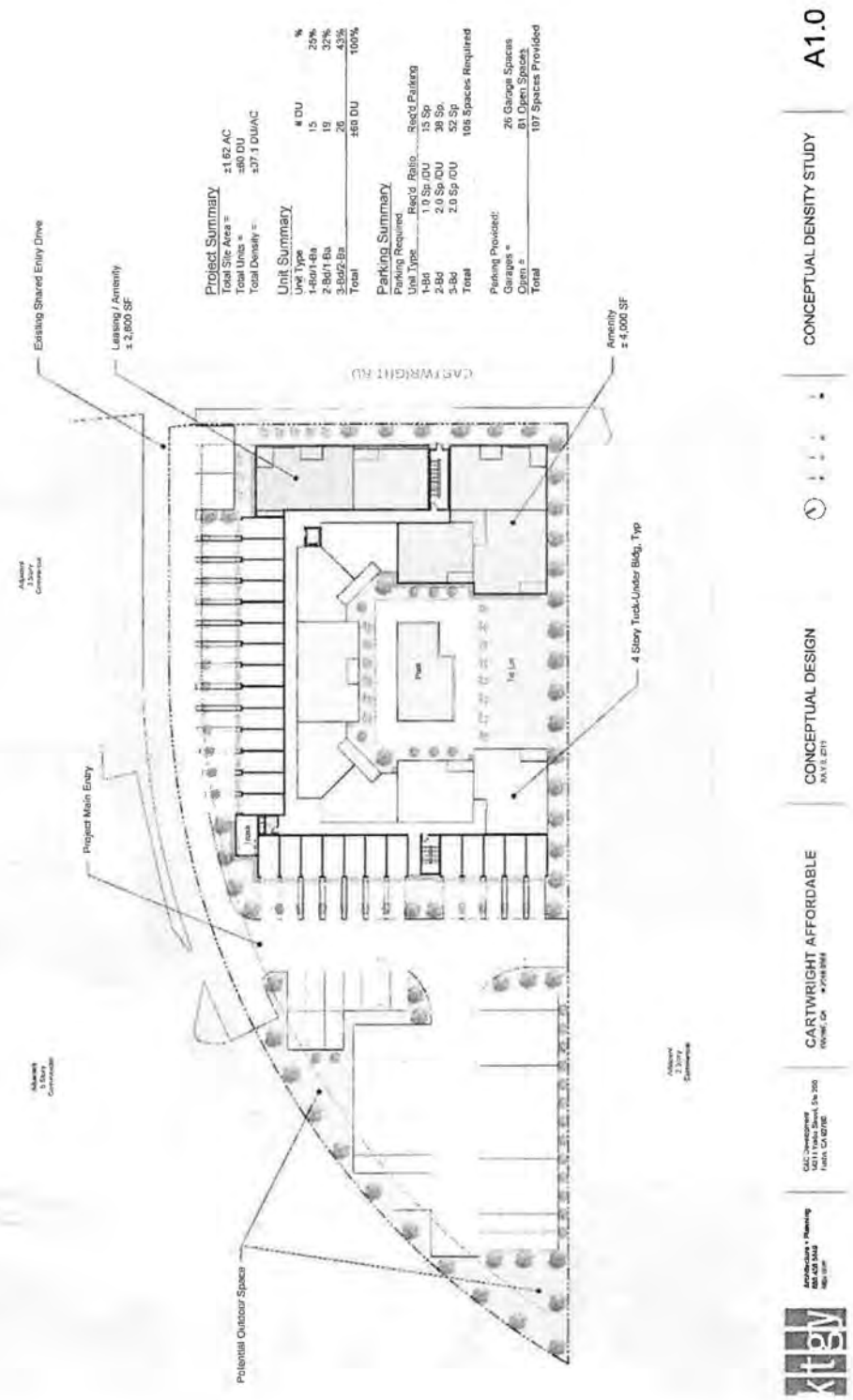
By: C & C Development Co., LLC, a California limited liability company, its member and manager

Dated:_____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, member

ATTACHMENT NO. 1

SITE MAP



882/048170-0698
14456853.13 a05/14/23

ATTACHMENT NO. 2

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39 and 435-142-41

ATTACHMENT NO. 3

SCOPE OF DEVELOPMENT

Location:	17861 Cartwright Road, Irvine
Property Size:	1.62 Acres
Total Units:	60 Units with 59 Affordable Units
Unit Mix:	15 One Bedroom Units, 17 Two Bedroom Units, 28 Three Bedroom Units
Product Type:	4-Story Wood Framed with a Contemporary Architectural Style Building and Elevator Access.
Unit Features:	Central Heating & Air Conditioning, Wood Cabinetry, Hardwood-Style Flooring throughout with Carpeted Bedrooms, Private Balconies, Elevator Serviced, ADA Accessible and Adaptable Units. Non-Smoking Property
Parking:	Tuck Under Parking for 26 Spaces and Surface Parking for 81 Spaces for a Total of 107 Spaces
Access:	Gated Access from Cartwright Road
Amenities:	Community Room, Exercise Facility, Computer Room, BBQ Pavilion & Outdoor Seating Area, Landscaping, Tot Lot, Pool, Onsite Leasing Office, and Onsite Resident Manager
Population Served:	Families 10 Permanent Supportive Housing (PSH) Units, 5 Units for the Developmentally Disabled Preference, 6 units for Veterans Preference. To the extent permitted under applicable law, preference for those that live, work and/or have been offered employment in the City
Services:	Services to the tenants of permanent supportive housing units will be provided by a third-party through the County and all other resident services will be provided by a third-party provider under contract with Developer. A comprehensive array of social services shall be provided including some or all of the services listed below, based on needs of then-current residents. Developer's social services program shall be submitted to the Community Development Director for review and approval; once approved, such program may not be

modified without the prior written consent of the Community Development Director, which shall not be unreasonably withheld, conditioned, or delayed.

Services for PSH Residents
Provided by the County

Case Management

Peer Support Activities

Mental Health Care

Substance Use Services

Linkage to Physical Health Care

Benefits Counseling & Advocacy (i.e. Social Security, Medicare or Medi-Cal)

Basic Housing Retention Skills

Services for Co-Occurring Mental & Physical Disabilities

Recreational & Social Activities

Educational Services

Employment Services

Access to Other Services
(i.e. wellness centers, places of worship, legal services)

Services for ALL Residents

Adult Educational Classes

Computer Classes

Financial Literacy

Job Search Skills

Health & Nutrition

After-School Program for School Age Children

Tutoring

Homework Help

Art

Educational Games & Activities

All Services will be provided free of charge to ALL residents.

ATTACHMENT NO. 4

SCHEDULE OF PERFORMANCE

ACTIVITY	TIME FRAME
1. Developer obtains ready-to-issue building permit letter from City.	No later than thirty (30) days after the Funding Closing Date.
2. Developer submits to Community Development Director for review and approval person or entity proposed as the Property Manager and marketing and management plans for the Project.	No later than the Funding Closing Date.
3. Developer closes on all of the construction funding set forth in the Project Budget, including the Construction Loan, County MHSA Loan, the City HOME Loan, and Tax Credits.	On or before the Outside Funding Closing Date.
4. Developer obtains building permits and commences construction of the Project.	Within thirty (30) days after Funding Closing Date.
5. Developer completes construction of the Project, obtains a Certificate of Occupancy from City, and City issues Release of Construction Covenants.	Within thirty (30) months after Developer commences construction.
6. City issues a Release of Construction Covenants for the improvements or provides Developer with a written explanation why a Release of Construction Covenants shall not be issued.	Promptly after issuance of a Certificate of Occupancy or within fifteen (15) days) after City receipt of written request from Developer for Release of Construction Covenants pursuant to Section 3.15 of the Agreement.
7. Developer establishes Capital Replacement Reserve.	Upon conversion of Developer's Construction Loan to the Take-Out Loan.
8. Developer sets aside Operating Reserve and provides evidence thereof to Community Development Director.	Upon conversion of Developer's Construction Loan to the Take-Out Loan.

ACTIVITY	TIME FRAME
9. Developer submits to City an accounting of the Capital Replacement Reserve.	On or before May 31 of each year after completion of construction of the Project.
10. Developer submits annual report pursuant to Health and Safety Code Section 33418 to City.	Not later than the September 1 of the year following the year covered by the annual report

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement including, without limitation, Section 6.4. The summary of items of performance in the Schedule is not intended to supersede or modify any more complete description in the text; in the event of any conflict or inconsistency between this Schedule and text of the Agreement, the text of the Agreement shall govern.

ATTACHMENT NO. 5

CITY NOTE

[SEE FOLLOWING DOCUMENT]

AMENDED AND RESTATED PROMISSORY NOTE

$8,419,952.18
January 31, 2023 Irvine, California

FOR VALUE RECEIVED, CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership ("**Borrower**"), as maker and obligor, promises to pay to the **CITY OF IRVINE**, a California municipal corporation ("**City**"), as holder and beneficiary, or order, at City's office at One Civic Center Plaza, Irvine, CA 92623-9575, or such other place as City may designate in writing, the sum of (a) Eight Million Four Hundred Nineteen Thousand Nine Hundred Fifty-Two Dollars and Eighteen Cents ($8,419,952.18), or so much thereof as may be disbursed hereunder ("**Note Amount**"), and (b) all costs and expenses payable hereunder, in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

1. Agreement. This Amended and Restated Promissory Note ("**Note**") is given in accordance with that certain Amended and Restated Affordable Housing Agreement entered into on or about the same date hereof by City and Borrower (the "**Agreement**"), which Agreement amends and restates that certain Affordable Housing Agreement dated as of January 28, 2020, executed by and among City and The Waterford Group, Inc., a California corporation ("**Waterford**"), and C & C Development Co., LLC, a California limited liability company ("**C&C**"), and thereafter assigned (i) by Waterford and C&C to Cartwright CCR LLC, a California limited liability company ("**CCR**"), and (ii) by CCR to Borrower (the "**Original Agreement**"). This Note amends, cancels, replaces, and restates, in its entirety, that certain Promissory Note, executed by CCR on or about February 10, 2020, pursuant to the terms of the Original Agreement.

The rights and obligations of Borrower and City under this Note shall be governed by the Agreement and by the additional terms set forth in this Note. 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. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Agreement. An Event of Default by Borrower under any of the provisions of the Agreement, and/or a default under any and all attachments and all breakout documents executed, attested and/or recorded in implementation of the Agreement, including, without limitation, the City Deed of Trust, City Regulatory Agreement, or the regulatory agreement related to the City HOME Loan, or the income and/or rent restrictions as set forth in the TCAC Regulatory Agreement and/or the regulatory agreement with the institutional lender responsible for placing the Tax-Exempt Bonds (collectively, the "**Transaction Documents**") shall, after the expiration of any cure period under the respective agreement or document, be a default under this Note (a "**Default**"), and a default under this Note, after notice and expiration of a ten (10) day cure period, shall be an Event of Default under the Agreement and a default under the Transaction Documents. Notwithstanding anything to the contrary set forth herein, City shall not

exercise any right hereunder without providing the limited partner of Borrower with not less than thirty (30) days prior written notice and right to cure any default giving rise to the exercise of said remedy. City agrees that any cure tendered by the limited partner of Borrower shall be accepted or rejected on the same terms and conditions as if tendered directly by Borrower. As used in this Note, the term "City Deed of Trust" shall mean that certain Amended and Restated Deed of Trust and Assignment of Rents executed by Borrower concurrently herewith and recorded in the Official Records on or about the date hereof, and the term "City Regulatory Agreement" shall mean that certain Amended and Restated Affordable Housing Regulatory Agreement entered into by City and Borrower concurrently herewith and recorded in the Official Records on or about the same date hereo.

2. Interest. The Note Amount shall bear simple interest at one-half percent (0.5%) per annum.

3. Repayment of Note Amount. The Note Amount shall be paid by the Borrower's annual payment to City of thirty-seven and forty-five hundredths percent (37.45%) of the Residual Receipts from operation of the Project ("**City's Share**"), as determined by a Residual Receipts calculation from the operation of the Project the preceding calendar year. Annual Residual Receipts payments shall be made by the Borrower by cashier's check and shall be delivered on or before May 31st for each year during the term of this Note commencing in the first calendar year following the date construction of the Project has been completed, as evidenced by Borrower's obtainment of a Certificate of Occupancy (or equivalent document or approval if City does not issue certificates of occupancy for developments like the Project), and continuing until the Note Amount and all unpaid interest thereon has been repaid in full. Additionally, the Note Amount shall be paid by any or all of the following: (i) seventy-five percent (75%) of the Refinancing Net Proceeds immediately upon any refinancing of the loans secured by the Site (or any part thereof), subject to any required pro rata split with other public agency lenders, to the extent applicable, (ii) one hundred percent (100%) of the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Project, subject to any required pro rata split with other public agency lenders, to the extent applicable, and (iii) any Cost Savings, pursuant to Section 2.4 of the Agreement. Borrower acknowledges that City's Share has been determined based on the collective principal amount of the Note Amount and the HOME Funds, and one hundred percent (100%) of City's Share shall be allocated to repayment of this Note until this Note has been fully repaid, at which time one hundred percent (100%) of City's Share shall be allocated to repayment of that certain promissory note executed or to be executed by Borrower that evidences Borrower's obligation to repay the City HOME Loan.

As used herein, "**Affiliate**" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with Borrower, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by

ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

As used herein, "**Annual Financial Statement**" means each certified financial statement of Borrower for the Project using generally accepted accounting principles ("GAAP"), as separately accounted for this Project, including Operating Expenses and Annual Project Revenue, prepared annually at Borrower's expense, by an independent certified public accountant reasonably acceptable to City.

As used herein, "**Annual Project Revenue**" means all gross income and all revenues of any kind from the Project in a calendar year, of whatever form or nature, whether direct or indirect, with the exception of the items excluded below, actually received by or paid to or for the account or benefit of Borrower 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 the U.S. Department of Housing and Urban Development or any other person or organization, received on behalf of tenants under their leases, (ii) amounts paid by residents of the Project to Borrower or any Affiliate of Borrower on account of Operating Expenses for further disbursement by Borrower 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 Borrower 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 for other than the purpose of the reserve. Notwithstanding the foregoing, gross income shall not include the following items: (a) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (b) capital contributions to Borrower by its members, partners or shareholders (including capital contributions required to pay any Deferred Developer Fee); (c) condemnation or insurance proceeds; (d) funds received from any source actually and directly used for initial development of the Project; (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; (f) Transfer Net Proceeds; or (g) Refinancing Net Proceeds.

As used herein "**Capital Replacement Reserve**" shall have the meaning ascribed thereto in the City Regulatory Agreement.

As used herein, "**Debt Service**" means payments made in a calendar year pursuant to the approved Construction Loan or the Take-Out Loan, as applicable, obtained for the construction/development, and ownership of the Project, as set forth in the Project Budget, or any permitted refinancing or modification thereof, but excluding payments made pursuant to this Note, and payments made on any other "soft" debt.

As used herein, "**Deferred Developer Fee**" means the portion of the Borrower's development fee, if any, that is payable out of the Annual Project Revenue and not from capital sources, as set forth in the Project Budget. Disbursement of the Deferred Developer Fee (all or any part thereof) shall be subject to the provisions of the next paragraph.

In connection with Borrower's eligibility to disburse all or any part of the Deferred Developer Fee, in the event the cost of completing the Project exceeds the amount set forth in the final Budget; then, to the extent necessary, the funds otherwise available to pay the developer fee from capital sources shall be expended and used to pay the remaining costs of completing the Project to the extent necessary to ensure the completion of the Project and the balance of the developer fee shall be paid as Deferred Developer Fee in accordance with the priority set forth in the Partnership Agreement, and/or payable from the proceeds of any approved refinancing or transfer of the Site and/or the Project. In no event shall Borrower be eligible for disbursement of the Deferred Developer Fee or any part thereof prior to completion of the Project, as approved by the Community Development Director as evidenced by the issuance by City of the Release of Construction Covenants.

As used herein, "**Operating Expenses**" means actual, reasonable and customary (for comparable high quality rental developments in Orange County) costs, fees and expenses directly incurred, paid, and attributable to the operation, maintenance and management of the Project in a calendar year, which are in accordance with the annual Operating Budget approved by City pursuant to Section 9 of the City Regulatory Agreement, including, without limitation, painting, cleaning, repairs, alterations, landscaping, utilities, refuse removal, certificates, permits and licenses, sewer charges, real and personal property taxes, assessments, insurance (including without limitation all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any mortgagee of the Project), security, advertising and promotion, janitorial services, cleaning and building supplies, purchase, repair, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of property management in an amount not to exceed six percent (6%) of Annual Project Revenue, fees and expenses of accountants, attorneys and other professionals, the "City Monitoring Fee" (as that term is defined in the City Regulatory Agreement), and other actual, reasonable and customary operating costs which are directly incurred and paid by Borrower, but which are not paid from or eligible to be paid from the Operating Reserve or any other reserve accounts. In addition, Operating Expenses shall include payment annually of a social services fee in reasonable amount given comparable fees for such services at that time, provided Borrower provides a comprehensive array of social services, including some or all of the social services described in the Scope of Development. Operating Expenses shall not include any of the following: (i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, 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 the Orange County area 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 Borrower, would be Operating Expenses; (iii) optional or elective payments with respect to the Construction Loan; (iv) any payments with respect to any Project-related loan or financing that has not been approved by City; (v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development of the Project, or any portion thereof, including, without limitation, all predevelopment and preconstruction activities conducted by Borrower 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 construction of the Project and any on site or off site work in connection therewith; or (vi) depreciation, amortization, and accrued principal and interest expense on deferred payment debt.

As used herein, "**Operating Reserve**" shall have the meaning ascribed thereto in the City Regulatory Agreement.

As used herein, "**Partnership Agreement**" means the agreement which sets forth the terms of the Borrower's limited partnership, as such agreement may be amended from time to time.

As used herein, "**Refinancing Net Proceeds**" means the proceeds of any approved refinancing of the Construction Loan, the Take-Out Loan, or other approved financing secured by the Site, net of the following actual costs and fees incurred: (i) the amount of the financing which 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, (iv) the balance, if any, of authorized loans to the Project made by the limited partners of Borrower, including interest at the rate set forth in the Partnership Agreement for such loans, (v) the balance, if any, of authorized operating loans or development loans made by the general partners of a limited partnership that succeeds to Borrower's interest in the Agreement and the Project, including interest at the rate set forth in the Partnership Agreement for such loans, (vi) the return of capital contributions, if any, to the Project made by the general partners of a limited partnership that succeeds to Borrower's interest in the Agreement and the Project, and (vii) the amount of proceeds required to be reserved for the repair, rehabilitation, reconstruction or refurbishment of the Project.

As used herein, "**Reserve Deposits**" means any payments to the Capital Replacement Reserve account and payments to the Operating Reserve account pursuant to Sections 10 and 11, respectively, of City Regulatory Agreement or such higher amounts as may be otherwise required by (i) any lender of a Project-related loan that has been approved by City, or (ii) the Investor, pursuant to the terms of the Partnership Agreement.

As used herein, "**Residual Receipts**" means 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 Operating Reserve;

(v) Deferred Developer Fee;

(vi) Unpaid Tax Credit adjustment amounts, if any, pursuant to the Partnership Agreement;

(vii) Asset management fees payable to Borrower's partners in an amount not to exceed, cumulatively, Five Thousand Dollars ($5,000) for calendar year 2023, increased by two and one-half percent (2.5%) each year following calendar year 2023;

(viii) Current partnership management fee of Twenty Thousand Dollars ($20,000) for calendar year 2023, increased by two and one-half percent (2.5%) each year following calendar year 2023;

(ix) Repayment of loans to the Project, if any, made by the limited partner(s) of Borrower pursuant to the Partnership Agreement, including interest at the rate set forth in the Partnership Agreement, for eligible development and/or operating expense deficits or other eligible loans (provided that if made during the compliance period Borrower shall provide to the Community Development Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Community Development Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans);

(x) Repayment to the administrative and/or managing general partners of Borrower for loans to the Project for development advance(s) pursuant to the Partnership Agreement, operating deficit advance(s) pursuant to the Partnership Agreement, credit adjuster payment(s) pursuant to the Partnership Agreement), and/or development fee advance(s) pursuant to the Partnership Agreement, and with all such loans to be repaid without interest (provided that if made during the compliance period, then if Borrower wants to deduct the repayments of such loans from Annual Project Revenue for purposes of calculating Residual Receipts, Borrower shall provide to the Community Development Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Community Development Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans);

(xi) Repayment to the administrative and/or managing general partners of Borrower of certain loans made to the Project after the expiration or earlier termination of the Partnership Agreement to cover shortfalls in funding for Operating Expenses in excess of the Operating Expenses included in the approved annual Operating Budget for the year in which such loan is made (if at all), all such loans to be repaid without interest (provided that if made during the compliance period, then if Borrower wants to deduct the

repayments of such loans from Annual Project Revenue for purposes of calculating Residual Receipts, Borrower shall provide to Community Development Director documentation showing the propriety of such loan(s) and if made subsequent to the expiration of the compliance period each such loan must be reasonably approved by the Community Development Director before being provided to the Project after review of documentation provided by Borrower showing propriety of such loans); and

(xii) Capital contributions to the Project, if any, made by the general partners of Borrower that were used to pay developer fee.

In the event any calculation of Annual Project Revenue less subsections (i) through (xii) inclusive above results in a negative number, then Residual Receipts shall be zero ($0) for that year and shall not carry over to the next or any other subsequent year.

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. The calculation of Residual Receipts shall be conducted at Borrower's sole cost and expense, by a third-party auditor and submitted to Borrower annually, along with Borrower's payment of Residual Receipts.

As used herein, "**Transfer Net Proceeds**" means the proceeds of any sale or other transfer, in whole or part, of the Site or Borrower's interests therein, 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, (iv) the balance, if any, of loans to the Project made by the limited partners of Borrower, including interest thereon as provided in the Partnership Agreement, (v) the balance, if any, of operating loans or development loans made by the general partners of Borrower, including interest thereon as provided in the Partnership Agreement, and (vi) the return of capital contributions, if any, to the Project made by the general partners of Borrower.

4. Security. Borrower's obligations under this Note and the Agreement shall, at all times during which any amount remains outstanding hereunder, be secured by the City Deed of Trust, which City Deed of Trust shall only be subordinated to the approved deed(s) of trust for the Construction Loan and Take-Out Loan, and if applicable any loan from the California Department of Housing and Community Development where such subordination is required pursuant to applicable regulations, and such encumbrances approved by City in writing, pursuant to a written subordination agreement in a form approved by the City Attorney. Upon execution of the same, the terms of the City 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.

5. Maturity. This Note shall be due and payable on the fifty-fifth (55th) anniversary of the date a Certificate of Occupancy (or equivalent document or approval if City does not issue certificates of occupancy for developments like the Project) has been issued for the Project.

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

7. Waivers.

(a) Borrower 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 Borrower.

(b) 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 Borrower under this Note, either in whole or in part.

(c) The obligations of Borrower under this Note shall be absolute, and Borrower waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

(d) Borrower waives 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 properties securing this Note, and the benefit of any exemption under any homestead exemption laws, if applicable.

(e) No previous waiver and no failure or delay by City in acting with respect to the terms of this Note or the City Deed of Trust shall constitute a waiver of any breach, default, or failure or condition under this Note, the City Deed of Trust or the obligations secured thereby. A waiver of any term of this Note, the City Deed of Trust or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

8. Attorneys' Fees and Costs. Borrower agrees that if any amounts due under this Note are not paid when due, Borrower will pay all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

9. Joint and Several Obligation. This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

10. Amendments and Modifications. This Note may not be changed orally, but only by an amendment approved by City and evidenced in a writing signed by Borrower and by City.

11. City May Assign. City may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Borrower.

12. Borrower Assignment Prohibited. In no event shall Borrower assign or transfer any portion of this Note without the prior express written consent of City, which consent shall not unreasonably be withheld, except pursuant to a transfer that is authorized under Section 1.5 of the Agreement.

13. Acceleration and Other Remedies. Upon the occurrence of a 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 City 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 City 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 or under the City 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 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 a Default for failure to make prompt or complete payment.

14. Alternate Rate. Upon the occurrence of any Default, or upon the maturity hereof (by acceleration or otherwise), the entire unpaid principal sum, at the option of City, shall bear interest, from the date of occurrence of such Default or maturity and after judgment and until collection, at the "**Alternate Rate**", such rate being the highest interest rate then permitted by law. Interest calculated at the Alternate Rate, when and if applicable, shall be due and payable immediately without notice or demand. Borrower agrees that in the event of any Default, City will incur additional expense in servicing the loan evidenced by this Note and will suffer damage and loss resulting from such Default. Borrower agrees that in such event City shall be entitled to damages for the detriment caused thereby, which damages are extremely difficult and impractical to ascertain. Therefore, Borrower agrees that the Alternate Rate (as applied to the unpaid principal balance, accrued interest, fees, costs and expenses incurred) is a reasonable estimate of such damages to City, and Borrower agrees to pay such sum on demand.

15. Consents. Borrower hereby consents to: (a) any extension (whether one or more) of the 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, (c) the granting of any other indulgences to Borrower, and (d) the taking or releasing of other or additional parties primarily or contingently liable hereunder. Any such extension, release, surrender, exchange or substitution may be made without notice to Borrower or to any endorser, guarantor or surety hereof, and without affecting the liability of said parties hereunder.

16. Interest Rate Limitation. City and Borrower stipulate and agree that none of the terms and provisions contained herein or in any of the loan instruments shall ever be construed to create a contract for the use, forbearance or detention of money requiring payment of interest at a rate in excess of the maximum interest rate permitted to be charged by the laws of the State of California. In such event, if any holder of this Note shall collect monies which are deemed to constitute interest which would otherwise increase the effective interest rate on this Note to a rate in excess of the maximum rate permitted to be charged by the laws of the State of California, all such sums deemed to constitute interest in excess of such maximum rate shall, at the option of such holder, be credited to the payment of the sums due hereunder or returned to Borrower.

17. Successors and Assigns. Whenever "City" is referred to in this Note, such reference shall be deemed to include City and its successors and assigns, including, without limitation, any successor to its rights, powers, and responsibilities, and any subsequent assignee or holder of this Note. All covenants, provisions and agreements by or on behalf of Borrower, and on behalf of any makers, endorsers, guarantors and sureties hereof which are contained herein shall inure to the benefit of City and City's successors and assigns.

18. Miscellaneous. Time is of the essence hereof. This Note shall be governed by and construed under the laws of the State of California except to the extent Federal laws preempt the laws of the State of California. Borrower 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 Note. Borrower also waives any objection regarding personal or in rem jurisdiction or venue.

19. Non-Recourse Obligation. Borrower and its partners shall not be personally liable for the payment of this Note or for the payment of any deficiency established after judicial foreclosure or trustee's sale; provided, however, that the foregoing shall not in any way affect any rights City may have (as a secured party or otherwise) hereunder or under the Agreement or the City Deed of Trust to recover directly from Borrower any amounts, or any 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 any costs and expenses incurred by City in connection therewith (including without limitation reasonable attorneys' fees and costs).

20. Accounting.

(a) **Accounting Terms and Determinations.** Unless otherwise specified herein, (i) all accounting terms used herein shall be interpreted, (ii) all accounting determinations hereunder shall be made, and (c) all books, records and financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP, consistently applied, except for changes approved by City.

(b) **Financial Reporting and Accounting Covenants.** Borrower shall permit the representatives of City at any time or from time to time, upon three (3) business days' notice and during normal business hours, to inspect, audit, and copy all of Borrower's books, records, and accounts relating to the Site. Borrower shall furnish or cause to be furnished to City the following:

(i) **Annual Financial Statement.** Borrower shall submit to City, on or before May 31 of each year commencing in the first year after the issuance of the first Certificate of Occupancy for the Project, an Annual Financial Statement, with respect to the Project that has been reviewed by an independent certified public accountant, together with an expressed written opinion of the certified public accountant that such Annual Financial Statement presents the financial position, results of operations, and cash flows of the Project fairly and in accordance with GAAP.

(ii) **Tax Returns**. As soon as available, but in no event later than thirty (30) days after the time of filing with the Internal Revenue Service, the federal tax returns (and supporting schedules, if any) of Borrower.

(iii) **Audit Reports**. Not later than ten (10) days after receipt thereof by Borrower, copies of all reports submitted to Borrower by independent public accountants in connection with each annual, interim or special audit of the financial statements of Borrower, made by such accountants, including the comment letter submitted by such accountants to management in connection with their annual audit. If any such audit report results in Borrower restating Residual Receipts upward for any calendar year, then Borrower shall accompany delivery of such audit report to City with the additional payment to City resulting from said restatement pursuant to Section 3 of this Note. If any such audit report results in Borrower restating Residual Receipts downward for any calendar year, Borrower may carry forward the overpayment made to City pursuant to such Section 3 as a credit against payments thereunder in subsequent calendar years.

(c) **Late Payment**. If any annual payment required pursuant to Section 3 above is not received by City within ten (10) calendar days after payment is due, Borrower shall pay to City a late charge of five percent (5%) of such payment, such late charge to be immediately due and payable without demand by City.

(d) **Dispute Regarding Annual Financial Statement**. If City disputes any Annual Financial Statement, City shall notify Borrower of such dispute within sixty (60) days after receipt of an Annual Financial Statement and the parties shall cause their

representatives to meet and confer concerning the dispute and to use all reasonable efforts to reach a mutually acceptable resolution of the matter in question within thirty (30) days after City's notice of such dispute. If the parties are unable to reach a mutually acceptable resolution within such thirty (30) day period, then, within twenty (20) days after the expiration of such period, Borrower and City shall appoint a national firm of certified public accountants to review the dispute and to make a determination as to the matter in question within thirty (30) days after such appointment. If the parties cannot, within ten (10) days, agree upon the firm to be appointed, then, upon the application of either party, such firm shall be appointed by the Presiding Judge of the Superior Court for the County of Orange, California. Such firm's determination shall be final and binding upon the parties. Such firm shall have full access to the books, records and accounts of Borrower and the Site.

(e) **Underpayment**. If any audit by City reports an underpayment by Borrower on this Note, Borrower shall pay the amount of such underpayment, together with the late charge set forth in Section 20(c) of this Note, to City within ten (10) days after written notice thereof to Borrower or, in the event of a dispute, after timely notice to Borrower of the resolution of such dispute by the independent firm of certified public accountants, as the case may be, and if such underpayment amounts to more than five percent (5%) of the disputed payment for the period audited, then, notwithstanding anything to the contrary in this section, Borrower shall pay to City, within ten (10) days after written demand, City's reasonable costs and expenses in conducting such audit and exercising its rights under this Section 20 of this Note.

"Borrower"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

By: C & C Development Co., LLC, a California limited liability company, its member and manager

Dated:_____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, its member

ATTACHMENT NO. 6

CITY DEED OF TRUST

[SEE FOLLOWING DOCUMENT]

RECORDING REQUESTED BY:
AND WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Clerk

APN: 435-142-39 and 435-142-41 [Free Recording Requested]

[Government Code Sections 6103 and 27383]

AMENDED AND RESTATED DEED OF TRUST WITH ASSIGNMENT OF RENTS

NOTE: RIDER ATTACHED TO THIS AMENDED AND RESTATED DEED OF TRUST CONTAINING TERMS INCLUDING SECURITY AGREEMENT AND FIXTURE FILING.

This AMENDED AND RESTATED DEED OF TRUST WITH ASSIGNMENT OF RENTS AND RIDER ATTACHED HERETO ("**Deed of Trust**"), is made this January 31, 2023, between CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership company, herein called TRUSTOR, whose address is 14211 Yorba St., Suite 200, Tustin, CA 92780, TICOR TITLE COMPANY OF CALIFORNIA, a California corporation, herein called TRUSTEE, and CITY OF IRVINE, a California municipal corporation, herein called BENEFICIARY. This Deed of Trust amends, replaces, releases, and restates, in its entirety, that certain Deed of Trust Deed of Trust with Assignment of Rents executed on or about February 13, 2020 by Trustor's predecessor-in-interest, which was recorded on February 13, 2020, in the Official Records of Orange County as Instrument No. 2020000062263.

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, Trustor's estate, dated on or about the date hereof, in that property in the City of Irvine, State of California, described in Exhibit "A" (the "**Property**"),

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) payment of the sum of EIGHT MILLION FOUR HUNDRED NINETEEN THOUSAND NINE HUNDRED FIFTY-TWO DOLLARS AND EIGHTEEN CENTS ($8,419,952.18), with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof; (2) the performance of each agreement of Trustor incorporated by reference or contained herein; and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the Property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in

subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5 Book 1964, Page 149774				

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

"Trustor"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

By: C & C Development Co., LLC, a California limited liability company, its member and manager

Dated: _____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, its member

SEE RIDERS ATTACHED TO THIS DEED OF TRUST

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each County in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten (10) days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears

to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his or her reasonable fees.

5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto".

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default (beyond any applicable cure period, and during the continuance of such default), Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter

upon and take possession of said property or any part thereof, in its own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary

hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD REQUEST FOR FULL RECONVEYANCE

TO _____, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, an all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated _____

_____

_____

Please mail Deed of Trust,

Note and Reconveyance to _____

Do Not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39 and 435-142-41

RIDER TO AMENDED AND RESTATED DEED OF TRUST WITH ASSIGNMENT OF RENTS

This RIDER TO AMENDED AND RESTATED DEED OF TRUST WITH ASSIGNMENT OF RENTS ("**Rider**") is executed this 31st day of January, 2023, by CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership, herein "**Trustor**," in favor of the CITY OF IRVINE, a California municipal corporation, herein "**Beneficiary**," the same parties to that certain form Amended and Restated Deed of Trust With Assignment of Rents, of even date hereto, to which this Rider is attached. This Rider is made a part of and is incorporated into said Deed of Trust. This Rider shall supersede any conflicting term or provision of the form Deed of Trust to which it is attached.

Reference is made to (i) that certain Amended and Restated Promissory Note executed by Trustor on or about the date set forth above, the repayment of which by Trustor is secured by this Deed of Trust ("**City Note**"), (ii) that certain Amended and Restated Affordable Housing Agreement entered into concurrently herewith between Trustor and Beneficiary (collectively, the "**Agreement**"), (iii) that certain Amended and Restated Affordable Housing Regulatory Agreement, entered into concurrently herewith between Trustor and Beneficiary, for the benefit of Beneficiary, and recorded in the Office of the Orange County Recorder ("**City Regulatory Agreement**").

The parties hereto agree:

1. Property. The estate subject to this Deed of Trust is Trustor's fee estate in the real property legally described in the foregoing Deed of Trust to which this Rider is attached (the "**Property**").

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following obligations ("**Secured Obligations**"):

   a. Payment to Beneficiary of all indebtedness at any time owing under the terms of the City Note;

   b. Payment and performance of all obligations of Trustor under this Deed of Trust;

   c. Payment and performance of all obligations of Trustor under the Agreement;

   d. Payment and performance of all obligations of Trustor under the City Regulatory Agreement.

   d. Payment and performance of all future advances and other obligations of Trustor or any other person, firm, or entity with the approval of Trustor, may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Beneficiary, when the

obligation is evidenced by a writing which recites that it is secured by this Deed of Trust; and

e. All modifications, extensions and renewals of any of the obligations secured hereby, however evidenced.

3. Obligations. The term "obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges, late charges and fees at any time accruing or assessed on any of the Secured Obligations.

4. Incorporation. All terms of the City Note, Agreement, City Regulatory Agreement, and the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Property shall be deemed to have notice of the terms of all of the foregoing documents.

5. Mortgagee-in-Possession. Neither the assignment of rents set forth in the Deed of Trust nor the exercise by Beneficiary of any of its rights or remedies hereunder shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property, unless Beneficiary, in person or by agent, assumes actual possession thereof. Nor shall appointment of a receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor, or the entering into possession of the Property by such receiver, be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise liable in any manner with respect to the Property.

6. No Cure. In the event Beneficiary collects and receives any rents under the Deed of Trust upon any default hereof, such collection or receipt shall in no way constitute a curing of the default, except if and to the extent the same are sufficient to cure all monetary defaults and no other defaults then exist.

7. Possession Upon Default. Upon the occurrence of and during the continuation of a default, Beneficiary, after having given notice and the applicable cure periods having expired with the default having not been cured (hereinafter, a "**default**"), may, at its option, without any action on its part being required and without in any way waiving such default, take possession of the Property in accordance with applicable law and have, hold, manage, lease and operate the same, on such terms and for such period of time as Beneficiary may deem proper, and may collect and receive all rents and profits, with full power to make, from time to time, all commercially reasonable alterations, renovations, repairs or replacements thereto as may seem proper to Beneficiary, and to apply such rents and profits to the payment of (a) the cost of all such alterations, renovations, repairs and replacements, and all costs and expenses incident to taking and retaining possession of the Property, and the management and operation thereof, and keeping the same properly insured; (b) all taxes, charges, claims, assessments, and any other liens which may be prior in lien or payment of the City Note, and premiums for insurance, with interest on all such items; and (c) the indebtedness secured hereby, together with all costs and attorney's fees, in such order or priority as to any of such items as Beneficiary in its sole discretion may determine, any statute, law, custom or use to the

contrary notwithstanding. Any amounts received by Beneficiary or its agents in the performance of any acts prohibited by the terms of this assignment, including, but not limited to, any amounts received in connection with any cancellation, modification or amendment of any lease prohibited by the terms of this assignment and any rents and profits received by Trustor after the occurrence of a default shall be held by Trustor as trustee for Beneficiary and all such amounts shall be accounted for to Beneficiary and shall not be commingled with other funds of the Trustor. Any person receiving any portion of such trust funds shall receive the same in trust for Beneficiary as if such person had actual or constructive notice that such funds were impressed with a trust in accordance therewith.

8. Receiver. In addition to any and all other remedies of Beneficiary set forth under this Deed of Trust or permitted at law or in equity, if a default shall have occurred and not have been cured within any applicable cure period, Beneficiary, to the extent permitted by law and without regard to the value, adequacy or occupancy of the security for the Note and other sums secured hereby, shall be entitled as a matter of right if it so elects to the appointment of a receiver to enter upon and take possession of the Property and to collect all rents and profits and apply the same as the court may direct, and such receiver may be appointed by any court of competent jurisdiction by ex parte application and without notice, notice of hearing being hereby expressly waived. The expenses, including receiver's fees, attorneys' fees, costs and agent's compensation, incurred pursuant to the power herein contained shall be secured by this Deed of Trust.

9. Notice to Beneficiary. Notices to Beneficiary shall be sent to Beneficiary addressed to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

10. Limited Partner Cure Rights. Notwithstanding anything to the contrary set forth herein, Beneficiary shall not exercise any right hereunder without providing the limited partner of Trustor with not less than thirty (30) days prior written notice and right to cure any default giving rise to the exercise of said remedy. Beneficiary agrees that any cure tendered by the limited partner of Trustor shall be accepted or rejected on the same terms and conditions as if tendered directly by Trustor.

11. Subordination Acknowledgement. Beneficiary hereby acknowledges that the loan secured by this Deed of Trust is also subordinate to the extended use agreement required to be executed by Borrower pursuant to Section 42(h)(6)(B) of the Internal Revenue Code, for purposes of the low-income housing tax credits to be allocated to Trustor. In addition, Beneficiary hereby acknowledges that the loan secured by this Deed of Trust is further subordinate to Section 42(h)(6)(e)(ii) of the Internal Revenue Code, which prohibits the eviction or termination of a tenancy, other than for good cause, of an existing tenant of any low-income housing tax credit unit or any increase in the gross rent with respect to such unit, not otherwise permitted under Section 42, for a period of three

(3) years after the date the Property is acquired by Beneficiary through foreclosure or instrument in lieu of foreclosure.

IN WITNESS WHEREOF, Trustor has executed this Rider on the date of Trustor's acknowledgment herein below, to be effective for all purposes as of the day and year first set forth above.

"Trustor"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

By: C & C Development Co., LLC, a California limited liability company, its member and manager

Dated:_____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, its member

ATTACHMENT NO. 7

CITY REGULATORY AGREEMENT

[SEE FOLLOWING DOCUMENT]

REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Clerk

[This document is exempt from a recording fee pursuant to Government Code Sections 6103 and 27383]

AMENDED AND RESTATED AFFORDABLE HOUSING REGULATORY AGREEMENT

This AMENDED AND RESTATED AFFORDABLE HOUSING REGULATORY AGREEMENT (this "**Regulatory Agreement**"), dated for purposes of identification only as of January 31, 2023 (the "**Date of Regulatory Agreement**"), is entered by and between the CITY OF IRVINE, a California municipal corporation, (the "**City**"), and CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership (the "**Developer**"). City and Developer are hereinafter referred to individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

The following recitals are a substantive part of this Regulatory Agreement; all capitalized terms set forth in the Recitals shall have the meanings ascribed to such terms in Section 1 hereof.

A. Developer owns fee title to that certain real property located in the City of Irvine, State of California more particularly described in Exhibit A, which is attached hereto and incorporated herein by this reference (the "**Property**")

B. Developer is managed by an experienced owner, developer and manager of affordable housing for low and moderate-income families.

C. On or about the same date hereof, City and Developer entered into that certain Amended and Restated Affordable Housing Agreement (the "**Agreement**"), which Agreement amends and restates that certain Affordable Housing Agreement dated as of January 28, 2020, executed by and among City and The Waterford Group, Inc., a California corporation ("**Waterford**"), and C & C Development Co., LLC, a California limited liability company ("**C&C**"), and thereafter assigned (i) by Waterford and C&C to Cartwright CCR LLC, a California limited liability company ("**CCR**"), and (ii) by CCR to Borrower (the "**Original Agreement**"). C&C, Waterford, and CCR are all Affiliates of Developer.

D. Pursuant to the Agreement, Developer is required to construct and operate on the Property a sixty (60) unit multifamily apartment project with ten (10) of such units restricted for occupancy by households whose gross household income does not exceed thirty percent (30%) of the area median income for Orange County, adjusted for household size, ten (10) of such units restricted for occupancy by households whose gross household income does not exceed fifty percent (50%) of the area median income for Orange County, adjusted for household size, eighteen (18) of such units restricted for occupancy by households whose gross household income does not exceed sixty percent (60%) of the area median income for Orange County, adjusted for household size, eight (8) of such units restricted for occupancy by households whose gross household income does not exceed seventy percent (70%) of the area median income for Orange County, adjusted for household size and thirteen (13) of such units restricted for occupancy by households whose gross household income does not exceed eighty percent (80%) of the area median income for Orange County, adjusted for household size (the "**Project**"). The Agreement further provides that the Parties execute and record this Regulatory Agreement against the Property, to ensure that the Property shall be operated continuously, in perpetuity, as an affordable rental apartment complex in accordance with the terms hereof.

E. This Regulatory Agreement amends. replaces, releases, and restates, in its entirety, that certain Affordable Housing Regulatory Agreement entered into between CCR and City and subsequently assigned by CCR to Developer, which was recorded in the Official Records as Instrument No. 2020000062262 on February 13, 2020.

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1. DEFINITIONS.

"Additional Regulatory Agreements" means the Tax Credit Regulatory Agreement, the Bond Regulatory Agreement (applicable only if the Project is financed by issuance of Tax-Exempt Bonds), and any other regulatory agreement Developer is required to execute as a condition to obtaining financing to develop and/or operate the Project.

"Affiliate" means any "Person," directly or indirectly, "Controlling" or "Controlled" by or under common "Control" with Developer, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**Person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**Control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**Controlling**" and "**Controlled**" means exercising or having Control.

"Affordable Units" means all of the units in the Project other than the one (1) unrestricted manager's unit.

"Affordable Rent" means the maximum Monthly Rent that may be charged to and paid by Eligible Tenant for the Affordable Units, adjusted for family size appropriate to the Unit, as determined pursuant to the requirements of the federal Tax Credit Program and Tax Credit Regulatory Agreement; and (b) as authorized in Health and Safety Code Section 50052.5(h), the term "adjusted for family size appropriate to the unit" shall have the meaning set forth by TCAC in implementing the federal Tax Credit Program. The Affordable Rent for 2022 is set forth in the Affordability Matrix.

"**Affordability Matrix**" means the affordability matrix of the Affordable Units, which is attached hereto and incorporated herein as Exhibit F.

"Agreement" is defined in Recital C hereof.

"**AHAP Contract"** means an Agreement to Enter into Housing Assistance Payments Contract entered into by and between Developer and the Housing Authority of the County of Orange.

"AMI" means the median family income (adjusted for household size) for the Orange County Area as established by the U.S. Department of Housing and Urban Development ("**HUD**") and published annually by TCAC in implementing the Tax Credit Program. If TCAC ceases annually to publish median incomes, AMI shall be as established by HUD.

"Annual Project Revenue" has the meaning ascribed thereto in the City Note.

"Approved Financing" means the financing required pursuant to the Agreement as set forth in the Project Budget attached to the Agreement, to be obtained by Developer for the construction/development and ownership of the Project. In addition, "Approved Financing" shall include any refinancing of the Approved Financing which has been approved by City.

"Approved Pro Forma" means that certain pro forma created in connection with the Project Budget attached to the Agreement.

"**Bond Regulatory Agreement**" means the regulatory agreement with the Institutional Lender responsible for placing the Tax-Exempt Bonds (applicable only if the Project is financed by issuance of Tax-Exempt Bonds).

"Capital Replacement Reserve" means a capital replacement reserve for the Project (i) initially consisting of not less than Fifty Seven Thousand Dollars ($57,000) (or such greater amount required under any Additional Regulatory Agreement, under the Partnership Agreement, or by any lender of a Project-related loan that has been approved by City, with City approval of an Operating Budget reflecting such higher amount constituting City approval of such greater amount) set aside in a separate interest-bearing trust account, commencing upon the rental of the Affordable Units, and (ii) such initial amount replenished from annual deposits of Two Hundred Fifty Dollars ($250) per

residential unit (e.g., Fifteen Thousand Dollars ($15,000) of Annual Project Revenue, or as required under the Partnership Agreement (or such greater amount required under any Additional Regulatory Agreement, or under the Partnership Agreement).

"Certification of Continuing Program Compliance" means an annual recertification form substantially in the form attached hereto and incorporated herein as Exhibit E, or in the form required by TCAC

"Certificate of Occupancy" means the final certificate of occupancy issued by the City for the completion of construction of the Project (or equivalent document or approval if City does not issue certificates of occupancy for developments like the Project).

"**City**" means the City of Irvine, a California municipal corporation.

"**City and City Personnel**" means City and all of City's officers, officials, directors, members, employees, agents, and representatives.

"City Deed of Trust" means that certain Amended and Restated Deed of Trust with Assignment of Rents executed by Developer, as "Trustor," in favor of City, as "Beneficiary," securing Developer's repayment under the City Note.

"City Loan" means the loan provided by City to Developer pursuant to the Agreement to assist Developer with the costs to acquire the Property and with certain predevelopment costs and construction costs incurred by Developer in developing the Project.

"**City Monitoring Fee**" means the fee paid on each September following the date the Release of Construction Covenants is recorded in the amount of Twenty-Five Dollars ($25.00) per completed Affordable Unit to be paid to City (or City's designee) by Owner to defray the costs incurred by City for monitoring compliance with the affordability covenants set forth in this Agreement. The Twenty-Five Dollar ($25.00) base amount (effective on the Effective Date) shall be increased annually by the percentage increase (between September of the year preceding and September of the current year) in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach- Anaheim Average, All Items (1984 = 100). A "**completed Affordable Unit**" shall mean an Affordable Unit that has received a Certificate of Occupancy by City.

"City Note" means that certain Amended and Restated Promissory Note executed by Developer on or about the same date hereof, that evidences Developer's obligation to repay the City Loan.

"Community Development Director" means the person duly appointed to the position of Community Development Director of the City of Irvine, or his or her designee. The Community Development Director shall represent City in all matters pertaining to this Regulatory Agreement. Whenever a reference is made herein to an action or approval to be undertaken by City, the Community Development Director is authorized to act

unless this Regulatory Agreement specifically provides otherwise or the context should otherwise require.

"Construction Financing" means the proceeds of Tax-Exempt Bonds and taxable bonds issued to finance the Project through the construction period (e.g., until a "conversion date"), in the approximate amount of Twenty-Three Million Five Hundred Thousand Dollars ($23,500,000).

"County" means the County of Orange, California

"**County ARPA Loan**" means a permanent loan to be obtained by Developer from the County of Orange from American Rescue Plan Act of 2021 funds (the "ARPA Funds") available to the County. The County ARPA Loan will be in the approximate amount of Two Million Sixty-Seven Thousand Dollars ($2,067,000). Developer acknowledges and agrees that the deed of trust securing the County ARPA Loan shall be subordinated, in all respects, to the City Loan and City Regulatory Agreement pursuant to a form of subordination agreement reasonably acceptable to the City Attorney.

"County MHSA Loan" means a construction and permanent loan to be obtained by Developer from the County of Orange from Local Government Special Needs Housing Program/Mental Health Services Act (MHSA) funds available to the County. The County MHSA Loan will be in the approximate amount of One Million Five Hundred Seventy-Four Thousand Eight Hundred Ten Dollars ($1,574,810). Developer acknowledges and agrees that the County MHSA Loan shall be subordinated, in all respects, to the City Deed of Trust and City Regulatory Agreement, pursuant to a form of subordination agreement reasonably acceptable to the City Attorney.

"Date of Regulatory Agreement" is defined in the initial paragraph hereof.

"Default" means the failure of a Party to perform any action or covenant required by the Agreement or hereunder within the time periods provided in the Agreement or hereunder, respectively, following notice and opportunity to cure, as set forth in Section 5.1 of the Agreement and Section 16.01 hereof, respectively.

"Developer" means Cartwright Family Apartments, LP, a California limited partnership, which was established by C&C and Waterford.

"Eligible Tenant" means, upon initial lease-up, for ten (10) of the one (1) bedroom Affordable Units, a household whose gross household income does not exceed thirty percent (30%) of AMI, for five (5) of the one (1) bedroom Affordable Units, two (2) of the two (2) bedroom Affordable Units, and three (3) of the three (3) bedroom Affordable Units, a household whose gross household income does not exceed fifty percent (50%) of AMI, for six (6) of the two (2) bedroom Affordable Units, and twelve (12) of the three (3) bedroom Affordable Units, a household whose gross household income does not exceed sixty percent (60%) of AMI, for four (4) of the two (2) bedroom Affordable Units, and four (4) of the three (3) bedroom Affordable Units, a household whose gross household income does not exceed seventy percent (70%) of AMI and for five (5) of the two (2) bedroom Affordable Units, and eight (8) of the three (3) bedroom Affordable Units, a household whose gross household income does not exceed eighty percent (80%) of AMI.

"Environmental Laws" means (i) Sections 25115, 25117, 25122.7 or 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) Article 9 or Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (vi) Section 311 of the Clean Water Act (33 U.S.C. §1317), (vii) Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.* (42 U.S.C. §6903) or (viii) Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §9601 et seq.

"Governmental Requirements" means all laws, ordinances, statutes, codes, rules, regulations, orders and decrees, of the United States, the State of California, the City, and any other political subdivision, agency, instrumentality, or other entity exercising jurisdiction over City, Developer, the Project, or the Property, including common law.

"**HAP Contract"** means a Housing Assistance Payments contract entered into by and between Developer and the Housing Authority of the County of Orange.

"Hazardous Materials" means 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", "extremely hazardous waste", or "restricted 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 a "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, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" 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) 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., (xii) methyl-tertiary butyl ether, (xiii) perchlorate, or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any Governmental Requirements 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. For purposes hereof, "Hazardous Materials" excludes materials and substances in quantities

as are commonly used in constructing and operating apartment complexes, provided such materials and substances are used in accordance with all applicable laws.

"Hazardous Materials Contamination" means the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on, in or of the Property 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 emanating from the Property.

"**HOME Regulatory Agreement**" means the regulatory agreement entered into or to be entered into between City and Developer imposing affordability and operating requirements on the Project with respect to the HOME Funds.

"HUD" means the United States Department of Housing and Urban Development.

"Institutional Lender" means any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange. Each of Bank of America, Citibank, N.A., and National Equity Fund, Inc. are hereby deemed to be an Institutional Lender.

"**Investor**" has the meaning ascribed thereto in Section 15.01 hereof.

"Legal Description" means that certain legal description of the Property which is attached hereto and incorporated herein as Exhibit A.

"Map" means a map depicting the Property which is attached hereto and incorporated herein as Exhibit B.

"Marketing Plan" means a marketing plan for the rental of the Affordable Units which provides, to the extent authorized by applicable federal, state and local laws and regulations, that a preference be given to tenants who are currently residents of the City

or currently work in the City. Prior to the Date of Regulatory Agreement, Developer has submitted to the Community Development Director and obtained approval of Developer's proposed Marketing Plan. The Marketing Plan is further discussed in Section 4.03 hereof.

"Monthly Rent" means the total of monthly payments for (a) use and occupancy of each Affordable 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 or cable service, 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. In the event that all utility charges are paid by the landlord rather than the tenant, no utility allowance shall be deducted from the rent.

"Notice" means a notice in the form prescribed by Section 17.01 hereof.

"Official Records" means the Official Records of the County of Orange, California.

"Operating Budget" means an operating budget for the Project, which budget shall be subject to the annual written approval of City in accordance with Section 9.01 hereof.

"Operating Expenses" has the meaning ascribed thereto in the City Note.

"Operating Reserve" means an operating reserve for the Project (i) initially consisting of not less than Three Hundred One Thousand Dollars ($301,000) (or such greater amount required under any Additional Regulatory Agreement, under the Partnership Agreement, or by any lender of a Project-related loan that has been approved by City, with City approval of an Operating Budget reflecting such higher amount constituting City approval of such greater amount) set aside in a separate interest-bearing trust account, commencing upon the rental of the Affordable Units, and (ii) replenished if required under the Partnership Agreement. Developer's requirement to maintain the Operating Reserve under this Agreement shall terminate at such time as the Project has achieved a minimum annual debt service ratio of 1.15 for three (3) years following the date Developer has initially rented ninety-five percent (95%) of the Affordable Units to Eligible Tenants in accordance with the terms of this Regulatory Agreement, at which time the funds in the Operating Reserve will transfer to the Capital Replacement Reserve.

"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.

"Permanent Financing" means loans(s) in a total amount not to exceed the amount of the Construction Financing from an Institutional Lender(s) and the County of Orange to be secured by a deed of trust against the Property which replaces the Construction Financing upon Developer's completion of the construction of the Project.

"Project" means an affordable rental Project consisting of sixty (60) residential dwelling units and all required on-site improvements necessary to serve the Project.

"Property" means that certain real property (i) consisting of approximately one and sixty-two hundredths (1.62) acres, (ii) located in the City of Irvine, (iii) depicted on the Map, and (iv) described in the Legal Description.

"Regulatory Agreement" means this Amended and Restated Affordable Housing Regulatory Agreement.

"Release of Construction Covenants" means the document which evidences Developer's satisfactory completion of construction of the Project, as set forth in Section 3.15 of the Agreement, substantially in the form which is attached thereto as Attachment No. 8 and incorporated therein by reference.

"Scope of Development" means that certain Scope of Development which is attached to the Agreement as Attachment No. 3 and incorporated therein by reference. The Scope of Development describes the scope, amount and quality of the construction to be done by Developer pursuant to the terms and conditions of the Agreement and this Regulatory Agreement.

"Tax Credits" means Low Income Housing Tax Credits granted pursuant to Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq*.

"Tax Credit Regulatory Agreement" means the regulatory agreement which may be required to be recorded against the Property with respect to the issuance of Tax Credits for the Project.

"Tax Credit Rules" means Section 42 of the Internal Revenue Code and/or California Revenue and Taxation Code Sections 17057.5, 17058, 23610.4 and 23610.5 and California Health and Safety Code Section 50199, *et seq.*, and the rules and regulations implementing the foregoing, as the same may be amended from time to time.

"**Tax-Exempt Bonds**" shall mean tax-exempt multi-family housing revenue bonds, in the approximate amount of Twenty-One Million Dollars ($21,000,000).

"TCAC" means the California Tax Credit Allocation Committee.

SECTION 2. COVENANTS REGARDING CONSTRUCTION OF THE IMPROVEMENTS.

Developer shall carry out the design, construction, and operation of the Project in compliance with applicable Governmental Requirements and all of the terms and conditions set forth in the Agreement.

SECTION 3. COVENANTS REGARDING USE.

3.01 Covenants to Use in Accordance with City Municipal Code and This Regulatory Agreement. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that Developer shall devote the Property, in perpetuity, to the uses specified in the City Municipal Code, and this Regulatory Agreement. All uses conducted on the Property, including, without limitation, all activities undertaken by Developer pursuant to this Regulatory Agreement, shall conform to all applicable provisions of the City Municipal Code. The foregoing covenants shall run with the land.

3.02 Covenant Regarding Specific Uses. Developer covenants and agrees for itself, its successors, assigns, and every successor in interest to Developer's interest in the Property or any part thereof, that Developer shall use the Property, in perpetuity, to operate the Project.

3.03 Covenants Regarding Term and Priority of Agreement. This Regulatory Agreement shall remain in effect in perpetuity, notwithstanding the payment in full of the City Loan. Developer's performance under this Regulatory Agreement is secured by the City Deed of Trust, and Developer shall not be entitled to a reconveyance of the City Deed of Trust; provided that, upon Developer's repayment of the City Loan, Developer shall be entitled to a partial reconveyance of the City Deed of Trust solely to release therefrom Developer's obligations to repay the City Loan. This Regulatory Agreement shall unconditionally be and remain at all times superior to the liens created by the Construction Financing, the Permanent Financing, the County ARPA Loan, the County MHSA Loan, the City HOME Loan, the Tax Credit Regulatory Agreement, any other Additional Regulatory Agreement, and any other documents related to any of the foregoing and all of the terms and conditions contained therein and to the lien of any new mortgage debt which is for the purpose of refinancing all or any part of the Construction Financing and the Permanent Financing. This Regulatory Agreement shall unconditionally be and remain at all times superior to the liens created by the County ARPA Loan, the County MHSA Loan, the City HOME Loan, the Tax Credit Regulatory Agreement, any other Additional Regulatory Agreement, any other documents related to any of the foregoing and all of the terms and conditions contained therein, and to the lien of any new mortgage debt which is for the purpose of refinancing all or any part of the County ARPA Loan or the County MHSA Loan. Notwithstanding the foregoing, however, City hereby agrees that any subordination agreement setting forth the priority as described in this Section 3.03 shall authorize the Community Development Director to approve, in his or her reasonable discretion, an increase in the income and rental restrictions applicable to the Affordable Units restricted hereunder at thirty percent (30%) of AMI, fifty percent (50%) of AMI, sixty percent (60%) of AMI, and seventy percent (70%) of AMI for to up to eighty percent (80%) AMI following a foreclosure or a deed in lieu of foreclosure pursuant to the deed of trust securing the Construction Financing or Permanent Financing, provided the Community Development Director has been provided with documentary evidence reasonably satisfactory to the Community Development Director establishing that such increase is necessary to enable the Project to remain financially viable.

SECTION 4. COVENANTS REGARDING AFFORDABLE UNITS.

Developer shall provide for the Affordable Units in accordance with this Section.

4.01 Residential Use. Without City's prior written consent, which consent may be given or withheld in City's sole and absolute discretion, none of the Affordable Units in the Project will at any time be utilized on a transient basis or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, or trailer court or park, nor shall the Affordable Units be used as a place of business except as may otherwise be allowed by applicable law.

4.02 Provision of Affordable Units. Developer shall make available, restrict occupancy to, and rent the Affordable Units to Eligible Tenants, in perpetuity, at Affordable Rents.

4.03 Selection of Tenants.

(a) Developer shall be responsible for the selection of tenants for the Affordable Units in compliance with all lawful and reasonable criteria, as set forth in the Marketing Plan. Developer shall not refuse to lease to (i) 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 Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria, or (ii) an applicant who would be qualified to be a tenant in accordance with the approved tenant selection criteria but for a poor credit rating resulting from a foreclosure of a mortgage on a single family home previously owned by the applicant.

(b) The initial lease-up of the Affordable Units shall be done pursuant to a lottery. The Marketing Plan shall include procedures for conducting the lottery. A representative of City may, but shall not be obligated to, attend the lottery. Notwithstanding anything in this Agreement to the contrary, none of Developer, any entity comprising Developer, any Affiliate of any such entity, or their respective officials, directors, and employees, or the immediate family members of their respective officials, directors, and employees shall be eligible to participate in the lottery for the initial lease-up of the Affordable Units. As used herein, the term "immediate family member" shall mean and include a parent or step-parent, grandparent or step-grandparent, sibling or step-sibling and child or step-child.

(c) Following the initial lease-up of the Affordable Units, Developer shall maintain a waiting list of persons interested in renting an Affordable Unit. Subject to Sections 4.05 and 4.07 below, at such time as an Affordable Unit becomes available for rental, Developer shall rent such Affordable Unit to the first person on the waiting list that qualifies as an Eligible Tenant to rent the Affordable Unit. Developer shall use commercially reasonable efforts to lease Affordable Units that become available as quickly as possible.

4.04 Occupancy by Eligible Tenant. An Affordable Unit occupied by an Eligible Tenant who qualified as an Eligible Tenant at the commencement of the occupancy shall be treated as occupied by an Eligible Tenant until a recertification of such Eligible Tenant's income in accordance with Section 4.08 below demonstrates that such tenant no longer qualifies as an Eligible Tenant at the applicable income level. An Affordable Unit previously occupied by an Eligible Tenant and then vacated shall be considered occupied by an Eligible Tenant until the Affordable Unit is reoccupied, provided Developer uses its best efforts to re-lease the vacant Affordable Unit to an Eligible Tenant. Any vacated Affordable Unit shall be held vacant until re-leased to an Eligible Tenant.

4.05 Occupancy Restrictions. The maximum number of occupants that may reside in an Affordable Unit shall be as follows: three (3) persons in a one (1) bedroom Affordable Unit; five (5) persons in a two (2) bedroom Affordable Unit; seven (7) persons in a three (3) bedroom Affordable Unit; and nine (9) persons in a four (4) bedroom Affordable Unit. Notwithstanding the foregoing, if a household that was in compliance upon initial occupancy thereafter increases in number, such that such household exceeds the maximum occupancy allowed pursuant to this Section 4.05, and there exist Affordable Units of the size necessary to accommodate such household, then Developer shall place the household at the top of the waiting list for a unit of the appropriate size, and Developer shall not be default hereunder during such time as the household is waiting for an Affordable Unit of the appropriate size to become available. Developer shall comply with all applicable minimum occupancy restrictions promulgated by HUD, TCAC, and/or any other applicable funding source. Notwithstanding the foregoing, the minimum household size for an Affordable Unit shall be one (1) person per bedroom.

4.06 Income Computation and Certification. Immediately prior to an Eligible Tenant's occupancy of an Affordable Unit, Developer shall obtain an Income Computation and Certification Form in the form attached hereto and incorporated herein as Exhibit C, or on a similar form required by any Additional Regulatory Agreement if such form requires inclusion of the same information as required in Exhibit C, from each such Eligible Tenant dated no more than one hundred twenty (120) days prior to the date of initial occupancy in the Project by such Eligible Tenant. In addition, Developer shall provide such further information as may be reasonably required in the future by City for purposes of verifying a tenant's status as an Eligible Tenant. Developer shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process:(i) obtain three (3) pay stubs for the most recent pay periods; (ii) obtain a written verification of income and employment from the applicant's current employer; (iii) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to City. Developer shall maintain in its records each Income Computation and Certification Form obtained pursuant to this section for a minimum of five (5) years.

4.07 Rental Preferences and Priority. Subject to applicable federal and state fair housing laws and provided that the applicants meet standard applicant screening standards for the Project, with respect to the rental of six (6) of the Affordable Units in the Project, Developer shall give a preference to Eligible Tenant households that include one or more veterans of the United States military. Subject to applicable federal and state fair housing laws and provided that the applicants meet standard applicant screening standards for the Project, with respect to the rental of five (5) of the Affordable Units in the Project, Developer shall also give a preference to Eligible Tenant households that include one or more persons with developmental disabilities (as defined by applicable California law). In addition to the foregoing, subject to applicable federal and state fair housing laws, provided that Developer secures the County ARPA Loan and the County MHSA Loan, and further provided that applicants meet standard applicant screening standards for the Project, ten (10) Affordable Units in the Project will be restricted as permanent supportive rental housing for which Developer will give a preference to Eligible Tenant households that include a household member with serious mental illness and which household is homeless or at risk of homelessness.

To the extent allowed by applicable law, to the extent Developer is able to meet the following priorities and also the preferences for specified populations as set forth in the preceding paragrah, provided that the applicants meet standard applicant screening standards for the Project, and subject to all applicable Governmental Requirements, and any funding (including the Tax Credit Program) obtained by Developer to operate and/or develop the Project that has been approved by City, Developer shall use its reasonable commercial efforts to lease the Affordable Units to Eligible Tenants in the following order of priority: (a) Eligible Tenants who have been or will be displaced by an activity of City, or (b) Eligible Tenants who are residents of City or persons employed or that have been offered employment in the City. Notwithstanding anything to the contrary herein, nothing in this Section shall require that the local residency/work preference be based on a minimum duration for residency or employment. To the extent the preferences required under this Section 4.07 conflict with the requirements of applicable federal and state fair housing laws or Section 42 of the Internal Revenue Code and implementing guidelines, the requirements of the applicable federal and state fair housing laws and Section 42 will supersede.

4.08 Recertification. Within one hundred twenty (120) days prior to the first anniversary date of the occupancy of an Affordable Unit by an Eligible Tenant, and on each anniversary date thereafter, Developer shall recertify the income of such Eligible Tenant by obtaining a completed Income Recertification Form, in the form attached hereto and incorporated herein as Exhibit D, based upon the current income of each known occupant of the Affordable Unit; provided, however, that if any Additional Regulatory Agreement requires Developer to obtain a recertification form which requires inclusion of the same information as required in Exhibit D, then Developer shall not be deemed to be in default hereunder if during the term of such Additional Regulatory Agreement Developer obtains from each Eligible Tenant the recertification form required pursuant to said Additional Regulatory Agreement.

If, after renting an Affordable Unit, the household income increases above the income level permitted for that Affordable Unit (the "Original Target Income Level"), but

meets the income level permitted for other Affordable Units at the Project, the household shall continue to be permitted to reside in such Affordable Unit provided that Developer shall increase the rent for that Affordable Unit to the rent level designated for that household, and shall restrict and designate the next available Affordable Unit with the same number of bedrooms as an Affordable Unit at the Original Target Income Level (provided that Affordable Unit is not already designated at the Original Target Income Level), for purposes of achieving the original income mix. If, after renting an Affordable Unit, the household income increases above eighty percent (80%) of the area median income for Orange County, adjusted for household size, that household may not be permitted to remain in the unit unless requiring such household to move will violate the Tax Credit Rules. Developer shall notify City in writing of such occurrence in the annual certification Developer provides to the City under Section 4.09.

4.09 Certification of Continuing Program Compliance/City Monitoring Fee. During the term of this Regulatory Agreement, on or before each September 1 following the date City issues a Release of Construction Covenants for the Project, Developer shall annually advise City of the occupancy of the Project during the preceding calendar year by delivering a Certification of Continuing Program Compliance in the form attached hereto and incorporated herein as Exhibit E, stating (i) the Affordable Units of the Project which have been rented to and are occupied by Eligible Tenants and (ii) that to the knowledge of Developer either (a) no unremedied default has occurred under this Regulatory Agreement, or (b) a default has occurred, in which event said certification shall describe the nature of the default and set forth the measures being taken by Developer to remedy such default. Developer agrees to pay City the annual City Monitoring Fee on each September 1 following date City issues a Release of Construction Covenants for the Project.

4.10 Leases; Rental Agreements for Affordable Units. Developer shall enter into a written lease, the form of which shall comply with the requirements of this Regulatory Agreement, which each tenant/tenant household of the Affordable Units. Developer shall submit the form of lease, or a copy of any executed lease, to City upon written request by City.

4.11 Reliance on Tenant Representations. Each tenant lease shall contain a provision to the effect that Developer has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

4.12 Monitoring and Record Keeping. Representatives of City shall be entitled to enter the Property during normal business hours, upon not less than forty-eight (48) hours' notice, to monitor compliance with this Regulatory Agreement, to inspect the records of the Property, and to conduct an independent audit or inspection of such records. Developer agrees to cooperate with City in making the Property and all Affordable Units thereon available for such inspection or audit. Developer agrees to maintain records in a businesslike manner, and to maintain copies of original tenant certifications for fifteen (15) years (or such longer period as required under the Tax Credit Rules) and all other records pertaining to the Project for five (5) years.

4.13 Remedy for Violation of Rental Requirements.

(a) It shall constitute a default for Developer to charge or accept for any Affordable Unit rent amounts in excess of the amount provided for in Section 4.02 of this Regulatory Agreement, provided that Developer is permitted to accept payments from applicabe housing authorities as permitted under the Section 8 voucher program. In the event that Developer charges or receives such higher rental amounts, Developer shall be required to reimburse the tenant that occupied said Affordable Unit at the time the excess rent was received for the entire amount of such excess rent received, provided that such tenant can be found following reasonable inquiry, and to pay to such tenant interest on said excess amount, at the rate of six percent (6%) per annum, for the period commencing on the date the first excess rent was received from said tenant and ending on the date reimbursement is made to the tenant. For purposes of this Section 4.13, "reasonable inquiry" shall include Developer's review of information provided by the tenant as part of the tenant's application, and forwarding information provided by the tenant, and Developer's reasonable attempts to contact the tenant and any other persons listed in either of such documents. If, after such reasonable inquiry, Developer is unable to locate the tenant, Developer shall pay all of such amounts otherwise to be paid to the tenant to City.

(b) Except as otherwise provided in this Regulatory Agreement, it shall constitute a default for Developer to knowingly (or without investigation as required herein) initially rent any Affordable Unit to a tenant who is not an Eligible Tenant. In the event Developer violates this Section, in addition to any other equitable remedy City shall have for such default, Developer, for each separate violation, shall be required to pay to City an amount equal to (i) the greater of (A) the total rent Developer received from such ineligible tenant, or (B) the total rent Developer was entitled to receive for renting that Affordable Unit, plus (ii) any relocation expenses incurred by City as a result of Developer having rented to such ineligible person. The terms of this Section shall not apply if Developer rents to an ineligible person as a result of such person's fraud or misrepresentation.

(c) It shall constitute a default for Developer to knowingly (or without investigation as required herein) rent an Affordable Unit in violation of the leasing preference requirements of Section 4.07 of this Regulatory Agreement. In the event Developer violates this Section, in addition to any other equitable remedy City shall have for such default, Developer, for each separate violation, shall be required to pay City an amount equal to six (6) months of rental charge.

THE PARTIES HERETO AGREE THAT THE AMOUNTS SET FORTH IN THIS SECTION 4.13 (THE "DAMAGE AMOUNTS") CONSTITUTE A REASONABLE APPROXIMATION OF THE ACTUAL DAMAGES THAT CITY WOULD SUFFER DUE TO THE DEFAULTS BY DEVELOPER SET FORTH IN THIS SECTION 4.13, CONSIDERING ALL OF THE CIRCUMSTANCES EXISTING ON THE DATE OF REGULATORY AGREEMENT, INCLUDING THE RELATIONSHIP OF THE DAMAGE AMOUNTS TO THE RANGE OF HARM TO CITY AND ACCOMPLISHMENT OF CITY'S PURPOSE OF ASSISTING IN THE PROVISION OF AFFORDABLE HOUSING TO ELIGIBLE TENANTS THAT REASONABLY COULD BE ANTICIPATED AND THE ANTICIPATION THAT PROOF OF

ACTUAL DAMAGES WOULD BE COSTLY OR INCONVENIENT. THE AMOUNTS SET FORTH IN THIS SECTION 4.13 SHALL BE THE SOLE MONETARY DAMAGES REMEDY FOR THE DEFAULTS SET FORTH IN THIS SECTION 4.13, BUT NOTHING IN THIS SECTION 4.13 SHALL BE INTERPRETED TO LIMIT CITY'S REMEDY FOR SUCH DEFAULT TO SUCH A DAMAGES REMEDY AND IN THAT REGARD, CITY MAY DECLARE A DEFAULT UNDER THE TERMS OF THE CITY NOTE, THE AGREEMENT, OR OTHER AGREEMENTS ENTERED INTO BY AND BETWEEN CITY AND DEVELOPER. IN PLACING ITS INITIALS AT THE PLACES PROVIDED HEREINBELOW, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY HAS BEEN REPRESENTED BY COUNSEL WHO HAS EXPLAINED THE CONSEQUENCES OF THE LIQUIDATED DAMAGES PROVISION AT OR PRIOR TO THE TIME EACH EXECUTED THIS REGULATORY AGREEMENT.

DEVELOPER'S INITIALS: CITY'S INITIALS:

_____ _____

4.14 Relationship to HOME Regulatory Agreement and Additional Regulatory Agreements. Notwithstanding any other provisions set forth in this Regulatory Agreement and subject to the following sentence, to the extent that the provisions related to tenant selection, tenant income levels and unit rent levels set forth in the HOME Regulatory Agreement and/or any Additional Regulatory Agreement are less restrictive than those provisions set forth in this Section 4, then the provisions set forth in this Section 4 shall govern and control. To the extent of any inconsistency between this Regulatory Agreement, the HOME Regulatory Agreement, and/or any Additional Regulatory Agreement regarding Affordable Rent for the Affordable Units, the more restrictive agreement or covenants shall prevail unless compliance with such more restrictive provisions would violate the provisions of the less restrictive document.

Developer agrees to perform all of Developer's obligations under this Regulatory Agreement, under the HOME Regulatory Agreement, and under each of the Additional Regulatory Agreements. In the event City is prevented by a final, non-appealable order of a court of competent jurisdiction in a lawsuit involving the Project, or by an applicable and binding published appellate opinion, or by a final, non-appealable order of a regulatory body having jurisdiction, from enforcing, for any reason, the affordability restrictions set forth in this Regulatory Agreement or in the Agreement, then in such event, unless prohibited to TCAC, City shall be a third-party beneficiary under the Additional Regulatory Agreements, and shall have full authority to enforce any breach or default by Developer thereunder in the same manner as though it were a breach or default hereunder.

4.15 AHAP Contract; HAP Contract; PBV Units. Developer shall use commercially reasonable efforts to secure and enter into an AHAP Contract and HAP Contract, and to continually renew such contracts throughout the term of this Regulatory Agreement. Notwithstanding anything to the contrary in this Regulatory Agreement, during the term of any HAP Contract for the Property, the units subject to project-based-voucher assistance pursuant to the HAP Contract (the "**PBV Units**") shall be subject to

the tenant selection and rental requirements and restrictions set forth in the HAP Contract, and to the extent that with respect to the PBV Units there is a conflict between the terms of this Regulatory Agreement and the terms of the HAP Contract, then with respect to the PBV Units the terms of the HAP Contract shall control. For the avoidance of doubt, the PBV Units shall not be subject to the tenant selection and priority requirements set forth in Section 4.07 of this Regulatory Agreement. Any effective AHAP Contract and HAP Contract shall constitute an Additional Regulatory Agreement. If any project- or tenant-based subsidy is exhausted and is not renewed, City and Developer shall meet and confer, and thereafter the Community Development Director shall have the right to approve an increase in the income and rental restrictions applicable to the PBV Units to sixty percent (60%) AMI, provided the Community Development Director has been provided with documentary evidence reasonably satisfactory to the Community Development Director establishing that such increase is necessary to enable the Project to remain financial viable.

SECTION 5. COVENANT TO PAY TAXES AND ASSESSMENTS.

Developer shall pay prior to delinquency all ad valorem real estate taxes, special taxes, assessments and special assessments levied against the Property, subject to Developer's right to contest any such tax in good faith and any property tax exemption.

SECTION 6. COVENANTS REGARDING MAINTENANCE.

Developer shall maintain the Property and all improvements thereon, including lighting and signage, in good condition, free of debris, waste and graffiti, and in compliance with all applicable provisions of the City Municipal Code, and in accordance with HUD's Housing Quality Standards. Developer shall maintain the improvements and landscaping on the Property in accordance with the "Maintenance Standards," as hereinafter defined. Such Maintenance Standards shall apply to all buildings, signage, lighting, landscaping, irrigation of landscaping, architectural elements identifying the Property and any and all other improvements on the Property. To accomplish the maintenance, Developer shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Regulatory Agreement.

Developer and its maintenance staff, contractors or subcontractors shall comply with the following standards (the "**Maintenance Standards**"):

i) The Property shall be maintained in good condition and in accordance with the custom and practice generally applicable to comparable high quality, well-managed apartment complexes, including but not limited to painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curbline.

ii) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement,

as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

iii) Clean-up maintenance shall include, but not be limited to: maintenance of all sidewalks, paths, and other paved areas in clean and weed-free condition; maintenance of all such areas clear of dirt, mud, trash, debris, or other matter which is unsafe or unsightly; removal of all trash, litter, and other debris from improvements and landscaping prior to mowing; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves, and other debris are properly disposed of by maintenance workers.

Upon City's written notification to Developer of any maintenance deficiency, Developer shall have thirty (30) days within which to correct, remedy or cure the deficiency, or such longer period as is reasonably necessary to complete the cure, provided Developer commences the correction, remedy, or cure within such thirty (30) day period and diligently pursues such correction, remedy, or cure to completion.

SECTION 7. COVENANTS REGARDING MANAGEMENT.

Developer shall provide for the management of the Project in accordance with this Section.

7.01 Property Manager. Developer shall manage or 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 and commercial developments in Orange County, California. Developer may contract with a property management company or property manager to operate and maintain the Project in accordance with the terms of this Section ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to prior written approval of City. 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 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 City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably withheld or delayed and shall be in City's reasonable discretion, and City 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 City, which approval shall not be unreasonably delayed, and shall be in City's reasonable discretion. The selection by Developer of any new Property Manager also shall be subject to the foregoing requirements. City hereby approves Advanced Property Services, LLC as the initial Property Manager.

7.02 Management Plan. Prior to the Date of Regulatory Agreement, Developer has submitted to the Community Development Director and obtained approval of an updated and supplemented management plan which includes a detailed plan and strategy for long-term marketing for the Affordable Units, operation, maintenance, repair, and security of the Project, method of selection of tenants, rules and regulations for tenants, and other rental policies for the Affordable Units (the "**Management Plan**"). Subsequent to approval of the Management Plan by the Community Development Director, the ongoing management and operation of the Project shall comply with the approved Management Plan. Developer and the Property Manager may from time to time submit to the Community Development Director proposed amendments to the Management Plan, which are also subject to the prior written approval of the Community Development Director.

7.03 Social Services. Developer shall arrange for third-parties to provide a variety of social services at the Project for the costs as set forth in the Annual Budget each year. Developer's social service program shall be targeted to the needs of the residents of the Project. Developer's array of potential social services program is set forth in the Scope of Development. Developer will confer annually with the Community Development Director to discuss the needs of then current residents and availability of services to be offered given available funding for services. Except for services provided directly by the County, Developer shall ensure that all personnel providing or coordinating all social services shall be adequately trained and counselled, including with respect to the appropriate means and methods of communicating and interacting with residents.

7.04 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Affordable Units or any part of the Project, City 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 Notice from City. If such condition(s) acts, or inactions of gross mismanagement do persist beyond such period, City 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 City'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.

For purposes of this Regulatory Agreement, the term "**Gross Mismanagement**" shall mean management of any part of the Project in a manner which materially violates the terms and/or intention of this Regulatory Agreement to operate a high quality, well-managed residential complex, and shall include, but is not limited to, any one or more of the following:

i) knowingly leasing Affordable Units to tenants who exceed the prescribed income levels;

ii) knowingly allowing the tenants of Affordable Units to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding;

iii) underfunding Capital Replacement or Operating Reserve accounts, unless funds are not available to deposit in such accounts;

iv) failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed herein;

v) failing to submit timely and/or adequate annual reports to City as required herein;

vi) committing fraud or embezzlement with respect to Project funds, including without limitation funds in the reserve accounts;

vii) failing to reasonably cooperate with the City of Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project;

viii) failing to reasonably cooperate with the Orange County Fire District or other local public safety agency(ies) with jurisdiction over the Project, in maintaining a safe environment within the Project;

ix) failing to reasonably cooperate with the City Code Enforcement Division, or other local health and safety enforcement agency(ies) with jurisdiction over the Property and/or Project, in maintaining a safe environment within the Project; and

x) spending funds from the Capital 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.)

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use its best 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 Regulatory Agreement within any contract between Developer and its Property Manager.

7.05 Property Inspections. Developer acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct inspections of the Project and the individual Affordable Units, both exterior and interior, at reasonable times and upon reasonable notice (not less than 48 hours prior notice) to Developer and/or an individual tenant. If such notice is provided by the City or its representative(s) to Developer, then Developer (or its Property Manager) shall immediately and directly advise tenants of such upcoming inspection and cause access to the area(s) and/or units to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease/rental agreements for each Affordable Unit in order for each and every tenant and tenant household to be aware of this inspection right.

7.06 Drug Free Covenant. Developer shall use its best efforts to maintain a drug free environment on the Property. Developer covenants to City that Developer shall use its best efforts to ensure that all persons working or residing on the Property shall not unlawfully manufacture, distribute, dispense, possess or use controlled substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes) on the Property.

SECTION 8. COVENANTS REGARDING NONDISCRIMINATION.

Developer covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person, or group of persons on any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, or any part thereof, nor shall Developer, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Property, or any part thereof. The foregoing covenants shall run with the land.

Developer agrees for itself and any successor in interest that Developer shall refrain from restricting the rental, sale, or lease of any portion of the Property, or contracts relating to the Property, on the basis of race, color, creed, religion, sex, marital status, ancestry, or national origin of any person. All such deeds, leases, or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

i) **In deeds**: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

ii) **In leases**: "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use,

occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

iii) **In contracts**: "There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

The covenants established in this Regulatory Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of City, its successors and assigns, and any successor in interest to the Property, together with any property acquired by Developer pursuant to this Regulatory Agreement, or any part thereof. The covenants against discrimination shall remain in effect in perpetuity.

SECTION 9. OPERATING BUDGET OR ANNUAL BUDGET; ANNUAL AND QUARTERLY REPORTS.

9.01 Operating Budget. Developer shall submit to City on or before November 1 of each year an operating budget for the Project ("**Operating Budget**" or "**Annual Budget**"), which budget, including the format thereof, shall be subject to the written approval of the Community Development Director or designee, which approval shall not be unreasonably withheld or conditioned so long as such budget is not inconsistent with this Regulatory Agreement or the City Note. The Community Development Director's discretion in review and approval of each proposed annual Operating Budget or Annual Budget shall include, without limitation, authority to review individual categories, line items, and accounts, such as the following: property and other taxes and assessments imposed on the Project; premiums for property damage and liability insurance; utility services not paid for directly by the tenants, including (as applicable), but not limited to, water, sewer, trash collection, gas, and electricity; maintenance and repairs including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial supplies; resident services pursuant to the Resident Services Plan; any license or certificates of occupancy fees required for operation of the Project; general administrative expenses, including, but not limited to, advertising, marketing, security services and systems, professional fees for legal, audit, accounting and tax returns, and other; property management fees and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by City (which such approval

will not be unreasonably withheld); asset management fees; annual cash deposited into the Capital Replacement Reserve in an amount of up to Five Hundred Dollars ($500) per unit per year, provided any changes to the amount deposited into the Capital Replacement Reserve will require City approval unless such change is a higher amount that is required by Developer's senior lender or the Investor, pursuant to the terms of the Partnership Agreement; cash deposited into the Operating Reserve for the Project and such other reserves as may be required by Developer's senior lender or the Investor; and debt service payments of loans in senior position to the City Loan . In the event Developer requires an amendment to an approved Annual Budget, then Developer shall submit a written request to the Community Development Director explaining the requested amendment and reasons therefor; the Community Development Director shall reasonably review and approve (or disapprove) each request for an amendment to an approved Annual Budget. The Community Development Director shall communicate to Developer his or her reasonable approval or disapproval of a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof; as to each amendment, the Executive Developer shall communicate to Developer his or her reasonable approval or disapproval within fifteen (15) days after receipt of a complete submittal requesting an amendment to an approved Annual Budget. In the event the Community Development Director fails to approve a proposed annual Operating Budget or Annual Budget within thirty (30) days after receipt thereof, Developer may operate the Project in accordance with such proposed annual Operating Budget or Annual Budget until the Community Development Director notifies Developer that such proposed annual Operating Budget or Annual Budget is not approved; provided, however, that in such case any expenditure made by Developer prior to the Community Development Director's notification that the proposed annual Operating Budget or Annual Budget is not approved shall be deemed an approved expenditure.

9.02 Annual Reports. Developer covenants and agrees to submit to City an annual report (the "Annual Report"), which shall include the information required by California Health & Safety Code Section 33418. The Annual Report shall include for each Affordable Unit the rental rate and the income and family size of the occupants. Developer shall submit the Annual Report on or before September 1 of the year following the year covered by the Annual Report. Developer shall provide for the submission of household information and certification in its leases with tenants.

9.03 Quarterly Reports. Upon execution of this Regulatory Agreement and until Permanent Financing conversion, Developer shall also submit on a quarterly basis a quarterly report for the management of the Property (the "**Quarterly Report**"). The Quarterly Report shall describe the Project-related tasks performed in the past 3 months and the expected Project-related tasks to be performed in the upcoming 3 months. The report should include an updated Project schedule, including a schedule for completing milestones and/or tasks, and should indicate the status of the Project in relationship to this timeline. Developer shall document any changes from the timeline submitted with the most recent funding application. From time to time, City may request from Developer an updated Project proforma which shall include a development budget with sources and uses, debt sizing, calculations and pricing for the Tax Credits, 30-year operating proforma, base year income projection, and maintenance and operating expenses; Developer will have thirty (30) days to satisfy such request. The Quarterly

Report shall be in a form that is reasonably acceptable to the Community Development Director. The Community Development Director, in his/her sole discretion may waive the requirement of the Quarterly Report for one or more quarterly reporting periods. However, such waiver shall not operate to waive any subsequent requirement of the Quarterly Report. After receipt of such certified financial statements for the Project, City may request additional financial analysis or obtain a third-party review at City's own expense, of financial statements for the Project to verify the accuracy of the payments by Developer on the City Note or the required deposits into the Capital Replacement Reserve.

SECTION 10. COVENANTS REGARDING CAPITAL REPLACEMENT RESERVE.

Promptly upon the conversion of Developer's Construction Financing to Permanent Financing, Developer shall establish the Capital Replacement Reserve. Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements, and replacements to the Project fixtures and equipment which may be capitalized under generally accepted accounting principles. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Developer's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year on May 31, Developer, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Project shall include only those items with a long useful life, 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 and 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; sewer line replacement; water line 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.

SECTION 11. COVENANTS REGARDING OPERATING RESERVE.

Promptly upon conversion of Developer's Construction Financing to Permanent Financing, Developer shall establish the Operating Reserve. The Operating Reserve shall be used 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. Developer shall, not less than once per every twelve (12) months on May 31, submit to City evidence reasonably satisfactory to City of compliance herewith for so long as Developer is required to maintain an Operating Reserve under this Agreement.

SECTION 12. EFFECT OF VIOLATION OF THE TERMS AND PROVISIONS OF THIS REGULATORY AGREEMENT AFTER COMPLETION OF CONSTRUCTION.

City is deemed the beneficiary of the terms and provisions of this Regulatory Agreement and of the covenants running with the land, without regard to whether City

has been, remains or is an owner of any land or interest therein in the Property or in the Project. City shall have the right, if this Regulatory Agreement or any of the covenants herein are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Regulatory Agreement and covenants may be entitled. The covenants contained in this Regulatory Agreement shall remain in effect in perpetuity.

SECTION 13. COMPLIANCE WITH LAWS; ENVIRONMENTAL MATTERS.

13.01 Compliance with Laws. Developer shall comply with (i) all Governmental Requirements applicable to the Project and/or Property, (ii) any permit issued pursuant to the National Pollutant Discharge Elimination System ("**NPDES**") and applicable to the Project and/or Property, and (iii) all rules and regulations of any assessment district of the City with jurisdiction over the Property.

13.02 Indemnity. Developer shall save, protect, defend, indemnify and hold harmless City and City Personnel 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, reasonable attorneys' fees, and remedial and response costs) (the foregoing are hereinafter collectively referred to as "**Liabilities**") which may now or in the future be incurred or suffered by any of City and City Personnel by reason of, resulting from, in connection with, or existing in any manner whatsoever as a direct or indirect result of (i) Developer's failure to comply with all applicable Governmental Requirements; (ii) Developer's failure to comply with any applicable NPDES permit; (iii) Developer's placement on or under the Property of any Hazardous Materials or Hazardous Materials Contamination, (iv) Developer's breach of its obligations under Section 13.03 or 13.04 hereinafter; or (v) any Liabilities incurred under any Governmental Requirements relating to the acts described in the foregoing clauses (i), (ii), (iii), and (iv).

13.03 Duty to Prevent Hazardous Material Contamination. Developer shall take commercially reasonable action to prevent the exacerbation of an existing release of any Hazardous Materials located on the Property and the release of any new Hazardous Materials to the Property after the Date of Regulatory Agreement. For the avoidance of ambiguity only, nothing in the previous sentence shall limit Developer from maintaining Hazardous Materials existing on the Property prior to the Date of Regulatory Agreement or consolidating such Hazardous Materials on the Property, all to the extent permitted by Law. Developer's duty to prevent Hazardous Materials Contamination shall include compliance with all Governmental Requirements 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 the standards generally applied by apartment complexes in Orange County, California as respects the disclosure, storage, use, removal, and disposal of Hazardous Materials.

13.04 Obligation of Developer to Remediate Premises. Notwithstanding the obligation of Developer to indemnify City and City Personnel pursuant to Section 13.02, and provided no Hazardous Materials exist on the Property as a result of City's

actions, Developer shall, at its sole cost and expense, promptly take (i) all actions required by any federal, state, regional, or local governmental agency or political subdivision or any Governmental Requirements and (ii) all actions necessary to make full economic use of the Property for the purposes contemplated by this Regulatory Agreement and the Agreement, which requirements or necessity arise from the presence upon, about or beneath the Property, of any Hazardous Materials or Hazardous Materials Contamination. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies or reports and the performance of any cleanup, remedial, removal or restoration work.

13.05 Environmental Inquiries. Developer, when it has received any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, or cease and desist orders related to Hazardous Materials or Hazardous Materials Contamination, or when Developer is required to report to any governmental agency any violation or potential violation of any Governmental Requirement pertaining to Hazardous Materials or Hazardous Materials Contamination, shall concurrently notify the Community Development Director, and provide to him/her a copy or copies, of the environmental permits, disclosures, applications, entitlements, or inquiries relating to the Property, the 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 the Community Development Director, as soon as possible after each incident, any unusual, potentially important incidents.

In the event of a responsible release of any Hazardous Materials into the environment in violation of law, Developer shall, as soon as possible after it becomes aware of the release, furnish to the Community Development Director a notification that the release occurred and a copy of any and all test results and final reports relating thereto and copies of all correspondence with governmental agencies relating to the release. Upon request of the Community Development Director, Developer shall furnish to the Community Development Director a copy or copies of any and all other environmental entitlements or inquiries relating to or affecting the Property including, but not limited to, all permit applications, permits, test results and final reports including, without limitation, those reports and other matters which may be characterized as confidential. For the avoidance of ambiguity only, Developer shall be under no obligation to furnish any attorney-client privileged documents; provided, however, that Developer may not withhold from City facts regarding a violation of law that affects the Property.

SECTION 14. INSURANCE REQUIREMENTS.

14.01 General. Commencing on the Date of Regulatory Agreement and continuing in perpetuity, Developer shall procure and maintain, at its sole cost and expense, at minimum, compliance with all of the following insurance coverage(s) and requirements. Such insurance coverage shall be primary coverage as respects City and any insurance or self-insurance maintained by City shall be considered in excess of Developer's insurance coverage and shall not contribute to it.

If Developer utilizes one or more subcontractors in the performance of this Regulatory Agreement, Developer shall obtain and maintain Contractor's Protective Liability insurance as to each subcontractor or otherwise provide evidence of insurance coverage from each subcontractor equivalent to that required of Developer in this Regulatory Agreement, unless Developer and City both initial here ____ / ____.

14.02 Types of Insurance and Minimum Limits.

(1) Workers' Compensation Insurance in the minimum statutorily required coverage amounts. This insurance coverage shall be required unless Developer has no employees and certifies to this fact by initialing here _____.

(2) Automobile Liability Insurance for each of Developer's vehicles used in the performance of this Regulatory Agreement, including owned, non-owned (e.g. owned by Developer's employees), leased or hired vehicles, in the minimum amount of $1,000,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage is required unless Developer does not drive a vehicle in conjunction with any part of the performance of this Regulatory Agreement and Developer and City both certify to this fact by initialing here ____ / ____.

(3) Comprehensive or Commercial General Liability Insurance coverage at least as broad as the most recent ISO Form CG 00 01 with a minimum limit of $3,000,000 per occurrence, and $5,000,000 in the aggregate, including coverage for: (a) products and completed operations, (b) bodily and personal injury, (c) broad form property damage, (d) contractual liability, and (e) cross-liability.

(4) Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as (i) City issues a final Certificate of Occupancy, and (ii) City issues a Release of Construction Covenants for the Project pursuant to the terms of the Agreement, and storage and transportation risks. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding anything to the contrary in this Section 14.02, however, Developer's requirement to maintain the insurance required by this paragraph shall terminate on the date City issues a Release of Construction Covenants for the Project pursuant to the terms of the Agreement.

(5) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent required by any Project lender or Investor. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding

anything to the contrary in this Section 14.02, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a Release of Construction Covenants for the Project pursuant to the terms of the Agreement.

(6) Business interruption and extra expense insurance to protect Developer and City covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all-risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period. Notwithstanding anything to the contrary in this Section 14.02, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a Release of Construction Covenants for the Project pursuant to the terms of the Agreement.

(7) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance. Notwithstanding anything to the contrary in this Section 14.02, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a Release of Construction Covenants for the Project pursuant to the terms of the Agreement.

14.03 Other Insurance Provisions

(1) All policies of Comprehensive or Commercial General Liability Insurance shall be endorsed to cover the City of Irvine, and the City's officials, officers, members, employees, agents and volunteers as additional insureds with respect to liability arising out of the work or operations and activities performed by or on behalf of Developer, including materials, parts or equipment furnished in connection with such work or operations. Endorsements shall be at least as broad as ISO Form CG 20 10 11 85, or both CG 20 10 10 01 and CG 20 37 10 01, covering both ongoing operations and products and completed operations.

(2) All required policies shall be endorsed to contain the following clause:

"This insurance shall not be canceled until after thirty (30) days' prior written notice (10 days for nonpayment of premium) has been given to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

Should Developer fail to obtain such an endorsement to any policy required hereunder, Developer shall be responsible to provide at least thirty (30) days' notice (10 days for

nonpayment of premium) of cancellation of such policy to the City as a material term of this Agreement.

(3) Developer agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide City on or before the Date of Regulatory Agreement with Certificates of Insurance and endorsements for all required coverages. However, failure to obtain the required documents prior to the work beginning shall not waive the Developer's obligation to provide them. All Certificates of Insurance and endorsements shall be delivered or sent to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

(4) Developer hereby grants to City a waiver of any right of subrogation which any insurer of said Developer may acquire against City by virtue of the payment of any loss under such insurance. Developer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

14.04 Developer's Continuing Indemnification Obligations. Developer agrees that the provisions of this Section shall not be construed as limiting in any way City's right to indemnification or the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible.

14.05 Remedies for Defaults Re: Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may at its sole option, obtain such insurance and invoice Developer for the amount of said premium. Exercise of the remedy set forth herein, however, is an alternative to other remedies City may have and is not the exclusive remedy for Developer's failure to maintain insurance or secure appropriate endorsements.

14.06 Obligation to Repair and Restore Damage Due to Casualty Covered by Insurance. If the Project shall be totally or partially destroyed or rendered uninhabitable by fire or other casualty required to be insured against by Developer, Developer shall, subject to the rights of the lender providing Construction Financing or Permanent Financing, promptly proceed to obtain all available insurance proceeds and, to the extent proceeds are available, 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 to substantially the same condition as it existed prior to the casualty, and Developer shall complete or cause to be completed the same as soon as possible thereafter so that the Project can be operated in accordance with this

Regulatory Agreement. City shall cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

14.07 Indemnification. Developer shall defend (by counsel satisfactory to City), assume all responsibility for and hold City and City Personnel harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including expert witness fees, attorney's fees and costs), which may be caused by the activities or performance of Developer or any of Developer's employees, agents, representatives, contractors, or subcontractors under (i) this Regulatory Agreement, (ii) a claim, demand or cause of action that any person has or asserts against Developer; (iii) any act or omission of Developer, any contractor, subcontractor or material supplier, engineer, architect or other person with respect to the Property; or (iv) the ownership, occupancy or use of the Property by Developer, whether such damage shall accrue or be discovered before or after termination of this Regulatory Agreement. The obligations and indemnifications in this Section 14.07 shall constitute covenants running with the land.

SECTION 15. ASSIGNMENT.

15.01 Generally Prohibited. Except as otherwise expressly provided to the contrary in this Regulatory Agreement and in the Agreement, including, without limitation, in Section 1.5 of the Agreement, Developer shall not assign any of its rights or delegate any of its duties under this Regulatory Agreement, nor shall any changes occur with respect to the ownership and/or control of Developer, including, without limitation, stock transfers, sales of issuances, or transfers, sales or issuances of membership or ownership interests, or statutory conversions, without the prior written consent of the Community Development Director, which consent may be withheld in his or her sole and absolute discretion. Any such assignment or delegation without such consent shall, at City's option, be void. Notwithstanding the foregoing, however, (i) Developer may admit Developer's Tax Credit investor (the "**Investor**") as a 99.99% Tax Credit limited partner into the Partnership without obtaining any consent, and such Investor may assign its interests as a 99.99% Tax Credit limited partner to a subsequent reputable institutional investor without any consent; (ii) Developer may transfer the Project to an Affiliate of Developer pursuant to the right of first refusal or purchase option entered into pursuant to the Partnership Agreement; and (iii) the Investor may remove the general partner for a default under the Partnership Agreement, provided the replacement general partner is reasonably acceptable to City. For purposes of this Section 15.01, if the Investor transfers to an entity in which the Investor or an Affiliate of the Investor is the general partner or managing member such transferee entity shall be deemed to be a "reputable institutional investor." This Section 15.01 shall not be applicable to the leasing of Affordable Units to Eligible Tenants in accordance with this Regulatory Agreement.

15.02 Release of Developer. Upon any such assignment made in compliance with Section 15.01 above which is evidenced by a written assignment and assumption agreement in a form approved by the City Attorney, Developer shall be released from any liability under this Regulatory Agreement arising from and after the date of such assignment.

SECTION 16. DEFAULTS AND REMEDIES.

16.01 Default. Subject to the extensions of time set forth in Section 17.02 of this Regulatory Agreement, failure by either Party to perform any action or covenant required by this Regulatory Agreement or under the Agreement within the time periods provided herein and therein following Notice and failure to cure as described hereafter, constitutes a "Default" under this Regulatory Agreement. A Party claiming a Default shall give written Notice of Default to the other Party specifying such Default. Except as otherwise expressly provided in this Regulatory Agreement or in the Agreement, the claimant shall not institute any proceeding against any other Party, and the other Party shall not be in Default if such party within thirty (30) days from receipt of such Notice, cures, corrects or remedies such failure or delay, or if such Default cannot reasonably be cured within thirty (30) days, such Party commences such cure within thirty (30) days of receipt of such Notice and thereafter diligently prosecutes such cure to completion. Notwithstanding anything to the contrary set forth herein, City shall not exercise any right hereunder without providing the limited partner of Developer with not less than thirty (30) days prior written notice and right to cure any default giving rise to the exercise of said remedy. City agrees that any cure tendered by the limited partner of Developer shall be accepted or rejected on the same terms and conditions as if tendered directly by Developer.

16.02 Remedies; Institution of Legal Actions. Developer's sole remedy for City's breach of this Regulatory Agreement shall be to institute an action at law or equity to seek specific performance of the terms of this Regulatory Agreement. Developer shall not be entitled to recover damages for any Default of City hereunder. City shall be entitled to seek any remedy available at law and in equity for Developer's breach of this Regulatory Agreement. All legal actions must be instituted in the Superior Court of the County of Orange, State of California, or in the United States District Court for District of California in which Orange County is located.

16.03 Termination by City. In the event that Developer is in Default of this Regulatory Agreement or the Agreement, and (i) such Default is material and (ii) Developer fails to cure such Default within the time set forth in Section 16.01 hereof, then City may, at City's option, terminate this Regulatory Agreement.

16.04 Acceptance of Service of Process. In the event that any legal action is commenced by Developer against City, service of process on City shall be made by personal service upon the Irvine City Clerk or in such other manner as may be provided by law. In the event that any legal action is commenced by City against Developer, service of process on Developer shall be made in such manner as may be provided by law.

16.05 Rights and Remedies Are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same Default or any other Default by the other Party.

16.06 Inaction Not a Waiver of Default. Any failures or delays by either 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 either 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.

16.07 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Regulatory Agreement, without regard to conflict of law principles.

SECTION 17. GENERAL PROVISIONS.

17.01 Notices, Demands and Communications Between the Parties. Any notices, requests, demands, documents, approvals or disapprovals given or sent under this Regulatory Agreement from one Party to another (collectively, "**Notices**") may be personally delivered, delivered by reputable courier that provides a receipt with the date and time of delivery, or deposited with the United States Postal Service for mailing, postage prepaid, to the address of the other Party as stated in this Section, and shall be deemed to have been given or sent at the time of personal delivery, delivery by courier, or, if mailed, on the second day following the date of deposit in the course of transmission with the United States Postal Service. Notices shall be sent as follows:

If to Developer:

Cartwright Family Apartments, LP
c/o C & C Deveopment Co., LLC
14211 Yorba Street, Suite 200
Tustin, CA 92780
Attn: Todd R. Cottle

And

RCC MGP LLC
14131 Yorba Street, Suite 204
Tustin, California 92780
Attn: President

And for so long as a limited partner of Developer:

NEF Assignment Corporation, as nominee
10 South Riverside Plaza
Suite 1700
Chicago, Illinois 60606

If to City:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

with a copy to Rutan & Tucker, LLP
18575 Jamboree Road, 9th Floor
Irvine, CA 92612
Phone No.: 714-641-5100
Attention: Allison LeMoine-Bui, Esq.

17.02 Enforced Delay; Extension of Times of Performance. In addition to specific provisions of this Regulatory Agreement, performance by either Party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Regulatory Agreement shall be extended, where delays or Defaults are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplier; acts or omissions of the other Party; acts or failures to act of any public or governmental agency or entity (other than the acts or failures to act of City which shall not excuse performance by City); or any other causes beyond the control or without the fault of the Party claiming an extension of time to perform. Notwithstanding anything to the contrary in this Regulatory Agreement, an extension of 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 ten (10) days of the commencement of the cause. Times of performance under this Regulatory Agreement may also be extended in writing by the mutual agreement of City and Developer. Notwithstanding any provision of this Regulatory Agreement to the contrary, the lack of funding to complete the construction of the Project shall not constitute grounds of enforced delay pursuant to this Section.

17.03 Relationship Between City and Developer. It is hereby acknowledged by Developer that the relationship between City and Developer is not that of a partnership or joint venture and that City and Developer shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, with the exception of any provisions expressly set forth to the contrary in the Agreement, herein, or in the exhibits hereto, City shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Project. Developer agrees to indemnify, hold harmless and defend City from any claim made against City arising from a claimed relationship of partnership or joint venture between City and Developer with respect to the development, operation, maintenance or management of the Property or the Project, except to the extent occasioned by the active negligence or willful misconduct of City or its designated agents or employees.

17.04 No Third-Party Rights. The Parties intend that no rights nor remedies be granted to any third party as a beneficiary of this Regulatory Agreement or of any covenant, duty, obligation or undertaking established herein.

17.05 City Approvals and Actions. This Regulatory Agreement shall be administered and executed on behalf of City by the Community Development Director. The Community Development Director shall have the authority to issue interpretations, waive terms and conditions, enter into implementing agreements and amendments of this

Regulatory Agreement on behalf of City provided that such actions do not substantially change the uses or development permitted on the Property, materially add to the costs or obligations, increase the risk of liability, or impair the rights or remedies, of City provided herein, or materially decrease the revenues or other compensation to be received by City hereby. All other waivers or amendments shall require the formal consent of the City Council of City.

17.06 Counterparts. This Regulatory Agreement may be signed in multiple counterparts which, when signed by all Parties, shall constitute a binding agreement.

17.07 Integration. This Regulatory Agreement contains the entire understanding between the parties relating to the transaction contemplated by this Regulatory Agreement. Each Party is entering this Regulatory Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such party deems material. This Regulatory Agreement constitutes the entire understanding and agreement of the Parties, notwithstanding any previous negotiations or agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

17.08 Real Estate Brokerage Commission. City and Developer each agrees to defend and hold harmless the other from any claim to any commission or finder's fee in connection with this transaction resulting from any action on its part.

17.09 Attorneys' Fees. In any action between the Parties to interpret, enforce, reform, modify, rescind, or otherwise in connection with, any of the terms or provisions of this Regulatory Agreement, the prevailing Party in the action shall be entitled, in addition to damages, injunctive relief, or any other relief to which it might be entitled, reasonable costs, expenses including, without limitation, litigation costs, reasonable attorneys' fees, and expert witness fees.

17.10 Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe, or limit the scope or the intent of this Regulatory Agreement or of any of its terms. Reference to section numbers are to sections in this Regulatory Agreement, unless expressly stated otherwise.

17.11 Interpretation. As used in this Regulatory Agreement, masculine, feminine, or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Regulatory Agreement shall be interpreted as though prepared jointly by both Parties.

17.12 No Waiver. All waivers of the provisions of this Regulatory Agreement must be in writing by the appropriate authorities of Developer and City. A waiver by either Party of a breach of any of the covenants, conditions or agreements under this Regulatory Agreement to be performed by the other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Regulatory Agreement.

17.13 Modifications. Any alteration, change or modification of or to this Regulatory Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each Party.

17.14 Severability. If any term, provision, condition or covenant of this Regulatory Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Regulatory Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

17.15 Computation of Time. The time in which any act is to be done under this Regulatory 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.

17.16 Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Regulatory Agreement, and in signing this Regulatory 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 Regulatory Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Regulatory Agreement; and, they have freely signed this Regulatory 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 Regulatory Agreement, and without duress or coercion, whether economic or otherwise.

17.17 Time of Essence. Time is expressly made of the essence with respect to the performance by City and Developer of each and every obligation and condition of this Regulatory Agreement.

17.18 Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, to sign any and all documents which may be reasonably necessary, helpful, or appropriate to carry out the purposes and intent of this Regulatory Agreement including, but not limited to, releases or additional agreements.

17.19 Non-Liability of Officials and Employees of City. No member, director, officer, employee, or volunteer of City shall be personally liable to Developer, or any successor in interest, in the event of any Default or breach by City or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer hereby waives and releases any claim it may have against any of the City and City Personnel with respect to any Default or breach by City or for any amount which may become due to Developer or its successors, or on any obligations under the terms of this Regulatory Agreement. Developer makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code 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."

_____

Developer's Initials

[End – signatures on next page]

IN WITNESS WHEREOF, the parties have executed this Regulatory Agreement as of the respective dates set forth below.

"City"

CITY OF IRVINE, a California municipal corporation

Date:_____

By: _____
Oliver C. Chi, City Manager

ATTEST:

_____
Carl Petersen, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

"Developer"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

By: C & C Development Co., LLC, a California limited liability company, its member and manager

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, its member

Date: _____

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

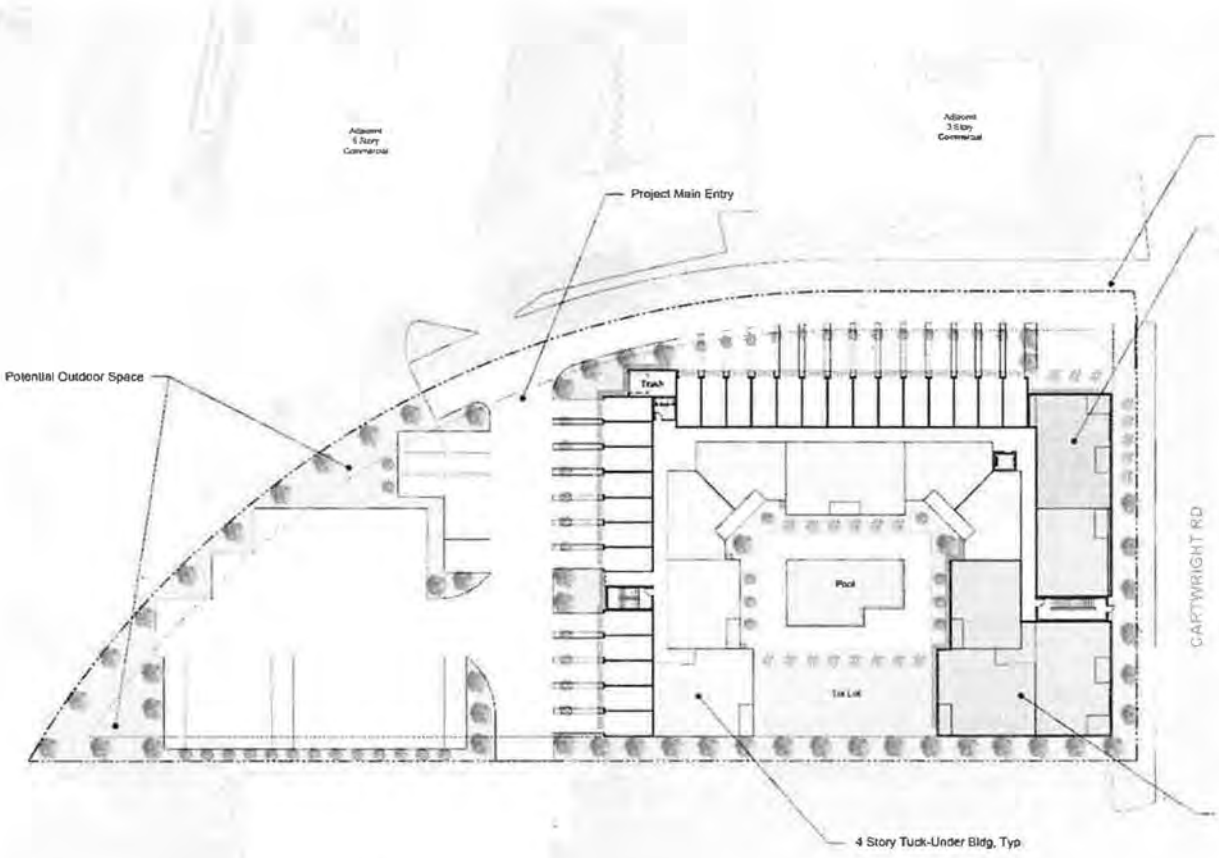
APN: 435-142-39 and 435-142-41

EXHIBIT B

MAP

[SEE FOLLOWING PAGE]

882/048170-0698
14456853.13 a05/14/23



Project Summary

Total Site Area =	±1.62 AC
Total Units =	±60 DU
Total Density =	±37.1 DU/AC

Unit Summary

Unit Type	# DU	%
1-Bd/1-Ba	15	25%
2-Bd/1-Ba	19	32%
3-Bd/2-Ba	26	43%
Total	**±60 DU**	**100%**

Parking Summary

Parking Required

Unit Type	Req'd Ratio	Req'd Parking
1-Bd	1.0 Sp./DU	15 Sp.
2-Bd	2.0 Sp./DU	38 Sp.
3-Bd	2.0 Sp./DU	52 Sp.
Total		**105 Spaces Required**

Parking Provided.

Garages =	26 Garage Spaces
Open =	81 Open Spaces
Total	**107 Spaces Provided**

ktgy

Architecture + Planning

CAC Development
14211 Yorba Street, Ste 200
Tustin, CA 92782

CARTWRIGHT AFFORDABLE
IRVINE, CA # 2015-0588

CONCEPTUAL DESIGN
JULY 9, 2015

CONCEPTUAL DENSITY STUDY

A1.0

EXHIBIT C

INCOME COMPUTATION AND CERTIFICATION FORM

[SEE FOLLOWING DOCUMENT]

CITY OF IRVINE

One Civic Center Plaza, Irvine, CA 92623-9575

INCOME COMPUTATION AND CERTIFICATION FORM
(Affordable Housing Eligibility for Renter Occupied Unit

PART I. PROPERTY FINANCED WITH GOVERNMENT ASSISTANCE

Property Address:_____

PART II. TENANT HOUSEHOLD INFORMATION

		Date of Birth	Soc. Sec. #	Relationship

TOTAL NUMBER OF PERSONS IN HOUSEHOLD:_____ (Please list information on other household members below)

Mailing Address:_____ Telephone Numbers: Work (____)
_____

_____ Home (____) _____

PART III. GROSS HOUSEHOLD INCOME Complete the following, attach copies of required verification as specified below. Attach a note explaining any significant changes in household income between the previous year and the current year. INFORMATION IS REQUIRED FOR ALL MEMBERS OF THE HOUSEHOLD AGE 18 OR OLDER REGARDLESS OF WHETHER THEY CONTRIBUTE TO THE COSTS OF THE HOUSEHOLD. If you are not required to file a tax return, please indicate this in Part V by your signature.

	ANN INCOME	ANN INCOME	
INCOME SOURCES	**for owner**	**others in hshld**	**VERIFICATIONS** (needed for file)
A. Employment earnings			Last tax return & last 3 pay stubs, employer verification

B. Self-employment earnings			Last 2 tax returns & current financial stmt
C. Social Security (OASDI)			Annual award letter
D. Supplemental Security Income (SSI)			Annual award letter
E. Public assistance (AFDC, general assistance, unemployment, etc.)			Current benefit statement
F. Pension (s)			Annual award letter, year end stmt, W-2
G. Interest income			Last 2 statements for all accounts
H. Investment income (stocks, bonds, real estate, etc.)			Last 2 statements for all accounts
I. Room rental			Rental agreement, copies of checks, etc.
J. Other income (list type/source)			
K. **TOTAL INCOME** (sum of A thru J)			/ 12 months = _____ mo. income

PART IV. PROPERTY STATUS

Will this property be your primary residence? ____

Will someone other than the individuals listed above be occupying this property? ____

If yes - Name of occupants: _____

Telephone Number: _____ Mailing Address: _____

_____

My/our housing expenses are as follows:

1. Monthly tenant rent _____
2. Average monthly utilities _____

PART V. TENANT CERTIFICATION

I/We understand that after the initial eligibility determination, completion of monitoring forms is required on an annual basis. I/We certify that I/we have disclosed all information pertaining to my/our application and that the information presented in the foregoing Sections I through IV is true and accurate to the best of my (our) knowledge.

_____ _____

Tenant Date Tenant Date

For more information regarding this application, please contact management staff at (760) _____.

FOR OFFICE USE ONLY

_____ Information verified
_____ Income category
_____ Maximum allowable annual income (_____% of median)
_____ Applicant's annual income_____ gross monthly_____ max housing costs

Comments: _____

_____

_____

_____

_____

_____
Management Staff Date

EXHIBIT D

INCOME RECERTIFICATION FORM

[SEE FOLLOWING DOCUMENT]

CITY OF IRVINE
One Civic Center Plaza, Irvine, CA 92623-9575

INCOME RECERTIFICATION FORM
(Renter Occupied Unit)

PART I. GENERAL INFORMATION

1. Property Owner Name _____

2. Renter Name _____

3. Property Address _____
City of Irvine, CA _____ (Please include P.O. Box No. if applicable)

4. Has there been a change in ownership of this property during the preceding 12-month period?
Yes ( ) No ( )

(If yes, please explain) _____

PART II. UNIT INFORMATION

5. Number of Bedrooms _____
6. Number of Occupants _____
Names:

_____ _____

_____ _____

PART III. AFFIDAVIT OF RENTER

I, _____, and I, _____, as renters of units assisted pursuant to the City of Irvine ("City") Affordable Housing Program (the "Program"), do hereby represent and warrant that the following computation includes all income (I/we) **anticipate receiving for the 12-month period commencing on January 1, ___** (including the renter(s) and all family members of the renters):

(a) amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (before payroll deduction) _____

(b) net income from business or profession or rental of property (without deduction for repayment of debts or expansion of business)

(c) interest and dividends _____

(d) periodic receipts such as social security, annuities, pensions, retirement funds, insurance policies, disability or death benefits, alimony, child support, regular contributions or gifts from persons not occupying unit _____

(e) public assistance allowance or grant plus excess of maximum allowable for shelter or utilities over the actual allowance for such purposes _____

(f) regular and special pay and allowances of a member of armed services (whether or not living in the dwelling) who is head of the family or spouse _____

Subtotal (a) through (f) _____

LESS: Portion of above items which are income of a family member who is less than 18 years old or a full-time student (_____)

TOTAL ELIGIBLE INCOME _____

NOTE: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payment such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under Title II of Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

2. This affidavit is made with the knowledge that it will be relied upon by the Landlord and City to determine maximum income for eligibility and (I/we) warrant that all information set forth in this Part III is true, correct and complete and based upon information (I/we) deem reliable and that the estimate contained in paragraph 1 is reasonable and based upon such investigation as the undersigned deemed necessary.

3. (I/We) will assist the Landlord and City in obtaining any information or documents required to verify the statements made in this Part III and have **attached hereto a copy of our federal income tax return for the last year (20___)**.

4. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable City to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

B. (My/Our) monthly housing expenses are limited to the following:

1. Base rent _____
2. Average Monthly Utilities _____
3. Other (explain) _____

(I/We) understand that completion of monitoring forms is required on an annual basis and agree to notify City in writing of any change in ownership or rental of the unit. (I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date_____ Renter(s)_____

EXHIBIT E

FORM OF CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

[SEE FOLLOWING DOCUMENT]

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

The undersigned, being duly authorized to execute this certificate on behalf of Cartwright Family Apartments, LP, a California limited partnership ("**Developer**"), owner of the _____ Project, hereby represents and warrants that:

1. He/she has read and is thoroughly familiar with the provisions of the Amended and Restated Affordable Housing Regulatory Agreement between the City of Irvine and Developer.

2. As of June 30, ____, the following number of residential units in the Project (i) are currently occupied by tenants qualifying as _____ Income Households at Affordable Rents; (ii) are currently occupied by tenants qualifying as _____ Income Households at Affordable Rents; (iii) are currently occupied by tenants qualifying as _____ Income Households at Affordable Rents; (iv) are currently occupied by tenants qualifying as _____ Income Households at Affordable Rents; (v) are currently occupied by tenants qualifying as _____ Income Households at Affordable Rents; or (vi) are currently vacant and being held available for occupancy by Eligible Tenants and have been so held continuously since the date Eligible Tenants vacated such unit, as indicated:

i. _____ Units occupied by _____ Income Households

ii. _____ Units occupied by _____ Income Households

iii. _____ Units occupied by _____Income Households

iv. _____ Units occupied by _____ Income Households

v. _____ Units occupied by _____Income Households

v. _____ vacant Units

3. The unit number, unit size, rental amount charged and collected, number of occupants, and the income of the occupants for each Affordable Unit in the Project are set forth on the attached list. All Affordable Units in the Project are rented at Affordable Rent.

"Developer"

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership

By: CARTWRIGHT CCR LLC, a California limited liability company, its general partner

By: C & C Development Co., LLC, a California limited liability company, its member and manager

Dated:_____

By: _____
Todd R. Cottle, Trustee of the 2007 Todd R. Cottle and Jennifer N. Cottle Revocable Trust, its member

EXHIBIT F

AMENDED & RESTATED AFFORDABLE HOUSING REGULATORY AGREEMENT

AFFORDABILITY RESTRICTIONS
CITY OF IRVINE

MAXIMUM RENTS					
Restrictions [1]	# of Units	Unit Type	2022 Gross Rent [2]	2023 Utility Allowance [3]	2022 Net Rent
30% AMI per TCAC	10	1-Bedroom	$762.00	$81.00	$681.00
50% AMI per TCAC	5	1-Bedroom	$1,270.00	$81.00	$1,189.00
	2	2-Bedrooms	$1,525.00	$110.00	$1,415.00
	3	3-Bedrooms	$1,761.00	$137.00	$1,624.00
60% AMI per TCAC	6	2-Bedrooms	$1,830.00	$110.00	$1,720.00
	12	3-Bedrooms	$2,114.00	$137.00	$1,977.00
70% AMI per TCAC	4	2-Bedrooms	$2,135.00	$110.00	$2,025.00
	4	3-Bedrooms	$2,466.00	$137.00	$2,329.00
80% AMI per TCAC	5	2-Bedrooms	$2,440.00	$110.00	$2,330.00
	8	3-Bedrooms	$2,819.00	$137.00	$2,682.00
Total Restricted Units	**59**				

MAXIMUM INCOME LEVELS [4]					
Household Size	2022 TCAC 30% AMI	2022 TCAC 50% AMI	2022 TCAC 60% AMI	2022 TCAC 70% AMI	2022 TCAC 80% AMI
1 Person	$28,470	$47,450	$56,940	$66,430	$75,920
2 Person	$32,520	$54,200	$65,040	$75,880	$86,720
3 Person	$36,600	$61,000	$73,200	$85,400	$97,600
4 Person	$40,650	$67,750	$81,300	$94,850	$108,400
5 Person	$43,920	$73,200	$87,840	$102,480	$117,120
6 Person	$47,160	$78,600	$94,320	$110,040	$125,760
7 Person	$50,430	$84,050	$100,860	$117,670	$134,480
8 Person	$53,670	$89,450	$107,340	$125,230	$143,120

[1] Monthly gross rent is based on rent published annually by the California Tax Credit Allocation Committee (TCAC).

[2] The most recent TCAC publication of maximum gross rents is April 18, 2022.

[3] Utilities are published annually by the Orange County Housing Authority (OCHA). The allowances were most recently published October 1, 2022. The tenant paid utilities are electric heating and cooking, basic electricity and air conditioning.

[4] The most recent TCAC publication of maximum income levels is April 18, 2022.

ATTACHMENT NO. 8

RELEASE OF CONSTRUCTION COVENANTS

[SEE FOLLOWING DOCUMENT]

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Clerk

(Space Above Line for Recorder's Use Only)
(Exempt from Recording Fee per Gov. Code 27383)

RELEASE OF CONSTRUCTION COVENANTS

WHEREAS, CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership, ("Developer"), is the owner of fee title to that certain real property legally described in Exhibit "A" attached hereto and incorporated herein by reference (the "Site"); and

WHEREAS, by an Amended and Restated Affordable Housing Agreement (hereinafter referred to as the "Agreement") dated January 31, 2023, by and among CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership, and the CITY OF IRVINE, a California municipal corporation ("City"), Developer has developed the Site in accordance with the Agreement; and

WHEREAS, pursuant to Section 3.15 of the Agreement, promptly after Developer's completion of the "Project" (as that term is defined in the Agreement) upon the Site, and upon request by Developer, City shall furnish Developer with a Release of Construction Covenants in such form as to permit it to be recorded in the Official Records of the City of Irvine; and

WHEREAS, the issuance by City of the Release of Construction Covenants shall be conclusive evidence that Developer has complied with the terms of the Agreement pertaining to the development of the Site; and

WHEREAS, Developer has requested that City furnish Developer with the Release of Construction Covenants; and

WHEREAS, City has conclusively determined that the development of the Site has been satisfactorily completed as required by the Agreement;

NOW, THEREFORE:

1. As provided in the Agreement, City does hereby certify that development of the Site has been fully and satisfactorily performed and completed, and that such development is in full compliance with said Agreement.

2. This Release of Construction Covenants shall not constitute evidence of Developer's compliance with the following agreements, the provisions of which shall continue to run with the land until termination thereof in accordance with the terms thereof:

(i) Amended and Restated Deed of Trust with Assignment of Rents and Rider Attached Hereto, by and between Developer as borrower and City as beneficiary, dated January 31, 2023, and recorded on _____, as Instrument No. _____, in the Office of the Orange County Recorder; and

(ii) Amended and Restated Regulatory Agreement and Declaration of Covenants and Restrictions by and between Developer and City, dated January 31, 2023, and recorded on _____, as Instrument No. _____ in the Office of the Orange County Recorder.

3. This Release of Construction Covenants shall not constitute evidence of compliance with or satisfaction of any obligation of Developer to any holder of a mortgage, or any insurer of a mortgage, securing money loaned to finance construction work on the Site, or any part thereof.

4. This Release of Construction Covenants is not a Notice of Completion as referred to in California Civil Code Section 8180.

5. Except as stated herein, nothing contained in this instrument shall modify in any way any other provisions of the Agreement or any other provisions of any agreements or documents referenced therein.

IN WITNESS WHEREOF, City has executed this Release of Construction Covenants as of this ____ day of _____, _____.

CITY OF IRVINE,
a California municipal corporation

By: _____
Oliver C. Chi, City Manager

CONSENT TO RECORDATION

CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership ("Owner"), owner of the fee interest in the real property legally described in Attachment No. 1 hereto, hereby consents to the recordation of the foregoing Release of Construction Covenants against said real property.

CARTWRIGHT FAMILY APARTMENTS, LP,
a California limited partnership

Dated: _____, 20__

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "A"

LEGAL DESCRIPTION OF SITE

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39 and 435-142-41

ATTACHMENT NO. 9A

PRELIMINARY PROJECT BUDGET

Irvine - 17861 Cartwright - 60 Units

Revised: 10/22/2019

Version: Preliminary Analysis

SOURCES OF FUNDS

PERMANENT SOURCES	Amount	Total Interest	Term (Yrs)	Comments
Tax-ExemptTranche A	$8,320,640	5.20%	35	
Tax-Exempt Tranche B	$1,191,720	4.70%	15	
CalHFA SNHP	$1,574,810	3.00%	55	
City of Irvine	$9,450,000			
Deferred Developer Fee	$1,313,027			
General Partner Equity	$496,312			
Limited Partner Equity	$9,510,174			*Credit Price:* $0.98
TOTAL	**$31,856,683**			
vs. TDC	*$31,856,683*			
Financing Surplus/(Gap)	*$0*			

CONSTRUCTION SOURCES	Amount	Total Interest	Term (Mnts)	Comments
Tax Exempt Const. Loan	$17,500,000	5.40%	24	*Bonds sized at 57.15% of Aggregate Basis*
City of Irvine	$9,450,000			
Deferred Developer Fee	$1,313,027			
General Partner Equity	$100			
Limited Partner Equity	$1,651,766			*17.37% of Total Equity.*
Dev. Fee Deferred Until Completion	$1,584,110			
Other Costs Deferred Until Completion	$357,680			*Refer to Development Budget for Details.*
TOTAL	**$31,856,683**			
vs. TDC	*$31,856,683*			
Financing Surplus/(Gap)	*$0*			

Irvine - 17861 Cartwright - 60 Units

Version: Preliminary Analysis

DEVELOPMENT BUDGET

Item	Total Project Costs	Depreciable Residential	Non - Depreciable	Amortize	Expense	Construction /Rehab Basis	Aggregate Basis
ACQUISITION							
Land	$7,400,000	$0	$7,400,000				$7,400,000
Demolition	$250,000	$0	$250,000				$250,000
Subtotal Acquisition	**$7,650,000**	**$0**	**$7,650,000**	**$0**	**$0**	**$0**	**$7,650,000**
CONSTRUCTION							
Residential Structures	$11,332,012	$11,332,012				$11,332,012	$11,332,012
Pool	$100,000	$100,000				$100,000	$100,000
Site Work	$1,134,513	$1,134,513				$1,134,513	$1,134,513
FF&E Included in Contract	$280,000	$280,000				$280,000	$280,000
General Requirement	$458,378	$458,378				$458,378	$458,378
GC Overhead	$196,448	$196,448				$196,448	$196,448
Contractor Profit	$785,792	$785,792				$785,792	$785,792
Construction Contingency	$712,857	$712,857				$712,857	$712,857
Subtotal Construction	**$15,000,000**	**$15,000,000**	**$0**	**$0**	**$0**	**$15,000,000**	**$15,000,000**
SOFT COSTS							
Local Development Impact Fees	$1,575,000	$1,575,000				$1,575,000	$1,575,000
Local Permit Processing Fees	$350,000	$350,000				$350,000	$350,000
Environmental Studies	$50,000	$50,000				$50,000	$50,000
Appraisal & Market Study	$25,000	$20,000			$5,000	$20,000	$20,000
Engineering	$350,000	$350,000				$350,000	$350,000
Architectural Design & Supervision	$700,000	$700,000				$700,000	$700,000
Civil Engineering	$200,000	$200,000				$200,000	$200,000
Syndication Consultant	$65,000	$0	$65,000			$0	$0
Legal - Construction	$35,142	$35,142				$35,142	$35,142
Legal - Permanent	$10,000	$0		$10,000		$0	$0
Legal - Organization of Partnership	$5,000	$0		$5,000		$0	$0
Legal - Syndication	$26,800	$0	$26,800			$0	$0
Title/Recording/Escrow - Acquisition	$35,000	$0	$35,000			$0	$0
Title/Recording/Escrow - Construction	$35,000	$35,000				$35,000	$35,000
Const. Loan Interest	$1,134,000	$803,250			$330,750	$803,250	$803,250
Marketing (lease-up, Advertisement, Setup)	$85,000	$0			$85,000	$0	$0
Construction Inspection	$15,000	$15,000				$15,000	$15,000
Insurance	$300,000	$212,500			$87,500	$212,500	$212,500
Real Estate Taxes	$50,000	$35,417			$14,583	$35,417	$35,417
TCAC App/Allocation Fee (Non- Fee Below)	$11,705	$0		$11,705		$0	$0
Soft Cost Contingency	$250,000	$250,000				$250,000	$250,000
Investor Due Diligence	$55,000	$0	$55,000			$0	$0
Audit/Cost Certification	$30,000	$0			$30,000	$0	$0
Developer Fee (Overhead)	$749,053	$749,053				$749,053	$749,053
Developer Fee (Profit)	$2,247,159	$2,247,159	$0			$2,247,159	$2,247,159
Subtotal Soft Costs	**$8,398,859**	**$7,627,521**	**$191,800**	**$26,705**	**$552,833**	**$7,627,521**	**$7,627,521**
COSTS DEFERRED UNTIL CONVERSION							
Title/Recording/Escrow - Permanent	$20,000	$0		$20,000		$0	
Operating Reserve	$265,100	$0	$265,100			$0	
Replacement Reserve	$57,000	$0	$57,000			$0	
TCAC Monitoring Fee	$15,580	$0		$15,580		$0	
Subtotal Deferred Costs	**$357,680**	**$0**	**$322,100**	**$35,580**	**$0**	**$0**	**$0**
FINANCING COSTS							
Issuer Origination Fee (CMFA)	$32,813	$32,813				$32,813	$32,813
Issuer Counsel	$7,500	$7,500				$7,500	$7,500
Bond Counsel	$40,000	$40,000				$40,000	$40,000
Constr. Lender Orig. Fees	$175,000	$175,000				$175,000	$175,000
Constr. Lender Expense	$11,875	$11,875				$11,875	$11,875
Constr. Lender Legal	$50,000	$50,000				$50,000	$50,000
Perm Lender Orig. Fees & Expenses	$86,706			$86,706		$0	$0
Perm Lender Fees	$15,000			$15,000		$0	$0
Perm Lender Legal	$5,000			$5,000		$0	$0
CDLAC Fee	$6,125	$6,125				$6,125	$6,125
CDIAC Fee	$2,625	$2,625				$2,625	$2,625
Issuer Fee During Construction	$17,500	$17,500				$17,500	$17,500
Subtotal Financing Costs	**$450,144**	**$343,438**	**$0**	**$106,706**	**$0**	**$343,438**	**$343,438**
TOTAL DEVELOPMENT COST	**$31,856,683**	**$22,970,959**	**$8,163,900**	**$169,991**	**$552,833**	**$22,970,959**	**$30,620,959**

ATTACHMENT NO. 9B

FINAL PROJECT BUDGET

Cartwright Family Apartments

Revised: 5/15/2023

Version: Pre-Construction Closing

SOURCES OF FUNDS

PERMANENT SOURCES	Amount	Total Interest	Term (Yrs)	Comments
Citibank Tax-Exempt Loan	$10,230,000.00	6.20%	40	
City of Irvine (PLHA and Other Local Funds)	$8,419,952.18	0.50%	55	
City of Irvine (HOME)	$2,451,837.82	0.50%	55	
SNHP-MHSA (Orange County)	$1,574,810.00	3.00%	55	
Orange County	$2,067,000.00	3.00%	55	
Deferred Developer Fee	$2,252,172.00			
Refundable Performance Deposit	$1,000,000.00			
General Partner Equity	$100.00			
Limited Partner Equity	*$15,147,748.00*			*Credit Price: $0.930*
TOTAL	**$43,143,620**			
vs. TDC	*$43,143,620*			
Financing Surplus/(Gap)	*$0.00*			

CONSTRUCTION SOURCES	Amount	Total Interest	Term (Mnts)	Comments
BofA Tax Exempt Const. Loan	$21,000,000.00	8.00%	30	*Bonds sized at 53.6% of Aggregate Basis*
Taxable Bonds	$2,452,288.00	8.00%	30	
City of Irvine (PLHA and Other Local Funds)	$8,419,952.18	0.50%	30	
City of Irvine (HOME)	$2,451,837.82	0.50%	30	
SNHP-MHSA (Orange County)	$1,574,810.00	3.00%	30	
Deferred Developer Fee	$2,252,172.00			
General Partner Equity	$100.00			
Limited Partner Equity	*$3,029,550.00*			*20% of Federal Equity.*
Dev. Fee Deferred Until Completion	$1,493,830.00			
Other Costs Deferred Until Completion	$469,080.00			*Refer to Development Budget for Details.*
TOTAL	**$43,143,620.00**			
vs. TDC	*$43,143,620.00*			
Financing Surplus/(Gap)	*$0.00*			

Cartwright Family Apartments

Revised: 5/15/2023

Version: Pre-Construction Closing

DEVELOPMENT BUDGET

Item	Total Project Costs	Depreciable Residential	Non - Depreciable	Amortize	Expense	Construction /Rehab Basis	Aggregate Basis
ACQUISITION							
Land	$7,400,000	$0	$7,400,000				$7,400,000
Demolition	$300,000	$0	$300,000				$300,000
Subtotal Acquisition	**$7,700,000**	**$0**	**$7,700,000**	**$0**	**$0**	**$0**	**$7,700,000**
CONSTRUCTION							
Residential Structures	$13,573,650	$13,573,650				$13,573,650	$13,573,650
Offsite Improvements/Reimbursements	$321,000	$321,000				$321,000	$321,000
Site Work	$2,663,000	$2,238,000	$425,000			$2,238,000	$2,238,000
FF&E Included in Contract	$280,000	*$280,000*				$280,000	$280,000
General Requirement (Approx. 6%)	$1,000,259	$1,000,259				$1,000,259	$1,000,259
GC Overhead (Approx. 2%)	$342,753	$342,753				$342,753	$342,753
Contractor Profit (Approx. 6%)	$1,056,259	$1,056,259				$1,056,259	$1,056,259
Construction Contingency (Approx. 10%)	$1,925,692	$1,925,692				$1,925,692	$1,925,692
Subtotal Construction	**$21,162,613**	**$20,737,613**	**$425,000**	**$0**	**$0**	**$20,737,613**	**$20,737,613**
SOFT COSTS							
Local Development Impact Fees	$2,009,198	$2,009,198				$2,009,198	$2,009,198
Local Permit Processing Fees	$350,000	$350,000				$350,000	$350,000
Environmental Studies	$125,000	$0			$125,000	$0	$0
Appraisal & Market Study	$25,000	$25,000				$25,000	$25,000
Engineering	$350,000	$350,000				$350,000	$350,000
Architectural Design & Supervision	$732,000	$732,000				$732,000	$732,000
Civil Engineering	$224,000	$224,000				$224,000	$224,000
Soils Engineer	$125,000	$125,000				$125,000	$125,000
Legal: Construction	$80,000	$80,000				$80,000	$80,000
Legal: Organization of Partnership	$5,000	$0		$5,000		$0	$0
Legal: Syndicaton	$48,000	$0	$48,000			$0	$0
Title/Recording/Escrow - Construction	$72,000	$72,000				$72,000	$72,000
Const. Loan Interest	*$2,197,800*	$1,309,400			*$888,400*	$1,309,400	$1,309,400
Marketing (lease-up, Advertisement, Setup)	$90,000	$0			$90,000	$0	$0
Construction Inspection	$20,000	$20,000				$20,000	$20,000
Performance Deposit	$1,000,000	$0	$1,000,000			$0	$0
Insurance	$454,312	$454,312				$454,312	$454,312
Real Estate Taxes	$320,000	$160,000			$160,000	$160,000	$160,000
TCAC App/Allocation - (Mont. Fee Below)	$17,790	$0		$17,790		$0	$0
Soft Cost Contingency	$301,350	$174,718	$126,632			$174,718	$174,718
Investor Due Diligence	$60,000	$0	$60,000			$0	$0
Audit/Cost Certification	$32,450	$0			$32,450	$0	$0
Furnishings (PSH Units & Pool Area)	$250,000	$250,000				$250,000	$250,000
Developer Fee (Overhead)	$1,021,501	$1,021,501				$1,021,501	$1,021,501
Developer Fee (Profit)	$3,064,501	$3,064,501	$0			$3,064,501	$3,064,501
Subtotal Soft Costs	**$12,974,902**	**$10,421,630**	**$1,234,632**	**$22,790**	**$1,295,850**	**$10,421,630**	**$10,421,630**
COSTS DEFERRED UNTIL CONVERSION							
Title/Recording/Escrow - Permanent	$21,390	$0		$21,390		$0	
Operating Reserve	$301,000	$0	$301,000			$0	
Replacement Reserve	$57,000	$0	$57,000			$0	
TCAC Monitoring Fee	$24,190	$0		$24,190		$0	
Permanent Conversion Fee	$10,000	$0		$10,000		$0	
Perm Conversion Expenses	$7,500	$0		$7,500		$0	
Legal: Permanent	$12,500			$12,500			
Accrued Contingent Loan Interest	$0	*$145,808*				$145,808	
Social Service Set Up Fee & County Set Up Fee	$35,500		$35,500				
Subtotal Deferred Costs	**$469,080**	**$145,808**	**$393,500**	**$75,580**	**$0**	**$145,808**	**$0**
FINANCING COSTS							
Issuer Origination Fee (CMFA)	$39,226	$0		$39,226		$0	$0
Issuer Counsel	$7,500	$0		$7,500		$0	$0
Bond Counsel	$57,000	$0		$57,000		$0	$0
Trustee Fees	$6,500	$0		$6,500		$0	$0
Constr. Lender Orig. Fees	$234,523	$234,523				$234,523	$234,523
Constr. Lender Expenses	$12,000	$12,000				$12,000	$12,000
Constr. Lender Legal	$70,000	$70,000				$70,000	$70,000
Rate Cap Fee	$200,000	$0		$200,000		$0	$0
Perm Lender Orig. Fee	$102,300			$102,300		$0	$0
Perm Lender's Expenses	$15,000			$15,000		$0	$0
Perm Lender Legal	$55,000			$55,000		$0	$0
CDLAC Fee	$8,208	$0		$8,208		$0	$0
CDIAC Fee	$3,518	$0		$3,518		$0	$0
Issuer Fee During Construction	$26,250	$0		$26,250		$0	$0
Subtotal Financing Costs	**$837,025**	**$316,523**	**$0**	**$520,502**	**$0**	**$316,523**	**$316,523**
TOTAL DEVELOPMENT COST	**$43,143,620**	**$31,621,574**	**$9,753,132**	**$618,872**	**$1,295,850**	**$31,621,574**	**$39,175,766**

AFFORDABLE HOUSING AND LOAN AGREEMENT
(HOME Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

Cartwright Family Apartments, LP
a California limited partnership

11630

TABLE OF CONTENTS

Page

1. DEFINITIONS 2

2. CITY HOME LOAN 10
   2.1 Amount and Source of City HOME Loan 10
   2.2 Permissible Use of City HOME Loan; Eligible Loan Expenses 10
   2.3 City HOME Loan Funding Conditions 10
   2.4 Disbursement of City HOME Loan 12
   2.5 City HOME Loan Disbursed Prior to Bank Loan Funds 12
   2.6 Repayment of City HOME Loan; City HOME Loan Deed of Trust 12
   2.7 Execution and Delivery of Documents 12

3. DEVELOPMENT OF THE PROJECT 13
   3.1 Scope of Development 13
   3.2 Development Approvals and Permits 13
   3.3 Construction Contract 13
   3.4 Third-Party Contracts 13
   3.5 No Debarred, Suspended, or Ineligible Parties 14
   3.6 Construction Meeting 14
   3.7 Schedule of Performance 14
   3.8 Rights of Inspection 15
   3.9 Insurance 15
   3.10 Financing the Project 16

4. USE OF THE PROPERTY; PROGRAM ACTIVITIES 17
   4.1 General 17
   4.2 Program Activities 18
   4.3 Management 18
   4.4 Drug Free Covenant 18
   4.5 Program Defaults 18
   4.6 Occupants of Housing Facilities 19
   4.7 Monitoring 19
   4.8 Compliance with Laws and Regulations and HOME Requirements 19
   4.9 Program Income 20
   4.10 Relocation 20
   4.11 Indemnification 20
   4.12 Extended Use Agreement 20

5. RECORDS AND REPORTS 21
   5.1 Records 21
   5.2 Reports 22

6. TERMINATION 22
   6.1 Termination 22
   6.2 Obligations Survive Termination 23

Page

7. DEFAULTS AND REMEDIES 23
7.1 Defaults-General 23
7.2 Remedies Upon Default 24
7.3 Institution of Legal Actions and Venue 25
7.4 Applicable Law 26
7.5 Rights and Remedies are Cumulative 26
7.6 Attorney's Fees 26

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER 26

9. GENERAL PROVISIONS 27
9.1 Notices, Demands, and Communications Between the Parties 27
9.2 Nonliability of City Officials and Employees 28
9.3 Enforced Delay; Extension of Times of Performance 28
9.4 Inspection of Books and Records 29
9.5 Interpretation 29
9.6 Entire Agreement, Waivers and Amendments 29
9.7 Severability 29
9.8 Restriction on Transfer of Developer's Rights and Obligations 30
9.9 Prohibition Against Assignment and Transfer by City 31
9.10 Third-Party Beneficiaries 31
9.11 Authority to Execute Agreement 31
9.12 Contract Administration and Approvals 31
9.13 Covenants to Run with the Land 31
9.14 Time of the Essence 32
9.15 Counterparts 32
9.16 Attachments 32

ATTACHMENTS

1 Legal Description of Property
2 Schedule of Performance
3 Summary of Legal Requirements
4 Project Budget
5 City HOME Loan Note
6 City HOME Loan Deed of Trust
7 City HOME Regulatory Agreement
8 HOME Unit Mix

AFFORDABLE HOUSING AND LOAN AGREEMENT

(HOME Investment Partnerships Program)

This AFFORDABLE HOUSING AND LOAN AGREEMENT ("**Agreement**") is entered into this 15 day of May, 2023, by and between the CITY OF IRVINE, a California municipal corporation (the "**City**"), and Cartwright Family Apartments, LP, a California limited partnership ("**Developer**").

R E C I T A L S

A. City participates in the HOME Investment Partnership Act program administered by the United States Department of Housing and Urban Development ("**HUD**") under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq*.), and the implementing regulations (24 C.F.R. § 92, *et seq*.).

B. Pursuant to the HOME Investment Partnership Act ("**HOME**") program, the City receives funds from HUD ("**HOME Funds**") to be used for the development of affordable housing projects. As part of the City's annual HOME funding process, City approved an allocation of HOME Funds to Developer in the amount of the "City HOME Loan" (as defined in Recital F below).

C. Developer owns fee title to that certain real property comprising approximately one and sixty-two hundredths (1.62) acres of land area located in the City of Irvine, California located at 17861 Cartwright Road ("**Property**"), which Developer acquired with financial assistance from City pursuant to the "Original AHA" (as defined in Recital D below).

D. On or about January 31, 2023, City entered into with Developer that certain Amended and Restated Affordable Housing Agreement (which amended and restated an earlier Affordable Housing Agreement entered into by and between City and Developer's predecessor (the "**Original AHA**")) (the "**AHA**") pursuant to which, among other things, City agreed to provide to Developer a loan in the amount of Eight Million Four Hundred Nineteen Thousand Nine Hundred Fifty-Two Dollars and Eighteen Cents ($8,419,952.18) ("**AHA Loan**"), and Developer agreed to develop and operate on the Property an affordable rental housing development, consisting of sixty (60) residential dwelling units, with fifty-nine (59) of such units restricted for rental and occupancy by income-eligible households at rents affordable to such households, and related amenities and improvements (the "**Project**").

E. Developer has secured financing commitments, including an award of low income housing tax credits and an allocation of tax-exempt bonds. Since the 2020 approval by the City, the Project has experienced significant cost increases and has been impacted by the rising interest rate environment. As such, the Developer is requesting that the City provide additional financial assistance to the Project in order to close the remaining funding gap.

F. City desires to assist with certain costs attributable to the Project by (a) providing financial assistance to Developer in the form of a loan of HOME Funds in an amount not to exceed Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eight-Two Cents ($2,451,837.82) ("**City HOME Loan**"), on the terms set forth in this Agreement.

G. The Project will be subject to certain affordability covenants requiring that the fifty-nine affordable housing units be rented to income eligible households at an affordable rent.

H. The development and operation of the Project on the Property pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents, and in accordance with the public purposes and provisions of applicable federal, state, and local laws and requirements.

A G R E M E N T

Based upon the foregoing Recitals, which are a substantive part of and incorporated into this Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Developer hereby agree as follows:

1. DEFINITIONS.

In addition to any capitalized words and terms as defined throughout this Agreement, the following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"**Agreement**" shall mean this Affordable Housing and Loan Agreement between City and Developer, including all exhibits and other documents attached hereto. This Agreement also constitutes the written agreement required under 24 C.F.R. §§ 92.504(b) and 92.504(c)(3) to be entered into by an owner/developer for disbursements of HOME Funds.

"**AHA**" shall mean that certain Amended and Restated Affordable Housing Agreement, entered into on or about January 31, 2023 by and between City and Developer, as may be amended from time to time.

"**AHA Deed of Trust**" shall mean that certain Amended and Restated Deed of Trust executed by Developer and recorded against the Property on May 16, 2023, as Instrument No. 2023000113677, securing Developer's payment obligations under the Note.

"**AHA Note**" shall mean that certain Amended and Restated Promissory Note dated January 31, 2023, evidencing Developer's obligation to repay the AHA Loan.

"**AHA Regulatory Agreement**" shall mean that certain Amended and Restated Affordable Housing Regulatory Agreement entered into by and between City and

Developer pursuant to the AHA and recorded against the Property on May 16, 2023, as Instrument No. 2023000113676.

"**AMI**" shall mean the median family income (adjusted for family size) for the Orange County area as established by the U.S. Department of Housing and Urban Development ("**HUD**").

"**Bank Loan Funds**" shall mean the construction loan amount not to exceed Twenty Three Million Four Hundred Fifty-Two Thousand Two Hundred Eighty-Eight Dollars ($23,452,288.00), as specified in the Construction Disbursement Agreement, dated on or about the same date hereof, by and between Developer and Construction Lender, and the permanent loan amount in the estimated amount of Ten Million Ninety-Six Thousand One Hundred Seventy Dollars ($10,096,170).

"**Bank Loan Deed of Trust**" shall mean a recorded deed(s) of trust securing the loan(s) of the Bank Loan Funds.

"**Bank Loan Subordination Agreement**" shall mean that certain Subordination Agreement (City of Irvine), dated on or about the same date hereof among Developer, Construction Lender, and City.

"**Business Day**" shall mean every day of the week for which City Hall for the City of Irvine is open to the public.

"**City**" shall mean the City of Irvine, a municipal corporation and charter city, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"**City Attorney**" shall mean the Irvine City Attorney or any authorized designee of the City Attorney's office.

"**City HOME Loan**" shall have the meaning set forth in Recital F above.

"**City HOME Loan Deed of Trust**" shall mean a Deed of Trust With Assignment of Rents (City HOME Loan) substantially in the form attached hereto as Attachment No. 6 which secures, among other things, Developer's payment obligations under the City HOME Loan Note.

"**City HOME Loan Note**" shall mean a Promissory Note (City HOME Loan Note) Secured by City HOME Loan Deed of Trust, substantially in the form attached hereto as Attachment No. 5 which sets for the terms for Developer's repayment of the City HOME Loan to City.

"**City HOME Regulatory Agreement**" shall mean a Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) to be entered into between City and Developer, substantially in the form attached hereto as Attachment No. 7, which agreement will be recorded against the Property on or about the same date hereof, at the closing of the Construction Escrow, and will memorialize and implement certain

affordability restrictions imposed under the land use controls applicable to the Property in connection with the City HOME Loan.

"**City HOME Loan Title Policy**" shall have the meaning set forth in Section 2.3 of this Agreement.

"**Construction Completion Date**" shall have the meaning set forth in Section 3.11 of this Agreement.

"**Construction Escrow**" shall mean the escrow opened with the Escrow Holder prior to the Effective Date for the closing of the construction financing for the Project, which will occur on or about the Effective Date.

"**Construction Lender**" shall mean the first trust deed lender that provides the Construction Loan to Developer. If the Project is financed through issuance of tax-exempt bonds, then Construction Lender shall be understood to mean the institution or institutions that hold such tax-exempt bonds through the construction period (e.g., until the Conversion Date). The Construction Lender may or may not also be the Take-Out Lender. The Construction Lender shall be an Institutional Lender.

"**Construction Loan**" shall mean the construction loan for the Project, in an amount to be approved by City. If the Project is financed through issuance of tax-exempt bonds, then Construction Loan shall be understood to mean the proceeds of such tax-exempt bonds.

"**Contract Officer**" shall mean the Community Development Director of the City or such other person as may be designated by the City Manager of City to administer this Agreement.

"**Conversion Date**" shall have the meaning set forth in the documents securing the Construction Loan, or, if such term is not defined therein, shall mean the date the Construction Loan converts from a construction loan to a permanent loan.

"**County**" shall mean the County of Orange, California, a political subdivision of the State, and all departments in said County.

"**County Loans**" shall mean (i) a construction and permanent loan to be obtained by Developer from the County of the Mental Health Services Act funds, in the amount of One Million Five Hundred Seventy-Four Thousand Eight Hundred Ten Dollars ($1,574,810), and (ii) a permanent loan to be obtained by Developer from the County of American Rescue Plan Act funds in the amount of Two Million Sixty-Seven Thousand Dollars ($2,067,000).

"**Developer**" shall mean Cartwright Family Apartments, LP, a California limited partnership, having its offices at 14211 Yorba Street, Suite 200, Tustin, CA 92780. The term "**Developer**" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"**Developer Personnel**" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"**Developer Representative**" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Todd R. Cottle is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"**Effective Date**" shall mean the date this Agreement is executed by both parties hereto, which date shall be inserted in the preamble to this Agreement.

"**Eligible HOME Loan Expenses**" shall mean the development costs approved by City and consistent with HOME Requirements, and attributable to the eleven (11) HOME Units.

"**Eligible HOME Unit Tenant**" shall mean a tenant of one of the HOME Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the income limit and any other eligibility requirements permitted for the particular Residential Unit pursuant to any applicable regulation or agreement, including, without limitation, the AHA Regulatory Agreement, and thereafter meets all applicable income limits and other eligibility requirements.

"**Escrow Holder**" shall mean Ticor Title Company of California, with its offices located at 1500 Quail Street, 3rd Floor, Newport Beach, CA 92660, or another escrow company mutually acceptable to City and Developer.

"**Extended Use Agreement**" shall have the meaning set forth in Section 4.12 of this Agreement.

"**Funding Conditions**" shall mean the conditions set forth in Section 2.3 of this Agreement that must be satisfied prior to City providing any disbursement of the City HOME Loan to Developer.

"**Governmental Requirements**" shall mean all laws, ordinances, statutes, codes, rules, regulations, requirements, orders and decrees, of the United States, the State of California, the City of Irvine, and of any other political subdivision, agency or instrumentality exercising jurisdiction over City, Developer, the Property, and/or the Project, including common law.

"**Hazardous Materials**" shall mean 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", "extremely hazardous waste", or "restricted 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 a "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, (vii) polychlorinated biphenyls, (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Chapter 20, (ix) designated as "hazardous substances" 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) 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., (xii) methyl-tertiary butyl ether, (xiii) perchlorate or (xiv) any other substance, whether in the form of a solid, liquid, gas or any other form whatsoever, which by any governmental requirements 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. For purposes hereof, "**Hazardous Materials**" excludes materials and substances in quantities as are commonly used in the construction and operation of an apartment complex, provided that such materials and substances are used in accordance with all applicable laws.

"**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 Property 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 emanating from the Property.

"**Hold Back Amount**" shall have the meaning in Section 2.4 of this Agreement.

"**HOME Affordable Rent**" shall mean, for each HOME Unit, rent that does not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits (High HOME Rents) at the lesser of (a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a household whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The HOME Requirements also require that affordable units occupied by Eligible HOME Unit Tenants whose income does not exceed fifty percent (50%) of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a household whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger households. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed thirty percent (30%) of the household's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible HOME Unit Tenant pays as a contribution toward rent not more than thirty percent (30%) of the household's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

If the Eligible HOME Unit Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orange County Housing Authority for utilities and services. The HOME Affordable Rent for 2022 is set forth in the HOME Unit Mix.

"**HOME Funds**" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"**HOME Requirements**" shall mean the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq*.), and the implementing regulations (24 C.F.R. § 92, *et seq*.), and the legal requirements summarized or referenced in Attachment No. 3 attached hereto and incorporated herein by this reference.

"**HOME Unit Mix**" shall mean the household income levels permitted for each HOME Unit, as follows: three 3-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for household size, and eight 3-bedroom units shall be occupied by households earning 80% or less of the Median Income, adjusted for household size. The HOME Unit Mix is set forth in Attachment No. 8, which is attached hereto and incorporated herein by this reference.

"**HOME Units**" shall mean eleven (11) units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all of the Residential Units in the Project (other than the one (1) unrestricted manager's unit) so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size

and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Developer to the Project or the Construction Completion Date, whichever is later, Developer shall deliver to City the unit numbers (addresses) that comprise the initial eleven (11) HOME Units, in a format mutually agreed upon by City and Developer. Developer shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the eleven (11) HOME Units if Developer changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

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

"**Institutional Lender**" shall mean any of the following institutions having assets or deposits in the aggregate of not less than One Hundred Million Dollars ($100,000,000): a California chartered bank; a bank created and operated under and pursuant to the laws of the United States of America; an "incorporated admitted insurer" (as that term is used in Section 1100.1 of the California Insurance Code); a "foreign (other state) bank" (as that term is defined in Section 1700(1) of the California Financial Code); a federal savings and loan association (Cal. Fin. Code Section 8600); a commercial finance lender (within the meaning of Sections 2600 et seq. of the California Financial Code); a "foreign (other nation) bank" provided it is licensed to maintain an office in California, is licensed or otherwise authorized by another state to maintain an agency or branch office in that state, or maintains a federal agency or federal branch in any state (Section 1716 of the California Financial Code); a bank holding company or a subsidiary of a bank holding company which is not a bank (Section 3707 of the California Financial Code); a trust company, savings and loan association, insurance company, investment banker; college or university; pension or retirement fund or system, either governmental or private, or any pension or retirement fund or system of which any of the foregoing shall be trustee, provided the same be organized under the laws of the United States or of any state thereof; and a Real Estate Investment Trust, as defined in Section 856 of the Internal Revenue Code of 1986, as amended, provided such trust is listed on either the American Stock Exchange or the New York Stock Exchange. Bank of America N.A., Citibank, N.A. and National Equity Fund, Inc. are each hereby deemed to be an Institutional Lender.

"**Investor**" shall have the meaning set forth in Section 7.2 of this Agreement.

"**Median Income**" shall mean the Orange County Area Median Income, as determined by HUD pursuant to the HOME Requirements. Upon request by Developer, City shall provide to Developer the amount of the Area Median Income.

"**Occupants**" shall have the meaning set forth in Section 4.6 of this Agreement.

"**Performance Report**" shall have the meaning set forth in Section 5.2.1 of this agreement.

"**Permitted Encumbrances**" shall have the meaning ascribed in Section 3.10.2 of this Agreement.

"**Program**" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"**Program Activities**" shall mean the tasks, activities, and operations set forth in this Agreement and the City HOME Regulatory Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement and the HOME Requirements that Developer is required to perform.

"**Program Default**" shall have the meaning set forth in Section 4.5 of this Agreement.

"**Project**" shall mean the construction on the Property of an affordable rental housing complex with sixty (60) units, with fifty-nine (59) of such units restricted for rental to and occupancy by income-eligible tenants at a rent affordable to such tenants, related interior and exterior improvements and amenities appropriate and/or necessary for the development. The Project, including the Project improvements and amenities, shall be completed within the timeframes established in the Schedule of Performance attached hereto and incorporated herein as Attachment No. 2.

"**Project Budget**" shall mean the costs estimates for the Project set forth in Attachment No. 4 to this Agreement, which is incorporated herein by this reference. The Project Budget may not be materially changed without the prior written approval of City's Contract Officer (a material change is a change that causes the total Project costs, or any line item in the Project Budget, to increase or decrease by more than ten percent (10%) from what is shown in the Project Budget).

"**Property**" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Attachment No. 1 and incorporated herein by this reference.

"**Quarter**" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"**Residential Unit(s)**" shall mean the sixty (60) residential units to be developed on the Property.

"**Schedule of Performance**" shall mean that certain Schedule of Performance attached hereto as Attachment No. 2 and incorporated herein by this reference, setting forth the dates and/or time periods by which certain obligations set forth in this Agreement must be performed.

"**Take-Out Lender**" shall mean the lending institution that makes the Take-Out Loan. If the Project is financed through issuance of tax-exempt bonds, then Take-Out Lender shall be understood to mean the institution that holds or institutions that hold such tax-exempt bonds from and after the construction period (e.g., from and after the Conversion Date). The Take-Out Lender may or may not also be the Construction Lender. The Take-Out Lender shall be an Institutional Lender.

"**Take-Out Loan(s)**" shall mean one or more loans providing the permanent financing to be obtained by Developer in order to take out the Construction Loan. If the Project is financed through issuance of tax-exempt bonds, then one Take-Out Loan shall be understood to be financed with the proceeds of such tax-exempt bonds.

"**Third-Party Contracts**" shall have the meaning set forth in Section 3.4 of this Agreement.

"**Title Company**" shall have the meaning set forth in Section 2.3 of this Agreement.

2. CITY HOME LOAN.

2.1 Amount and Source of City HOME Loan. Subject to the terms and conditions set forth herein, City shall provide Developer financial assistance for the Eligible HOME Loan Expenses in the form of a loan not to exceed the sum of Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82). The source of the City HOME Loan is HOME Funds.

2.2 Permissible Use of City HOME Loan; Eligible Loan Expenses. Pursuant to all of the terms and conditions of this Agreement, Developer shall be permitted to use the City HOME Loan proceeds only for the Eligible HOME Loan Expenses that are actually and reasonably incurred by Developer and approved by City, and for no other purpose.

2.3 City HOME Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, City shall have no obligation to disburse any of the City HOME Loan proceeds to Developer unless all of the following conditions (collectively the "**Funding Conditions**") are satisfied, or waived by City in its sole discretion:

(a) *Execution and Delivery of Documents*. Developer shall have executed and delivered to City the documents referred to in Section 2.7 of this Agreement.

(b) *City Title Policy*. Ticor Title Company of California or such other title company approved by the City ("**Title Company**") is irrevocably committed to issue to City an ALTA lender's policy of title insurance ("**City HOME Loan Title Policy**"), with liability in the amount of the City HOME Loan, showing the fee interest in the Property vested in Developer, insuring in favor of City the City HOME Loan Deed of Trust, subject only to (i) the standard printed exceptions and exclusions contained in the form of the Title Policy commonly used by Title Company; (ii) non-delinquent property taxes and assessments; (iii) the AHA Regulatory Agreement, the density bonus agreement between City and Developer, the density bonus regulatory agreement between City and Developer, the City HOME Regulatory Agreement, one or more regulatory agreements in favor of the County, the tax-exempt bond regulatory agreement, the Bank Loan Deed of Trust, the AHA Deed of Trust, the City HOME Loan Deed of Trust, the deeds securing repayment of the County Loans, and the Bank Loan Subordination Agreement, and (iv) such other matters as may be approved by City in its reasonable discretion. Developer shall pay the premium for the City HOME Loan Title Policy.

(c) *Insurance.* Developer shall have provided to City evidence of the insurance required under Section 3.9 of this Agreement.

(d) *Plans and Permits*. Developer shall have obtained the grading permits for the Project or such permits shall be ready to be issued upon the payment of fees and all other development approvals shall have been issued except for building permits.

(e) *Evidence of Financial Capability*. City shall have approved Developer's evidence of financial capability in accordance with Section 3.10.3 of this Agreement, and the financing specific to the construction of the Project shall close and be available to Developer.

(f) *Other Agreements*. There is, or with the passage of time, shall be no default by the Developer under the City HOME Loan Note, City HOME Loan Deed of Trust, City HOME Regulatory Agreement, AHA, the AHA Note, the AHA Deed of Trust, or the AHA Regulatory Agreement.

(g) *Clearance*. If applicable, in accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," the Request for Release of Funds and related certifications have been approved for the Project or City has determined an exemption is applicable.

(h) *Approval of Third-Party Contracts*. City shall have approved any Third-Party Contracts entered into before commencement of construction that City elects to review.

(i) *No Default.* There shall be no event of default under this Agreement, and there shall be no event which, with the passage of time or the giving of notice, would constitute a default, and all representations and warranties of Developer in this Agreement remain true and correct in all material respects.

(j) *HUD Approvals*. City has received all approvals required from HUD for the disbursement of the City HOME Loan.

City acknowledges and agrees that as of the Effective Date, the Funding Conditions set forth in clauses (a), (c), (d), (e), (g), (h) and (j) have been satisfied. In the event that any of the Funding Conditions are not satisfied within thirty (30) days after an anticipated disbursement date of City Home Loan funds, as set forth in Section 2.4 below, or such later deadline as may be mutually approved in writing by City and Developer in the sole and absolute discretion of each of them, City may terminate this Agreement by delivering written notice to Developer.

2.4 Disbursement of City HOME Loan. Portions of the City HOME Loan shall be disbursed to Developer within thirty (30) days after City approval of each fully documented draw request requesting a disbursement of City HOME funds and evidencing Eligible HOME Loan Expenses paid by Developer. Notwithstanding the foregoing, however, City shall retain the sum of Twenty-Five Thousand Dollars ($25,000) ("**Hold**

Back Amount"). Subject to the final sentence in this Section 2.4, Developer shall not request disbursement from the City for the Hold Back Amount until Developer provides City with such project completion information as is required by 24 CFR 92.502(d)(1). If it is determined, as a result of an audit or otherwise, that any disbursement(s) of City HOME Loan proceeds was improper or made for expenditures not eligible for payment, Developer shall immediately repay to City the amounts of such disbursements. Notwithstanding the foregoing but subject to the requirements of 24 CFR 92.504(c)(3)(viii), which prohibits City from disbursing any portion of the City HOME Loan until the funds are needed to pay for eligible costs, City may, in its sole and absolute discretion, elect to disburse some or all of the Hold-Back Amount prior to the time the Project has been completed if the prior disbursement of City HOME Loan proceeds is approaching twelve (12) months.

2.5 City HOME Loan Disbursed Prior to Bank Loan Funds. Subject to the requirements of 24 CFR 92.504(c)(3)(viii), which prohibits City from disbursing any portion of the City HOME Loan until the funds are needed to pay for eligible costs, City shall not require hereunder that any Bank Loan Funds beyond an initial disbursement of $55,000 be disbursed until such time as all of the City HOME Loan proceeds (except for the Hold Bank Amount) have been disbursed for the Project. Nothing herein is intended to preclude the concurrent disbursement of the Bank Loan Funds and the City HOME Loan. Further, Developer acknowledges and agrees that no portion of the City HOME Loan will be disbursed at the closing of the Construction Escrow.

2.6 Repayment of City HOME Loan; City HOME Loan Deed of Trust. Developer's obligation to repay the City HOME Loan shall be as set forth in the City HOME Loan Note. The City HOME Loan Note generally provides for Developer to pay to City a percentage of the cash flow generated from the Property. Developer's obligation to repay the City HOME Loan will be secured by the City HOME Loan Deed of Trust. The City HOME Loan Deed of Trust contains an acceleration clause entitling City to declare the entire indebtedness evidenced thereby to be immediately due and payable and collectible, regardless of the date of maturity, on the terms and conditions more specifically set forth in the City HOME Loan Deed of Trust.

2.7 Execution and Delivery of Documents. On or before the Effective Date, (i) Developer has delivered to City the City HOME Loan Note, executed by Developer, and deposited into the Construction Escrow: (a) the City HOME Loan Deed of Trust, executed and acknowledged by Developer, and (b) the City HOME Regulatory Agreement, executed and acknowledged by Developer; and (ii) City has executed and acknowledged and deposited into the Construction Escrow the City HOME Regulatory Agreement. City and Developer hereby instruct Escrow Holder to record the City HOME Regulatory Agreement, and the City HOME Loan Deed of Trust in the Official Records of Orange County, California.

3. DEVELOPMENT OF THE PROJECT.

3.1 Scope of Development. Developer shall develop the Project on the Property in strict accordance with the plans and drawings approved by City. If Developer

desires to make any change in any approved development or building plans, the proposed change shall be submitted to City for approval. Developer shall be responsible for all construction and installation and for obtaining all necessary permits and approvals.

3.2 Development Approvals and Permits. Prior to commencement of the grading of the Property, Developer shall, at its own expense, secure or cause to be secured the grading permit from City and all permits, licenses and approvals which may be required by any governmental agency having jurisdiction over the Property and the Project other than building permits. Prior to commencement of development of any other improvements to the Property, Developer shall have obtained, at its own expense, approval of the final plans for the Project and the building permits for the Project.

3.3 Construction Contract. Developer acknowledges that the requirements of Section 3.4 of this Agreement shall apply to the construction contracts and subcontracts for the Project and Developer shall ensure compliance with all such provisions and requirements. If applicable to the Project and not exempt from HOME Requirements, Developer shall cause the inclusion of the applicable classification and wage rate determination for the Project in the construction contract for the Project which, if authorized by law, may be satisfied by Developer incorporating by reference said classification and wage rate determination.

3.4 Third-Party Contracts. If Developer enters into any agreements ("**Third-Party Contracts**") with contractor(s) for the construction of the Project ("**Other Contracting Party**"), such Third-Party Contract shall be subject to the reasonable approval of City and must be consistent with the terms of this Agreement. Developer shall include in all Third-Party Contracts the following minimum requirements: (a) provisions for the Other Contracting Party to comply with all terms of this Agreement to the extent applicable to the work or services provided by the Other Contracting Party, and all applicable legal requirements, including the HOME Requirements; (b) provisions for the Other Contracting Party to cooperate with City and make available to City all information, documents, and records reasonably requested by City in connection with the activities under this Agreement; (c) provisions for City to be granted the right of access to the Property for purposes of this Agreement and evaluating Developer's performance hereunder; and (d) a provision naming City as an intended Third-Party beneficiary with the right but not the obligation to enforce the Third-Party Contract upon the occurrence of and during the continuance of a default under the relevant Third-Party Contract. In connection with the preceding sentence, City shall have the right to require Developer to terminate the Third-Party Contract if such default occurs and is not timely cured. If Developer believes that any of the HOME Requirements are not applicable to a Third-Party Contract, it is Developer's responsibility to provide to City evidence that the requirement is not applicable; however, it is ultimately Developer's responsibility to include all legal requirements in its Third-Party Contracts and City shall have no liability for Developer's failure to comply with this obligation. In connection therewith, any statement made by City to Developer as to the non-applicability of a particular legal requirement shall be provided as an accommodation to Developer and as a statement of City's opinion but shall not be relied upon by Developer or excuse Developer from Developer's responsibility to include all applicable legal requirements in its Third-Party

Contracts or to comply with such requirements. Developer acknowledges that City's approval of a Third-Party Contract shall in no way constitute an assumption by City of any responsibility whatsoever for the construction of the Project or performance of any activity that is the subject of the Third-Party Contract, or Developer's or the Other Contracting Party's compliance with applicable laws, statutes, ordinances, codes, rules and regulations, or Developer's compliance with this Agreement. In connection therewith, City assumes no responsibility or liability for any act or omission of any Other Contracting Party and in no way guarantees any of the work to be done or materials to be supplied or services to be performed. Developer shall comply with all terms of Third-Party Contracts.

3.5 No Debarred, Suspended, or Ineligible Parties. Developer shall not employ, engage the services of, or award any contractors to any party that is debarred, suspended, or otherwise ineligible to participate in a project that is receiving HOME Funds pursuant to the HOME Requirements. Developer shall provide to City such certifications as required by City demonstrating compliance with this Section.

3.6 Construction Meeting. Developer shall attend and cause the contractor(s) for the Project to attend any construction meetings or conferences arranged by City among the contractor, Developer, and City, including pre-construction meetings, relating to undertaking and completing the Project in conformance with this Agreement and applicable local, state, and federal laws. The requirements in this section may be satisfied by a regular monthly meeting arranged by Developer and attended by Developer and the respective representatives of the contractor(s) and City, as may be needed.

3.7 Schedule of Performance.

(a) Subject to the force majeure provisions of Section 9.3 of this Agreement, Developer shall commence, prosecute, and complete construction of the Project within the time set forth in the Schedule of Performance. Construction shall be continuously and diligently pursued to completion and shall not be abandoned for more than ten (10) consecutive Business Days, except when due to causes beyond the control and without the fault of Developer, as set forth in Section 9.3 of this Agreement. The Schedule of Performance is subject to revision from time to time as may be mutually agreed upon in writing between Developer and City; provided, however, that pursuant to the HOME four-year project completion deadline at 24 CFR 92.205(e)(2), the timeframe for Developer's completion of construction of the Project may not be extended to a date that is more than four years following the Effective Date without first securing a one-year extension from HUD. Notwithstanding anything to the contrary in this Agreement, if Developer fails to complete the Project within such four year period (or if such four year period is extended by HUD within such extended period) and such failure results in a requirement that all City HOME Loan funds must be repaid to HUD, Developer shall be solely responsible for such repayment with respect to all amounts of the City HOME Loan that have been disbursed to Developer. During the course of construction, Developer shall, if requested by City, provide to City monthly written reports on the progress of construction.

(b) Developer shall commence or cause the commencement of the construction of the Project no later than the timeframes shown in Attachment No. 2, the Schedule of Performance.

3.8 Rights of Inspection. Representatives of the City shall have a reasonable right of access to the Property during normal business hours for the purposes of this Agreement, including, but not limited to, the inspection of the work being performed. Developer shall cooperate with, and shall cause the contractor and any subcontractor to cooperate with, City in connection with its inspection and access rights. It is understood that City does not by this Section 3.8 assume any responsibility or liability for a negligent inspection or failure to inspect. All inspections by City or on behalf of City, approvals of payment requests by City and other actions by City in connection therewith are not to be construed as a representation by City that there has been compliance with any permits or plans and specifications, legal requirements, or that the Project is free of defects in materials or workmanship. Any inspections or determinations made by City or lien waivers, receipts, or other agreements, documents, and instruments obtained by City are made or obtained solely for City's own benefit and not in any way for the benefit or protection of Developer. City has no obligation to Developer to ensure compliance by the contractor or any other person in carrying out such construction. No such inspections or review will limit any of the rights and remedies of City pursuant to this Agreement.

3.9 Insurance. Developer shall procure and maintain, at its sole cost and expense, in a form and content satisfactory to City, during the entire term of this Agreement including any extension thereof, the following policies of insurance:

(a) Commercial General Liability Insurance covering bodily injury, property damage, personal injury and advertising injury written on a per-occurrence and not a claims-made basis containing the following minimum limits: (i) general aggregate limit of Five Million Dollars ($5,000,000); (ii) products-completed operations aggregate limit of Three Million Dollars ($3,000,000); (iii) personal and advertising injury limit of Three Million Dollars ($3,000,000); and (iv) each occurrence limit of Three Million Dollars ($3,000,000). Said policy shall include the following coverages: (i) blanket contractual liability; (ii) products and completed operations; (iii) independent contractors; (iv) Owner's broad form property damage; (v) severability of interest; (vi) cross liability; and (vii) property damage liability arising out of the so-called "XCU" hazards (explosion, collapse and underground hazards). The policy shall be endorsed to have the general aggregate apply to this Project only.

(b) A policy of worker's compensation insurance in such amount as will fully comply with the laws of the State of California and which shall indemnify, insure, and provide legal defense for City and Developer against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by Developer in the course of carrying out the work or services contemplated in this Agreement, and Employers Liability Insurance in an amount not less than One Million Dollars ($1,000,000) combined single limit for all damages arising from each accident or occupational disease.

(c) A policy of comprehensive automobile liability insurance written on a per-occurrence basis in an amount not less than Two Million Dollars ($2,000,000) combined single limit covering all owned, non-owned, leased and hired vehicles used in connection with the work.

All of the above policies of insurance shall be primary insurance and except for the Worker's Compensation Insurance shall name the City, its officers, officials, members, employees, agents and representatives as additional insureds or, with respect to the builder's risk policy, as a loss payee. Said policies shall be satisfactory only if issued by companies qualified to do business in California and rated A:VII or better in the most recent edition of the Best Rating Guide. The insurer shall waive all rights of subrogation and contribution it may have against the City, its officers, employees and agents and their respective insurers. All of said policies of insurance shall provide that said insurance may not be amended or canceled without providing thirty (30) days prior written notice by registered mail to City. In the event any of said policies of insurance are canceled, Developer shall, prior to the cancellation date, submit new evidence of insurance in conformance with this Section 3.9 to the Contract Officer. The foregoing obligations shall remain in effect until the completion of the Project, at which time Developer shall maintain the insurance set forth in the City HOME Regulatory Agreement.

Developer agrees that the provisions of this Section 3.9 shall not be construed as limiting in any way the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible. Prior to the Effective Date Developer has provided evidence of the above-required insurance (such as Certificates of Insurance of appropriate insurance binders) and obtained approval thereof from the Contract Officer.

3.10 Financing the Project.

3.10.1 Developer Responsible for Cost of Development. Except to the extent City has specifically agreed to provide the City HOME Loan pursuant to Section 2 of this Agreement, Developer shall be responsible for all costs of developing the Project, including but not limited to: predevelopment costs incurred for items such as planning, design, engineering, and environmental remediation; all development and building fees; the cost incurred to demolish and clear any and all existing improvements, furnishings, fixtures, and equipment from the Property requiring removal; relocation expenses payable to existing occupants of the Property; costs for insurance and bonds (as required); costs for financing; all on-site construction costs; legal fees and any necessary public improvements not already provided to the Property under the Project.

3.10.2 Permitted Encumbrances. Developer may mortgage or encumber the Property in order to finance the development and operation of the Project, provided that the terms of any such loan and loan documents are reasonably approved by City (any such approved loans, "**Permitted Encumbrances**"). The deeds of trust that secure the Bank Loan Funds, the AHA Loan, and the County Loans all constitute Permitted Encumbrances.

3.10.3 Evidence of Financial Capability. As a condition to City entering into this Agreement, Developer shall have submitted to City evidence reasonably satisfactory to City that Developer has the financial capability necessary to develop the Project pursuant to this Agreement and the Project Budget. Such evidence of financial capability shall have included the following:

(a) a copy of the commitment or loan agreement obtained by Developer for each source of funds to assist in financing the construction of the Project. All copies of commitments submitted by Developer to City shall be certified by Developer to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to City as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for the lender involved for similar projects;

(b) if the total costs set forth in the Project Budget exceed the amount of financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to City sufficient to demonstrate that Developer has adequate funds available and committed to cover such difference; and

(c) a copy of the guaranteed maximum price or stipulated sum construction contract between Developer and its general contractor for all of the improvements required to be constructed by Developer hereunder, certified by Developer to be a true and correct copy thereof.

3.10.4 Subordination. The City's Housing Manager and the Community Development Director or their respective designees each shall have the authority on behalf of City to enter into subordination agreements, intercreditor agreements, and other similar agreements; provided, however, that nothing herein shall obligate City to subordinate its financing except that City shall subordinate the City HOME Loan Deed of Trust to (i) the priority lien(s) (deeds of trust) securing the Bank Loan Funds, and (ii) the priority lien(s) (deeds of trust) securing the Take-Out Loans by subordination agreements approved in form by City in its reasonable discretion.

4. USE OF THE PROPERTY; PROGRAM ACTIVITIES.

4.1 General. Developer and its successors and assigns shall use, operate, and maintain the Property as a rental housing project in accordance with the provisions of this Agreement and the City HOME Regulatory Agreement, consistent with the HOME Requirements. The City HOME Regulatory Agreement contains provisions requiring the HOME Units on the Property to be maintained as affordable rental units for a period of twenty (20) years from the Construction Completion Date.

4.2 Program Activities. Developer shall operate the Program and perform all Program Activities in a competent, professional, and first-class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement. In

addition, Developer shall operate the Program and perform the Program Activities in compliance with the HOME Requirements and the legal requirements set forth in Attachment No. 3, the Summary of Legal Requirements for HOME Funds attached to this Agreement and the statutes referenced therein. In addition, Developer shall operate the Program and perform the Program Activities in compliance with Attachment No. 7, the City HOME Regulatory Agreement and the requirements specified therein. In addition to the reports referred to in Section 5.2, Developer shall, if requested by City, provide to City quarterly written reports on the progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

4.3 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.5 or knowingly allows such conduct to occur at the Property or by Developer Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Developer immediately replace such manager or supervisor for the Program.

4.4 Drug Free Covenant. Developer shall use commercially reasonable efforts to maintain a drug free environment on the Property. Developer covenants to City that Developer shall use commercially reasonable efforts pursuant to Section 4.6 of this Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by City law.

4.5 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use commercially reasonable efforts in violation of Section 4.4 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City, and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

4.6 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the persons residing in the facility ("**Occupants**") a requirement that the occurrence of any illegal activity by the Occupant, or by Occupant's guests at the Property, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Developer enforce such provision.

4.7 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the HOME Units during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

4.8 Compliance with Laws and Regulations and HOME Requirements. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the HOME Requirements and the legal requirements set forth in Attachment No. 3 attached to this Agreement and the statutes referenced therein, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and, if applicable to the Project, all federal and state fair labor standards and prevailing wage requirements. Because the source of the City HOME Loan is funds received from HUD pursuant to the federal government's HOME program, Developer is required to comply with all applicable HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the HOME Requirements. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, 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) that results or arises in any way from any of the following: (a) the noncompliance by Developer or Developer Personnel of any applicable local, state

and/or federal law, including, without limitation, any applicable federal and/or state labor laws (including, without limitation, if applicable, the requirement to pay state or federal prevailing wages and hire apprentices); (b) the implementation of Section 1781 of the California Labor Code, as the same may be amended from time to time, or any other similar law, by Developer or Developer Personnel; and/or (c) failure by Developer or Developer Personnel to provide any required disclosure or identification as required by Labor Code Section 1781, as the same may be amended from time to time, or any other similar law. The foregoing indemnity shall survive termination of this Agreement.

4.9 Program Income. Developer shall submit to City annual reports as set forth in Section 5.2 on all program income as defined 24 C.F.R. 92.503(a) generated by activities carried out with HOME Funds, if any. The program income shall, at City's election, (a) be returned to City or (b) retained by Developer and utilized for the Project expenses set forth in the Project Budget or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. Upon the completion of the Project or the earlier termination of this Agreement, all unused program income shall be returned to City at the election of City.

4.10 Relocation. City shall not be responsible for relocating any occupants from the Property to the extent any occupants are located on the Property. If relocation is required, Developer shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Developer shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Developer pursuant to this Section 4.10.

4.11 Indemnification. Developer shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "**Indemnitee**") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Developer or Developer's officers, employees, contractors, and agents, in the performance under this Agreement and the agreements attached hereto and/or with respect to the Property including the construction of the Project thereon. The Indemnitee shall promptly notify Developer of the filing of any such action and cooperate with Developer in the defense thereof (at no cost to Indemnitee).

4.12 Extended Use Agreement. City acknowledges that Developer and the California Tax Credit Allocation Committee have or intend to enter into an extended use agreement pursuant to Section 42(h) of the Internal Revenue Code ("**Extended Use Agreement**") which will be recorded against the Property. City acknowledges that, in the event of a foreclosure of its interest under the City HOME Loan Deed of Trust or delivery by Developer of a deed in lieu thereof (collectively, a "**Foreclosure**"), pursuant to Sections 42(h)(6)(E)(ii) of the Internal Revenue Code, for a period of three (3) years from the date of Foreclosure, with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of

Foreclosure may be evicted or their tenancy terminated (other than for good cause), (ii) nor may the rent of any such eligible tenant be increased except as otherwise permitted under Section 42 of the Internal Revenue Code.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be Maintained. Developer shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the HOME Requirements, records demonstrating the eligibility of the activities constituting the Eligible HOME Loan Expenses, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements, to identify and account for the use of the City HOME Loan proceeds and expenditures of Eligible HOME Loan Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. Books and records pertaining to the Eligible HOME Loan Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Developer under this Agreement shall be retained for a period of five (5) years following the date that all units in the Project have received all required occupancy permits from the City; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Developer shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Developer shall be kept at the Property or at the office of Developer or such other location in Orange County, California, approved by City.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon forty-eight (48) hours prior written notice to Developer.

5.1.5 Audits. Developer shall perform all audits of its books and records required by HUD, the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Reports During and Post-Construction. No later than fifteen (15) days after the end of each Quarter prior to the Construction Completion Date, and

no later than thirty (30) days after the end of each calendar year after the Construction Completion Date, Developer shall submit to City, for the duration of the term of this Agreement, the following reports on forms approved by the Contract Officer:

(a) *Performance Reports*. A report on the summary of the Program Activities and activities undertaken by Developer under this Agreement for the previous Quarter or calendar year, as applicable ("**Performance Report**"). The Performance Report shall, at a minimum, describe the status of each Program Activity required to be performed and met during that Quarter or calendar year (as applicable), progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Developer to meet any obligations if any were not met, favorable developments which enabled Developer to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

(b) *Program Income*. A report on the program income generated for the Quarter or calendar year (as applicable), if any, as more fully explained in Section 4.9 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Developer is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Developer shall, at such times and in such forms as reasonably required by City, prepare and submit to the Contract Officer, such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with applicable HOME Requirements, as City may reasonably require from time to time.

6. TERMINATION.

6.1 Termination. In addition to any other termination provision set forth in this Agreement, this Agreement may be terminated by City as follows:

(i) *Default*. If a default shall occur under this Agreement that is not cured within an applicable notice and cure period (other than a default of City), City may terminate this Agreement in whole or in part.

(ii) *Failure to Receive Environmental Clearance*. In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," HUD or the state does not approve the Request for Release of Funds (RROF) and related certifications for the Project and the Project is not otherwise exempt such that no RROF is required.

6.2 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Developer's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Developer shall survive the termination of this Agreement: (a) Developer's indemnity obligations; (b) the obligation to cause audits to be performed relating to Developer's activities and costs under this Agreement; (c) the obligation to repay to City the City HOME Loan proceeds improperly disbursed to Developer or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default.

7. DEFAULTS AND REMEDIES.

7.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Agreement:

(a) The failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 7.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Property, and if corrective action is instituted by Developer within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within ninety (90) days of receipt of notice of such failure.

(d) Subject to Section 9.3, Developer does not proceed with the commencement, construction and completion of the Project as herein provided.

(e) Subject to Section 9.3, work ceases on the Project for ten (10) consecutive Business Days.

(f) The occurrence of a Program Default.

(g) Subject to the notice and cure provisions in Subsection (c) above, any of the warranties or representations made by Developer herein are or become false, incorrect or misleading in any material respect.

(h) Developer commits any act of bankruptcy or if any relief under the federal Bankruptcy Act is sought by or against Developer, or if a receiver is appointed to take charge of the assets or affairs of Developer, or if Developer should make an assignment for the benefit of creditors, or if Developer should become insolvent, or upon any liquidation or termination of Developer; provided, however, that if any such proceeding is brought involuntarily against Developer, Developer shall have ninety (90) days to obtain the dismissal of such proceeding.

(i) The filing of a notice of judgment lien against Developer, or the recording of any abstract of judgment against Developer, or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of Developer, or the entry of a judgment, order or decree against Developer, any or all of which would have a material and adverse effect upon Developer's ability to perform under this Agreement, unless the same is dismissed within ninety (90) days.

(j) There is a default by Developer of the City HOME Loan Note, City HOME Loan Deed of Trust, City HOME Regulatory Agreement, AHA, AHA Note, AHA Deed of Trust, or AHA Regulatory Agreement, after expiration of any notice and cure periods in the applicable agreement(s).

(k) Developer shall default in the payment or performance of any obligation, or any defined event of default, under the terms of any contract or instrument pursuant to which Developer has incurred any debt or other liability to City, or any other person or entity that has an interest secured by a lien recorded against the Property, which default is not cured within any grace and cure period expressly provided in such contract or instrument.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

7.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default under this Agreement (other than a default of City) that is not cured within any applicable notice and cure periods herein, City may take one or more of the following actions:

(i) Wholly or partially suspend or terminate this Agreement.

(ii) Withhold further awards for the Project, including further disbursements of the City HOME Loan.

(iii) Require Developer to repay the City HOME Loan funds.

(iv) Institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to the foregoing, City shall have the right to withhold disbursements of City HOME Loan proceeds during such period as may be necessary to determine whether a default has occurred and during any cure period. Upon the occurrence of an event which, with the passage of time or the giving of notice, would constitute a default under this Agreement (other than a default of City), City may temporarily withhold disbursements of City HOME Loan proceeds pending correction of the default by Developer.

In addition to Developer's cure rights hereunder, NEF Assignment Corporation, an Illinois not-for-profit corporation, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default within such thirty (30) day period and is diligently proceeding to cure such default through the end of such period. City shall provide a copy of any written notice of default to the Investor at the Investor's mailing address set forth in Section 9.1. City shall accept any cure made by Investor as if made by Developer, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

7.3 Institution of Legal Actions and Venue. In addition to any other rights or remedies and subject to the restrictions set forth in this Agreement, either party may institute an action at law or equity to seek specific performance of the terms of this Agreement, or to cure, correct or remedy any default, to recover damages for any default (subject to the restriction on Developer's rights to recover monetary damages against City set forth in the final clause of this sentence), or to obtain any other remedy consistent with the purpose of this Agreement; provided, however, that notwithstanding anything in the foregoing to the contrary, in no event shall Developer be entitled to obtain monetary damages of any kind from City, including but not limited to damages for economic loss, lost profits, or any other economic or consequential damages of any kind. Such legal actions must be instituted in the Superior Court of the State of California in and for the County of Orange, California, in any other appropriate court within the County of Orange, California, or in the United States District Court for the Central District of California.

7.4 Applicable Law. The internal laws of the State of California without regard to conflict of law principles shall govern the interpretation and enforcement of this Agreement.

7.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

7.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorney's fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a Third-Party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorney's fees from the other party to this Agreement. Attorney's fees shall include attorney's fees on any appeal, and in addition a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

8. REPRESENTATIONS AND WARRANTIES OF DEVELOPER.

Developer makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter:

(a) *Authorization and Validation*. The execution, delivery and performance by Developer of this Agreement (i) are within the powers of Developer and upon its execution will constitute a legal, valid and binding obligation of Developer enforceable in accordance with its terms, and (ii) to Developer's knowledge will not violate any provisions of law, any order of any court or other agency of government, or any indenture, agreement or any other instrument to which Developer is a party or by which Developer, or any of its property, is bound, or be in conflict with, result in any breach of or constitute (with due notice and/or lapse of time) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(b) *Correct Information*. To Developer's knowledge, all reports, papers, data and information given to City with respect to Developer and this Agreement, including the Property and Program are accurate and correct in all material respects and complete insofar as completeness may be necessary to give City a true and accurate knowledge of the subject matters thereof, and there has been no change in such information.

(c) *Defaults*. Developer is not a party to any agreement or instrument that will interfere with its performance under this Agreement, and is not in default in the performance, observance or fulfillment of any of the obligations, covenants

or conditions set forth in any agreement or instrument to which it is a party would have an adverse effect on its ability to perform its obligations under this Agreement.

(d) *Pending Litigation*. There is not now pending, or to Developer's knowledge threatened, against or affecting Developer any claim, investigation, action, suit or proceeding at law, or in equity, or before any court or administrative agency which, if adversely determined, would impair or affect the Property or Developer.

(e) *Compliance.* Developer has examined and is familiar with all conditions, restrictions, reservations and ordinances affecting the Property and Project.

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications Between the Parties. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to::

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Community Development Director Email: tgehrich@cityofirvine.org
With a copy to:	Rutan & Tucker, LLP 18575 Jamboree Road, 9th Floor Irvine, CA 92612 Phone No.: 714-641-5100 Attention: Jeffrey T. Melching, Esq. Email: jmelching@rutan.com

To Developer:	Cartwright Family Apartments, LP c/o C & C Deveopment Co., LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd R. Cottle Email: todd@c-cdev.com And RCC MGP LLC 14131 Yorba St., Suite 204 Tustin, CA 92780 Attn: President
With a copy to (only during such time as there is a limited partner of Developer):	NEF Assignment Corporation 10 S. Riverside Plaza, Suite 1700 Chicago, Illinois 60606 Attention: General Counsel Email:
With a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins Email: lhutchins@goldfarblipman.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second Business Day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next Business Day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Developer in the event of any default or breach by City or for any amount which may become due to Developer or on any obligations under the terms of this Agreement.

9.3 Enforced Delay; Extension of Times of Performance. Time is of the essence in the performance of each of the parties' respective obligations set forth in this Agreement. In addition to specific provisions of this Agreement, and except as expressly set forth in this Section 9.3, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes;

lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies that are not caused by Developer; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity that are not caused by Developer; or other causes beyond the reasonable control of the party. Notwithstanding the foregoing, Developer's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Developer to an extension of time to perform. An extension of time for any cause permitted under this Section 9.3 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer.

9.4 Inspection of Books and Records. City shall have the right at all reasonable times to inspect the books and records of Developer pertaining to the Property and the Project as pertinent to the purposes of this Agreement.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to the City HOME Loan. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Developer. The City hereby authorizes the Housing Manager or Director of Community Development for the City of Irvine or either of their designee, to the extent allowed by federal, state or local law, to approve or consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities, including but not limited to, the execution of any additional agreements, addenda or amendments to effectuate the purpose of this Agreement and the intent of the parties hereto.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining

provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement. In the event that all or any portion of this Agreement is found to be unenforceable, this Agreement or that portion which is found to be unenforceable shall be deemed to be a statement of intention by the parties; and the parties further agree that in such event, and to the maximum extent permitted by law, they shall take all steps necessary to comply with such procedures or requirements as may be necessary in order to make valid this Agreement or that portion which is found to be unenforceable.

9.8 Restriction on Transfer of Developer's Rights and Obligations. Developer shall not sell, assign, transfer, mortgage, lease, hypothecate, or convey (any of the foregoing, a "**Transfer**") the Property, or any part thereof or any of Developer's rights or obligations hereunder without the City's prior written consent, which consent may be granted or withheld in the City's reasonable discretion except for the following transfers ("**Permitted Transfers**"), which shall not require the consent of City:

(a) Permitted Encumbrances;

(b) a conveyance of the Property resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) Developer's assignment or transfer of this Agreement and the Property to a general partner of Developer or to one or more of the members of said general partner;

(d) any transfer of equity in the Developer that does not change management or operational control of the Project other than to permit the admittance of RCC MGP LLC, a California limited liability company, as the managing general partner of Developer (while Developer is in the form of a limited partnership);

(e) the lease of the Residential Units consistent with the City HOME Regulatory Agreement;

(f) the transfer and sale of limited partnership interests in Developer, while Developer is in the form of a limited partnership;

(g) during the time in which Developer is in the form of a limited partnership, in the event that any general partner of Developer is removed by the limited partner thereof for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner if the replacement general partner is a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner (other than an affiliate of the limited partner) approved by City, in its reasonable discretion, so long as such successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the Effective Date of this Agreement; and

(h) the transfer of the Project from Developer to one of the general partners the Developer or an affiliate of one or both of the general partners of the Developer at the end of the tax credit compliance period for the Project.

Developer acknowledges that the identity of Developer is of particular concern to the City, and it is because of Developer's identity that the City has entered into this Agreement with Developer. Except for pursuant to any Permitted Transfer, no voluntary or involuntary successor in interest of Developer shall acquire any rights or powers under this Agreement.

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of the Property and this Agreement or any portion thereof, City shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and the City Attorney.

9.9 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld.

9.10 Third-Party Beneficiaries. No person or entity other than Developer and the City and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.11 Authority to Execute Agreement. The persons executing this Agreement on behalf of each party represents and warrants to the other party that by proper action such persons have been duly authorized to execute and deliver this Agreement.

9.12 Contract Administration and Approvals. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City and such administrative authority shall include but not be limited to the right to approve extensions of time on behalf of City and to issue waivers, and the Developer Representative shall be the person designated by Developer to administer this Agreement on behalf of Developer. The City Manager and the Community Development Director (or their respective authorized representatives) each shall have the authority to consent to any matter requiring City approval or consent as provided in this Agreement, and to perform and carry out any activities concerning the City HOME Loan, including but not limited to, the execution of any additional agreements, addenda or amendments so long as such actions do not substantially add to the costs of City as specified herein.

9.13 Covenants to Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Property until the later of (i) the date the City HOME Regulatory Agreement has expired and, (ii) the City HOME Loan, and all interest

thereon, has been fully repaid pursuant to the terms of the City HOME Loan Note; provided, however, that notwithstanding the foregoing, all indemnification obligations of Developer hereunder and all applicable HOME Requirements shall survive in accordance with their terms.

This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by City and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

9.14 Time of the Essence. Time is of the essence in the performance of this Agreement.

9.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.16 Attachments. This Agreement contains eight (8) Attachments, attached hereto and made a part hereof by this reference. Said Attachments are identified as follows:

1	Legal Description of Property
2	Schedule of Performance
3	Summary of Legal Requirements
4	Project Budget
5	City HOME Loan Note
6	City HOME Loan Deed of Trust
7	City HOME Regulatory Agreement
8	HOME Unit Mix

[Signatures on next page]

IN WITNESS WHEREOF, City has entered into this Agreement as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: 5/15/2023

By: _____
Oliver C. Chi, City Manger

ATTEST:

_____
Carl Petersen, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

IN WITNESS WHEREOF, Developer entered into this Agreement as of the date set forth above.

DEVELOPER:

Cartwright Family Apartments, LP,
a California limited partnership

By: RCC MGP LLC,
a California limited liability company,
its managing general partner

By: Riverside Charitable Corporation,
a California nonprofit public benefit corporation,
its sole member and manager

By: _____ DATED: 5/18/2023
Recinda K. Shafer, Deputy Executive Director

By: Cartwright CCR LLC,
a California limited liability company,
its developer general partner

By: C & C Development Co., LLC,
a California limited liability company,
its member and manager

By: _____ DATED: 5/18/2023
Todd R. Cottle, Trustee of the 2007
Todd R. Cottle and Jennifer N. Cottle
Revocable Trust, its member

ATTACHMENT NO. 1

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39

ATTACHMENT NO. 2

SCHEDULE OF PERFORMANCE

ITEM OF PERFORMANCE		TIME FOR PERFORMANCE
1.	Developer submits to City evidence of general liability insurance meeting the requirements of Section 3.9 (§ 3.9).	Prior to and as a condition to City entering into this Agreement.
2.	Developer submits evidence of financial capability to develop the Project to City (§ 3.10.3).	Prior to and as a condition to City entering into this Agreement.
3.	Developer executes and delivers to City the City HOME Loan Note, and deposits into the Construction Escrow the City HOME Loan Deed of Trust, and City HOME Regulatory Agreement (§ 2.6).	Prior to and as a condition to City entering into this Agreement.
5.	City executes City HOME Regulatory Agreement and causes City HOME Regulatory Agreement and City HOME Loan Deed of Trust to be recorded (§ 2.6).	Prior to or concurrently with City's execution of this Agreement. Recording shall occur concurrently with the close of the Construction Escrow.
6.	Developer obtains grading permit and commences construction of the Project.	Within thirty (30) days after execution of this Agreement and the City HOME Regulatory Agreement.
7.	Developer completes construction of the Project (§ 3.7).	Within thirty (30) months after Developer commences construction.
8.	Developer causes affordable housing Program to be operated on the Property.	For a period of 20 years from Construction Completion Date and in accordance with the City HOME Regulatory Agreement.

It is understood that the foregoing Schedule is subject to all of the terms and conditions of the text of the Agreement. The summary of the items of performance in this Schedule is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule and the text of the Agreement, the text shall govern. Times of performance under this Agreement may be extended by mutual written agreement of City and Developer; provided, however,

that pursuant to the HOME four-year project completion deadline at 24 CFR 92.205(e)(2), the timeframe for Developer's completion of construction of the Project may not be extended to a date that is more than four years following the Effective Date without first securing a one-year extension from HUD. Notwithstanding anything to the contrary in this Agreement, if Developer fails to complete the Project within such four year period (or if such four year period is extended by HUD within such extended period) and such failure results in a requirement that all City HOME Loan funds must be repaid to HUD, Developer shall be solely responsible for such repayment with respect to all amounts of the City HOME Loan that have been disbursed to Developer.

ATTACHMENT NO. 3

SUMMARY OF LEGAL REQUIREMENTS FOR HOME FUNDS

In addition to the requirements set forth in other provisions of the Agreement, Developer shall comply, and shall cause all Developer Personnel to comply, with the following regulations and requirements.[1]

1. Use of the HOME Funds. The City HOME Loan shall be used only for eligible costs (see, e.g., 24 C.F.R. § 92.206, 92.214, 92.300(c), and 92.301), and any development work shall be completed within the times referred to in the Affordable Housing and Loan Agreement between City and Developer.

2. Affordability. The HOME Units shall meet the affordability requirements of the HOME Requirements (24 C.F.R. § 92.252) or this Agreement and the City HOME Regulatory Agreement, whichever is more restrictive. If the HOME Units do not meet the affordability requirements of the HOME Requirements for the specified time period, Developer shall repay the City HOME Loan to City promptly upon demand by City. In such event, Developer shall not be released from the affordability and other covenants and restrictions set forth in this Agreement and the City HOME Regulatory Agreement, which shall continue to apply independent of the HOME Requirements.

3. Equal Opportunity and Nondiscrimination.

a. Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 CFR Part 1. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Developer shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Developer shall enforce such covenant and shall not itself so discriminate.

b. Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234. The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children

---

[1] **This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Developer requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.**

and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

c. Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. Seq.*, 42 U.S.C. 6101 *et. Seq*., and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

d. Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 *et. Seq*. This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

e. Executive Order 11246, as amended. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

f. Executive Order 11063, as amended, including 24 CFR Part 107. This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

g. Section 504 of the Rehabilitation Act of 1973, as amended. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Developer must ensure that its programs are accessible to and usable by persons with disabilities.

h. The Americans with Disabilities Act (ADA) of 1990, as amended. This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

i. The Age Discrimination Act of 1975, as amended. This law provides in part that no person shall be excluded from participation in, be denied program

benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

j. EEO/AA Statement. Developer shall, in all solicitations or advertisements for employees placed by or on behalf of Developer, state that it is an Equal Opportunity or Affirmative Action employer.

k. Minority/Women Business Enterprise. Developer will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "**small business**" means a business that meets the criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "**minority and women-owned business enterprise**" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "**minority group members**" are Afro-Americans, Spanish-speaking, Spanish surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Developer may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

l. Nondiscrimination. Developer shall comply with the federal requirements and nondiscrimination provisions in 24 C.F.R. § 92.350, which include requirements on nondiscrimination and equal opportunity, disclosure requirements, debarred, suspended or ineligible contractors, and maintaining a drug-free workplace.

4. Environmental.

a. Air and Water. Developer shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, *et seq*.; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, *et seq*., as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 CFR Part 50, as amended.

b. Flood Disaster Protection Act of 1973. Developer shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

c. Lead-Based Paint. Developer shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. 92.355, including 24 C.F.R. Part 35, *et. Al*.

d. Historic Preservation. Developer shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation

Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

e. Limitation on Activities Pending Clearance. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Developer. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may result in approval, modification of cancellation of the City HOME Loan. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

5. Uniform Administrative Requirements. If applicable, Developer shall comply with applicable uniform administrative requirements as described in 24 C.F.R. §§ 92.505.

6. Other Program Requirements. Developer shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart H of 24 C.F.R. § 92 except for City's responsibility for initiating the environmental review process under the provisions of 24 C.F.R. Part 58.

7. Relocation. City shall not be responsible for relocating any occupants from the Site in connection with the Program or Project. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601 et seq., as amended, and implementing regulations, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Site, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to the provision of relocation assistance.

8. Project Requirements. Developer shall comply with all project requirements set forth in 24 C.F.R. §§ 92.250-92.258, as applicable in accordance with the type of project assisted.

9. Property Standards. Developer shall perform any construction work and maintain the HOME Units in compliance with the property standards in 24 C.F.R. § 92.251 and the lead-based paint requirements in 24 C.F.R. § 92 Part 35, Subparts A, B, J, K, M and R, as applicable.

10. Records and Reports. Developer shall provide to City all records and reports relating to the Program Activities that may be reasonably requested by City in order to enable it to perform its recordkeeping and reporting obligations pursuant to the HOME Requirements, including 24 C.F.R. §§ 92.508 and 92.509.

11. Conflict of Interest. Developer will comply with 2 C.F.R. Part 200 and 24 C.F.R. 84.42, 85.36 and 92.356, as applicable, regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

i. Developer shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

ii. No employee, officer or agent of the Developer shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

iii. No covered persons who exercise or have exercised any functions or responsibilities with respect to HOME-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the HOME-assisted activity, or with respect to the proceeds from the HOME-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "**covered person**" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Developer, or any designated public agency.

12. Affirmative Marketing. If the City HOME Loan will be used for housing containing 5 or more assisted units, Developer shall establish for City's review and approval a plan and procedures to affirmatively market the units. The objective of the plan shall be to provide information and attract eligible persons from all racial, ethnic and general groups in the housing market area to the available housing. In connection therewith, Developer shall perform those affirmative marketing responsibilities set forth in 24 C.F.R. § 92.351(a) and the marketing plan shall include the following:

a. methods for informing the public, owners, and potential tenants about federal fair housing loans and the City's affirmative marketing policy;

b. requirements and practices Developer must adhere to in order to carry out the affirmative marketing procedures and requirements;

c. procedures to be used by Developer to inform and solicit applications from persons in the housing market area that are not likely to apply for the housing without special outreach;

d. records that will be kept describing actions taken by Developer to affirmatively market units and records to assess the results of those actions; and

e. a description of how Developer will assess the success of affirmative marketing actions and what corrective actions will be taken where affirmative marketing requirements are not met.

13. Displacement. Consistent with the other goals and objectives of Subpart H of 24 C.F.R. § 92, Developer shall take all reasonable steps to minimize the displacement of persons (families, individuals, businesses, nonprofit organizations, and farms) as a result of the Program Activities.

14. Debarment and Suspension. As required in 24 C.F.R. § 92.357, Developer shall comply with all debarment and suspension certifications.

15. Enforcement of Agreement. In addition to the other provisions set forth in the Agreement, City shall have the authority to enforce Developer's obligation to comply with the HOME Requirements.

16. Return of HOME Funds. Upon the completion of the Project or earlier termination of the Agreement, Developer shall transfer to City any HOME funds on hand for which Eligible Loan Expenses have not been incurred and any accounts receivable attributable to the use of HOME funds. In addition to the foregoing, in the event the Eligible Loan Expenses for which any disbursement of City HOME Loan funds are disbursed are not incurred by Developer within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Developer immediately return the City HOME Loan proceeds to City.

17. Monitoring. Not less than once per year, City shall review Developer's activities and operations under the Agreement and Developer's compliance with the HOME Requirements. Such review may include an on-site inspection of the HOME Units (including unit interiors). If such an on-site inspection of the HOME Units is to be undertaken, City shall coordinate such inspection with Developer. The monitoring required pursuant to this paragraph shall be in compliance with the requirements of 24 C.F.R. § 92.504.

18. Tenant Participation Plan. Developer shall provide to City for approval the form of the lease agreement to be used for the rental units, which lease must be fair and provide for a grievance procedure. In addition, Developer shall provide to City for approval a plan that provides for tenant participation in management decisions. (24 C.F.R § 92.303.)

19. Anti-Lobbying Certification. By its execution of the Agreement, Developer hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Developer shall execute a separate document that contains the certifications set forth above.

20. Drug-Free Workplace Requirements. Developer shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

i. Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

ii. Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

iii. Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

iv. Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.

v. Notifying the agency in writing, within ten calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

vi. Taking one of the following actions, within 30 calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

vii. Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

21. Broadband Infrastructure. Any new construction or substantial rehabilitation, as substantial rehabilitation is defined by 24 C.F.R. 5.100, of a building with more than 4 rental units, for which HOME funds are first obligated by the City on or after April 19, 2017, shall include installation of broadband infrastructure, as this term is also defined in 24 C.F.R. 5.100, except where the City determines and, in accordance with § 92.508(a)(3)(iv), documents the determination that:

(a) The location of the new construction makes installation of broadband infrastructure infeasible; or

(b) The cost of installing the infrastructure would result in a fundamental alteration in the nature of its program or activity or in an undue financial burden.

22. Procurement. If applicable, Developer shall comply with the procurement standards under 2 C.F.R. §§ 200.317-200.326. Developer shall comply with all existing and future City policies concerning the purchase of equipment.

23. Section 3 of the Housing and Community Development Act of 1968. Participant shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 75, and any applicable rules and orders of HUD issued thereunder. 24 C.F.R, Part 75 specifies that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons. The following benchmarks for the proportion of work hours by Section 3 workers and Targeted Section 3 workers, as defined at 24 C.F.R. Part 75.21:

(a) Twenty-five (25) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Section 3 workers; and

(b) Five (5) percent or more of the total number of labor hours worked by all workers on a Section 3 project are Targeted Section 3 workers.

It is the responsibility of contractors and subcontractors to implement efforts to achieve Section 3 compliance. Any contractor that does not meet the Section 3 benchmarks shall demonstrate in writing why meeting the benchmarks were not feasible.

24. Violence Against Women Act Requirements. The Violence Against Women Act (VAWA) requirements set forth in 24 C.F.R. Part 5, Subpart L, apply to all HOME assisted rental housing. For the HOME program, the "**covered housing provider,**" as this term is used in HUD's regulations in 24 CFR part 5, subpart L, refers to: (i) The housing owner for the purposes of 24 CFR 5.2005(d)(1), (d)(3), and (d)(4) and § 5.2009(a); and (ii) The participating jurisdiction and the owner for purposes of 24 CFR 5.2005(d)(2), 5.2005(e), and 5.2007, except as otherwise provided in paragraph (g) of this section. Developer shall cause to include appropriate VAWA lease term/addendum in its leases with tenants of HOME Units. For HOME-funded projects, the following requirement shall apply in place of the requirements at 24 CFR 5.2009(b): If a family living in a HOME Unit separates under 24 CFR 5.2009(a), the remaining tenant(s) may remain in the HOME Unit.

* * *

ATTACHMENT NO. 4

PROJECT BUDGET

[Attached]

Cartwright Family Apartments

Revised: 5/15/2023

Version: Pre-Construction Closing

SOURCES OF FUNDS

PERMANENT SOURCES	Amount	Total Interest	Term (Yrs)	Comments
Citibank Tax-Exempt Loan	$10,230,000.00	6.20%	40	
City of Irvine (PLHA and Other Local Funds)	$8,419,952.18	0.50%	55	
City of Irvine (HOME)	$2,451,837.82	0.50%	55	
SNHP-MHSA (Orange County)	$1,574,810.00	3.00%	55	
Orange County	$2,067,000.00	3.00%	55	
Deferred Developer Fee	$2,252,172.00			
Refundable Performance Deposit	$1,000,000.00			
General Partner Equity	$100.00			
Limited Partner Equity	*$15,147,748.00*			*Credit Price: $0.930*
TOTAL	**$43,143,620**			
vs. TDC	*$43,143,620*			
Financing Surplus/(Gap)	*$0.00*			

CONSTRUCTION SOURCES	Amount	Total Interest	Term (Mnts)	Comments
BofA Tax Exempt Const. Loan	$21,000,000.00	8.00%	30	*Bonds sized at 53.6% of Aggregate Basis*
Taxable Bonds	$2,452,288.00	8.00%	30	
City of Irvine (PLHA and Other Local Funds)	$8,419,952.18	0.50%	30	
City of Irvine (HOME)	$2,451,837.82	0.50%	30	
SNHP-MHSA (Orange County)	$1,574,810.00	3.00%	30	
Deferred Developer Fee	$2,252,172.00			
General Partner Equity	$100.00			
Limited Partner Equity	*$3,029,550.00*			*20% of Federal Equity.*
Dev. Fee Deferred Until Completion	$1,493,830.00			
Other Costs Deferred Until Completion	$469,080.00			*Refer to Development Budget for Details.*
TOTAL	**$43,143,620.00**			
vs. TDC	*$43,143,620.00*			
Financing Surplus/(Gap)	*$0.00*			

Cartwright Family Apartments

Revised: 5/15/2023

Version: Pre-Construction Closing

DEVELOPMENT BUDGET

Item	Total Project Costs	Depreciable Residential	Non - Depreciable	Amortize	Expense	Construction /Rehab Basis	Aggregate Basis
ACQUISITION							
Land	$7,400,000	$0	$7,400,000				$7,400,000
Demolition	$300,000	$0	$300,000				$300,000
Subtotal Acquisition	**$7,700,000**	**$0**	**$7,700,000**	**$0**	**$0**	**$0**	**$7,700,000**
CONSTRUCTION							
Residential Structures	$13,573,650	$13,573,650				$13,573,650	$13,573,650
Offsite Improvements/Reimbursements	$321,000	$321,000				$321,000	$321,000
Site Work	$2,663,000	$2,238,000	$425,000			$2,238,000	$2,238,000
FF&E Included in Contract	$280,000	*$280,000*				$280,000	$280,000
General Requirement (Approx. 6%)	$1,000,259	$1,000,259				$1,000,259	$1,000,259
GC Overhead (Approx. 2%)	$342,753	$342,753				$342,753	$342,753
Contractor Profit (Approx. 6%)	$1,056,259	$1,056,259				$1,056,259	$1,056,259
Construction Contingency (Approx. 10%)	$1,925,692	$1,925,692				$1,925,692	$1,925,692
Subtotal Construction	**$21,162,613**	**$20,737,613**	**$425,000**	**$0**	**$0**	**$20,737,613**	**$20,737,613**
SOFT COSTS							
Local Development Impact Fees	$2,009,198	$2,009,198				$2,009,198	$2,009,198
Local Permit Processing Fees	$350,000	$350,000				$350,000	$350,000
Environmental Studies	$125,000	$0			$125,000	$0	$0
Appraisal & Market Study	$25,000	$25,000				$25,000	$25,000
Engineering	$350,000	$350,000				$350,000	$350,000
Architectural Design & Supervision	$732,000	$732,000				$732,000	$732,000
Civil Engineering	$224,000	$224,000				$224,000	$224,000
Soils Engineer	$125,000	$125,000				$125,000	$125,000
Legal: Construction	$80,000	$80,000				$80,000	$80,000
Legal: Organization of Partnership	$5,000	$0		$5,000		$0	$0
Legal: Syndication	$48,000	$0	$48,000			$0	$0
Title/Recording/Escrow - Construction	$72,000	$72,000				$72,000	$72,000
Const. Loan Interest	*$2,197,800*	$1,309,400			*$888,400*	$1,309,400	$1,309,400
Marketing (lease-up, Advertisement, Setup)	$90,000	$0			$90,000	$0	$0
Construction Inspection	$20,000	$20,000				$20,000	$20,000
Performance Deposit	$1,000,000	$0	$1,000,000			$0	$0
Insurance	$454,312	$454,312				$454,312	$454,312
Real Estate Taxes	$320,000	$160,000			$160,000	$160,000	$160,000
TCAC App/Allocation - (Mont. Fee Below)	$17,790	$0		$17,790		$0	$0
Soft Cost Contingency	$301,350	$174,718	$126,632			$174,718	$174,718
Investor Due Diligence	$60,000	$0	$60,000			$0	$0
Audit/Cost Certification	$32,450	$0			$32,450	$0	$0
Furnishings (PSH Units & Pool Area)	$250,000	$250,000				$250,000	$250,000
Developer Fee (Overhead)	$1,021,501	$1,021,501				$1,021,501	$1,021,501
Developer Fee (Profit)	$3,064,501	$3,064,501	$0			$3,064,501	$3,064,501
Subtotal Soft Costs	**$12,974,902**	**$10,421,630**	**$1,234,632**	**$22,790**	**$1,295,850**	**$10,421,630**	**$10,421,630**
COSTS DEFERRED UNTIL CONVERSION							
Title/Recording/Escrow - Permanent	$21,390	$0		$21,390		$0	
Operating Reserve	$301,000	$0	$301,000			$0	
Replacement Reserve	$57,000	$0	$57,000			$0	
TCAC Monitoring Fee	$24,190	$0		$24,190		$0	
Permanent Conversion Fee	$10,000	$0		$10,000		$0	
Perm Conversion Expenses	$7,500	$0		$7,500		$0	
Legal: Permanent	$12,500			$12,500			
Accrued Contingent Loan Interest	$0	*$145,808*				$145,808	
Social Service Set Up Fee & County Set Up Fee	$35,500		$35,500				
Subtotal Deferred Costs	**$469,080**	**$145,808**	**$393,500**	**$75,580**	**$0**	**$145,808**	**$0**
FINANCING COSTS							
Issuer Origination Fee (CMFA)	$39,226	$0		$39,226		$0	$0
Issuer Counsel	$7,500	$0		$7,500		$0	$0
Bond Counsel	$57,000	$0		$57,000		$0	$0
Trustee Fees	$6,500	$0		$6,500		$0	$0
Constr. Lender Orig. Fees	$234,523	$234,523				$234,523	$234,523
Constr. Lender Expenses	$12,000	$12,000				$12,000	$12,000
Constr. Lender Legal	$70,000	$70,000				$70,000	$70,000
Rate Cap Fee	$200,000	$0		$200,000		$0	$0
Perm Lender Orig. Fee	$102,300			$102,300		$0	$0
Perm Lender's Expenses	$15,000			$15,000		$0	$0
Perm Lender Legal	$55,000			$55,000		$0	$0
CDLAC Fee	$8,208	$0		$8,208		$0	$0
CDIAC Fee	$3,518	$0		$3,518		$0	$0
Issuer Fee During Construction	$26,250	$0		$26,250		$0	$0
Subtotal Financing Costs	**$837,025**	**$316,523**	**$0**	**$520,502**	**$0**	**$316,523**	**$316,523**
TOTAL DEVELOPMENT COST	**$43,143,620**	**$31,621,574**	**$9,753,132**	**$618,872**	**$1,295,850**	**$31,621,574**	**$39,175,766**

CONSTRUCTION USES BY FUNDING SOURCE

	Total Project Costs	BofA Tax Exempt Const. Loan	Taxable Bonds	SNHP-MHSA (Orange County)	City of Irvine (PLHA and Other Local Funds)	City of Irvine (HOME)	Deferred Developer Fee	General Partner Equity	Limited Partner Equity	Other Costs Deferred Until Completion
ACQUISITION										
Land	$7,400,000				*$7,100,000*				$300,000	
Demolition	$300,000								$300,000	
Subtotal Acquisition	**$7,700,000**	**$0**	**$0**	**$0**	**$7,100,000**	**$0**	**$0**	**$0**	**$600,000**	**$0**
CONSTRUCTION										
Residential Structures	$13,573,650	$12,399,266				$1,052,734			$121,650	
Offsite Improvements/Reimbursements	$321,000								$321,000	
Site Work	$2,663,000	$2,663,000								
FF&E Included in Contract	$280,000	$280,000								
General Requirement (Approx. 6%)	$1,000,259	$1,000,259								
GC Overhead (Approx. 2%)	$342,753	$342,753								
Contractor Profit (Approx. 6%)	$1,056,259	$1,056,259								
Construction Contingency (Approx. 10%)	$1,925,692		$1,047,342						$878,350	
Subtotal Construction	**$21,162,613**	**$17,741,537**	**$1,047,342**	**$0**	**$0**	**$1,052,734**	**$0**	**$0**	**$1,321,000**	**$0**
SOFT COSTS										
Local Development Impact Fees	$2,009,198	$2,009,098						$100		
Local Permit Processing Fees	$350,000	$150,402		$199,598						
Environmental Studies	$125,000								$125,000	
Appraisal & Market Study	$25,000								$25,000	
Engineering	$350,000	$350,000								
Architectural Design & Supervision	$732,000	$132,148			$599,852					
Civil Engineering	$224,000	$224,000								
Soils Engineer	$125,000	$125,000								
Legal: Construction	$80,000	*$55,000*		*$25,000*						
Legal: Organization of Partnership	$5,000								*$5,000*	
Legal: Syndication	$48,000								*$48,000*	
Title/Recording/Escrow - Construction	$72,000			*$72,000*						
Const. Loan Interest	$2,197,800		$103,596		$720,100	$1,374,104				
Marketing (lease-up, Advertisement, Setup)	$90,000								$90,000	
Construction Inspection	$20,000	$20,000								
Performance Deposit	$1,000,000		$1,000,000							
Insurance	$454,312			*$454,312*						
Real Estate Taxes	$320,000								$320,000	
TCAC App/Allocation - (Mont. Fee Below)	$17,790								$17,790	
Soft Cost Contingency	$301,350		$301,350							
Investor Due Diligence	$60,000								*$60,000*	
Audit/Cost Certification	$32,450					$25,000			$7,450	
Furnishings (PSH Units & Pool Area)	$250,000	$192,815							$57,185	
Developer Fee (Overhead)	$1,021,501						$681,501		*$340,000*	
Developer Fee (Profit)	$3,064,501						$1,704,501			$1,360,000
Subtotal Soft Costs	**$12,974,902**	**$3,258,463**	**$1,404,946**	**$750,910**	**$1,319,952**	**$1,399,104**	**$2,386,002**	**$100**	**$1,095,425**	**$1,360,000**
COSTS DEFERRED UNTIL CONVERSION										
Title/Recording/Escrow - Permanent	$21,390									$21,390
Operating Reserve	$301,000									$301,000
Replacement Reserve	$57,000									$57,000
TCAC Monitoring Fee	$24,190									$24,190
Permanent Conversion Fee	$10,000									$10,000
Perm Conversion Expenses	$7,500									$7,500
Legal: Permanent	$12,500									$12,500
Social Service Set Up Fee & County Set Up Fee	$35,500									$35,500
Subtotal Deferred Costs	**$469,080**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$469,080**
FINANCING COSTS										
Issuer Origination Fee (CMFA)	$39,226			*$39,226*						
Issuer Counsel	$7,500			*$7,500*						
Bond Counsel	$57,000			*$57,000*						
Trustee Fees	$6,500			*$6,500*						
Constr. Lender Orig. Fees	$234,523			*$234,523*						
Constr. Lender Expenses	$12,000			*$12,000*						
Constr. Lender Legal	$70,000			*$70,000*						
Rate Cap Fee	$200,000			*$200,000*						
Perm Lender Orig. Fee	$102,300			*$102,300*						
Perm Lender's Expenses	$15,000			*$15,000*						
Perm Lender Legal	$55,000			*$55,000*						
CDLAC Fee	$8,208			*$8,208*						
CDIAC Fee	$3,518			*$3,518*						
Issuer Fee During Construction	$26,250			*$13,125*					$13,125	
Subtotal Financing Costs	**$837,025**	**$0**	**$0**	**$823,900**	**$0**	**$0**	**$0**	**$0**	**$13,125**	**$0**
TOTAL DEVELOPMENT COST	**$43,143,620**	**$21,000,000**	**$2,452,288**	**$1,574,810**	**$8,419,952**	**$2,451,838**	**$2,386,002**	**$100**	**$3,029,550**	**$1,829,080**

ATTACHMENT NO. 5

CITY HOME LOAN NOTE

[Attached]

PROMISSORY NOTE (CITY HOME LOAN) SECURED BY DEED OF TRUST

$2,451,837.82 May 18, 2023

FOR VALUE RECEIVED, the undersigned, CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership ("**Borrower**"), promises to pay to the CITY OF IRVINE, a California municipal corporation ("**City**"), the sum of Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) or so much thereof as may be disbursed hereunder ("**Note Amount**"), plus accrued interest on the unpaid principal, plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions set forth in this Promissory Note (City HOME Loan) Secured by Deed of Trust ("**Note**"). Except as otherwise provided herein, all terms not otherwise defined herein shall have the meaning ascribed in Exhibit "A" to this Note.

Reference is made to the following documents (collectively, together with this Note, the "**City HOME Loan Documents**"):

(1) The Affordable Housing and Loan Agreement between Borrower and City dated on or about the date hereof, which sets forth the terms and conditions for City's agreement to provide the "City HOME Loan" (as that term is defined in Section 1 below) to Borrower ("**City HOME Loan Agreement**").

(2) The Regulatory Agreement and Declaration of Covenants and Restrictions (City HOME Funds) between Borrower and City dated on or about the date hereof, and recorded against the real property to be developed by Borrower pursuant to the City HOME Loan Agreement ("**Property**"), in the Official Records of Orange County, California, as may be amended from time to time ("**City HOME Regulatory Agreement**").

(3) The City HOME Loan Deed of Trust with Assignment of Rents (HOME Loan) that shall be executed by Borrower for the benefit of City securing the City HOME Loan, and recorded in the Official Records of Orange County, California, as more particularly set forth in the Loan Agreement ("**City HOME Loan Deed of Trust**").

1. Loan Amount. The principal amount of the City's loan to Borrower is Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) ("**City HOME Loan**"), which shall accrue simple interest at the rate of one-half percent (0.5%) per annum commencing on the date of this Note. The City HOME Loan shall be disbursed to Borrower in accordance with the City HOME Loan Agreement, when costs are incurred for "Eligible HOME Loan Expenses" (as that term is defined in the City HOME Loan Agreement).

2. Term of Note; Repayment of Loan Amount. Except as provided below, the entire City HOME Loan and accrued interest thereon shall be due and payable in a single lump-sum payment on the date that is fifty-five (55) years after all units in the rental

affordable housing development Borrower is constructing and operating on the Property pursuant to the City HOME Loan Agreement and City HOME Regulatory Agreement ("**Project**") have received all required occupancy permits from the City, but in no event later than the date that is fifty-seven (57) years after the date of this Note. There shall be no penalty to Borrower for any prepayment of the City HOME Loan.

Commencing as of the date all amounts due to City under the "AHA Note" (as that term is defined in the City HOME Loan Agreement have been fully repaid (such date, the "**Note Repayment Commencement Date**"), the Note Amount shall be paid by the Borrower's annual payment to City of thirty-seven and forty-five hundredths percent (37.45%) of the Project Cash Flow from operation of the Project ("**City's Share**"), as determined by a Project Cash Flow calculation from the operation of the Project the preceding calendar year. Annual Project Cash Flow payments shall be made by the Borrower by cashier's check and shall be delivered on or before May 31st for each year during the term of this Note commencing on the Note Repayment Commencement Date and continuing until the Note Amount and all unpaid interest thereon has been repaid in full. Additionally, following the Note Repayment Commencement Date, the Note Amount shall be paid by any or all of the following: (i) seventy-five percent (75%) of the Refinancing Net Proceeds immediately upon any refinancing of the loans secured by the Property (or any part thereof), subject to any required pro rata split with other public agency lenders, to the extent applicable, (ii) one hundred percent (100%) of the Transfer Net Proceeds immediately upon any transfer in whole or in part of the Project, subject to any required pro rata split with other public agency lenders, to the extent applicable, and (iii) any Cost Savings, pursuant to Section 2.4 of the "AHA" (as that term is defined in the City HOME Loan Agreement). Borrower acknowledges that City's Share has been determined based on the collective principal amount of the City HOME Loan amount and the amount of the "AHA Loan" (as that term is defined in the City HOME Loan Agreement) and one hundred percent (100%) of City's Share shall be allocated to repayment of the AHA Loan until the AHA Loan has been fully repaid, at which time one hundred percent (100%) of City's Share shall be allocated to repayment of this Note.

3. Records. For the purposes of ascertaining the amount of Project Cash Flow, Borrower shall prepare and keep or cause to be prepared and kept on the Property or at Borrower's principal place of business if located in Orange County, California (or at such other location approved by City, which approval shall not be unreasonably withheld) for a period of not less than twenty-four (24) months following the end of each calendar year, adequate records for the computation of Gross Income and Operating Expenses.

4. Reports. Commencing in the calendar year after the end of the tax credit compliance period for the Project under Internal Revenue Code Section 42(i)(1), Borrower shall submit to City on or before August 1 of each calendar year, together with the remittance of the payment due, if any, a written audit report prepared and certified by an independent professional accountant of Borrower's choosing, and acknowledged and signed by Borrower (or if Borrower is a corporation or a partnership, by a duly authorized corporate officer or general partner of Borrower) to be true and correct, showing in reasonable, accurate detail the amount of Project Cash Flow for the immediately preceding calendar year. The reports and certificates referred to herein shall be in such

form and style and contain such details and breakdown as City may deem reasonably acceptable. The acceptance by City of payments shall be without prejudice to City's right to an examination of the books and records of Borrower in order to verify the amount of Project Cash Flow. If Borrower fails to prepare and deliver promptly any required audit report, City shall have the right, at Borrower's expense, to make an audit of all books and records of Borrower, including its respective bank accounts, which in any way pertain to or show Project Cash Flow, and to prepare the report or reports which Borrower has failed to prepare and deliver. Borrower shall give City access to such books and records at all reasonable times for purposes of preparing any such report.

5. Audit. From time to time and at any time, City or City's representative may examine any records required to be maintained under Section 3 during regular business hours upon not less than seventy-two (72) hours written notice for the purpose of investigating and verifying the accuracy of any statement of Project Cash Flow. City may from time to time and at any time, upon reasonable notice, cause an audit of Borrower's books and records to be made by a person or persons of City's selection and, if any statements of Project Cash Flow made to City shall be found to be inaccurate, one party shall pay to the other on demand such sums as may be necessary to settle in full the actual payment that should have been paid to City for the calendar years covered by such inaccurate statement or statements. If said audit shall disclose an inaccuracy which resulted in an underpayment to City greater than two and one-half percent (2.5%) for the applicable period, then Borrower shall immediately pay to City the cost of such audit; otherwise, the cost of such audit shall be paid by City.

6. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default or, for defaults that cannot be cured within such thirty (30) day period, the cure of such default is not commenced within thirty (30) days after Borrower's receipt of the written notice of default from City and thereafter diligently prosecuted to completion within an additional sixty (60) days following the conclusion of such thirty (30) days period (for a total of ninety (90) days), or (iii) Borrower is in default of the City HOME Loan Agreement, the City HOME Regulatory Agreement, the City HOME Loan Deed of Trust, the AHA, the AHA Note, the "AHA Deed of Trust," or the "AHA Regulatory Agreement" (as those terms are defined in the City HOME Loan Agreement) and fails to timely cure such default under the terms of the applicable agreement, it being understood and agreed by Borrower that a default of any of the foregoing agreements (beyond any applicable cure period) shall be a default of this Note. In the event Borrower is in default under this Note (and after expiration of the cure periods described in the preceding sentence), City may declare the City HOME Loan immediately due and payable.

In addition to Borrower's cure rights hereunder, NEF Assignment Corporation, an Illinois not-for-profit corporation, or its successors and assigns permitted pursuant to the City HOME Loan Agreement and City HOME Regulatory Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Borrower, shall have ten (10) days after

receipt of a default notice from City to cure a monetary default of this Note and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Note; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall provide a copy of any written notice of default at the Investor's mailing address as set forth in Section 15. City shall accept any cure made by Investor as if made by Borrower, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Note.

7. Additional Terms; Place of Payment, Etc.

(i) Payment of the City HOME Loan shall be made in lawful money of the United States to City at the address set forth below in this Note or at such other address as City or the holder of this Note may direct pursuant to written notice delivered to Borrower.

(ii) If Borrower fails to timely make a required payment within ten (10) days following the due date of such payment, interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less, shall accrue on the outstanding amount due commencing from the date payment was due.

(iii) Borrower agrees to pay the following costs, expenses, and reasonable attorney's fees paid or incurred by City, or adjudged by the court, in the collection of amounts in default or other costs incurred as a result of a default by Borrower: (i) reasonable costs of collection, including costs and expenses and attorney's fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed, and (ii) costs of suit and such sums as the court may adjudge as reasonable attorney's fees in any action to enforce payment of this Note or any part of it if City prevails in such suit.

8. Assignment. With the exception of "**Permitted Transfers**" under the City HOME Loan Agreement, this Note shall not be assignable or assumable without the prior, express, written consent of City which may be given or withheld in City's sole and absolute discretion.

9. Waiver of Presentment. Notwithstanding any other provision herein to the contrary, to the extent permitted by law, Borrower hereby waives the following: (i) notice of default or delinquency except defaults or delinquencies of which City has actual notice, (ii) notice of acceleration, (iii) notice of nonpayment, (iv) notice of costs, expenses and losses and interest thereon, (v) notice of interest on interest and late charges, (vi) diligence in taking any action to collect any sums owing under this Note or in proceeding against any of the rights and presentment for payment, demand, protest, and notices of dishonor and/or protest; (vii) the benefits of all waivable exemptions; and (viii) all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this Note, in whole or in part, whether before or after maturity and with or without notice.

10. Acceleration Upon Sale, Lease, Encumbrance, or Refinance. To the extent permitted by applicable law, if:

(a) Borrower shall directly or indirectly, voluntarily or involuntarily, or by operation of law or otherwise, including transfers by devise, foreclosure (or deed in lieu of foreclosure) on another deed of trust other than the City HOME Loan Deed of Trust, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of the Property (excluding the lease of the units on the Property in accordance with the City HOME Loan Agreement and City HOME Regulatory Agreement, the lien of the "Permitted Encumbrances" (as that term is defined in the City HOME Loan Agreement), a transfer that is permitted under the City HOME Loan Agreement or the City HOME Regulatory Agreement without City approval provided an assignment and assumption agreement in a form approved by City is executed, and any other assignment, transfer, or encumbrance approved in writing by City's "Contract Officer" (as that term is defined in the City HOME Loan Agreement));

(b) Borrower shall refinance any lien or encumbrance on terms not reasonably approved by City or, unless otherwise approved in writing by City's Contract Officer, for a loan amount which when combined with all of the other security financing encumbering the Property exceeds: (i) prior to the completion of construction of the Project, ninety percent (90%) of the appraised as-completed value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, and (ii) after the completion of construction of the Project, ninety percent (90%) of the appraised value of the Property plus the value of tax credits allocated to the Project pursuant to a Low Income Housing Tax Credit Program approved by the California Tax Credit Allocation Committee, with said values evidenced by an appraisal or other evidence acceptable to City;

(c) Borrower shall refinance any lien or encumbrance and use the proceeds for any purpose other than the construction and operation of the Project on the Property; and

(d) any default shall occur under the City HOME Loan Agreement, City HOME Loan Deed of Trust, City HOME Regulatory Agreement, AHA, AHA Note, AHA Deed of Trust, or AHA Regulatory Agreement (other than a default of City), or Borrower shall be in default under any documents relating to any other financing that is secured by the Property, and any such default is not cured under the terms of the applicable agreement if there is a cure period.

11. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction. The prevailing party in any litigation between the parties arising out of or connected to this Note, in addition to whatever other relief to which the prevailing party is entitled, shall

also be entitled to reasonable attorney's fees, including fees and costs for discovery, and any fees and costs for appeal.

12. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the City HOME Loan Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking, action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

13. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof without regard to conflict of law principles. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

14. Time of the Essence. Time is of the essence in this Note.

15. Notices. Formal notices, demands, and communications between City and Borrower shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Community Development Director
With a copy to:	Rutan & Tucker, LLP 18575 Jamboree Road, 9th Floor Irvine, CA 92612 Phone No.: 714-641-5100 Attention: Jeffrey T. Melching, Esq.

To Developer:	Cartwright Family Apartments, LP c/o C & C Deveopment Co., LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd R. Cottle and RCC MGP LLC 14131 Yorba St., Suite 204 Tustin, CA 92780 Attn: President
With a copy as long as a limited partner of Developer to:	NEF Assignment Corporation 10 S. Riverside Plaza, Suite 1700 Chicago, Illinois 60606 Attention: General Counsel
With a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins Email: lhutchins@goldfarblipman.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

16. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note or any of the other City HOME Loan Documents to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City HOME Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Property. The foregoing shall not apply to the extent Borrower no longer retains an interest in the Property. Nothing contained in this Section 16 shall in any manner or way constitute or be deemed a release of the debt evidenced by this Note or otherwise affect or impair the enforceability against Borrower of the liens, deeds of trust, assignments, rights and security interests created by the City HOME Loan Deed of Trust or any other instrument or agreement evidencing, securing or related to the indebtedness evidenced by this Note. Nothing in this Section 16 shall: (a) preclude City from foreclosing the lien of the City HOME Loan Deed of Trust or from enforcing any of its rights or remedies in

law or in equity against Borrower or its assets except as stated in this Section 16; (b) impair, in any manner, any right, remedy or recourse City may have against any party executing a guaranty or indemnity or any obligor of a performance or payment bond furnished under the City HOME Loan Documents pursuant to such performance or payment bond; (c) impair, in any manner, any right, remedy or recourse City may have against Borrower for fraud, bad faith waste or an intentional or knowing breach of any of the representations and warranties contained in any of the City HOME Loan Documents; (d) impair, in any manner, any right, remedy or recourse City may have against Borrower for indemnification under any of the City HOME Loan Documents; (e) impair, in any manner, any right, remedy or recourse City may have against Borrower for Borrower's failure to procure or maintain policies of insurance required by City to the extent of any loss proceeds which would have been generated by an uninsured loss which Borrower was required to insure hereunder; or (f) impair, in any manner, any right, remedy or recourse City may have against Borrower for any prohibited sale, transfer, conveyance or encumbrance in breach of any of the City HOME Loan Documents.

[signature on next page]

IN WITNESS WHEREOF, Borrower has executed this Note as of the date set forth above.

BORROWER:

Cartwright Family Apartments, LP,
a California limited partnership

By: RCC MGP LLC,
a California limited liability company,
its managing general partner

By: Riverside Charitable Corporation,
a California nonprofit public benefit corporation,
its sole member and manager

By: Recinda K. Shafer
Recinda K. Shafer, Deputy Executive Director

By: Cartwright CCR LLC,
a California limited liability company,
its developer general partner

By: C & C Development Co., LLC,
a California limited liability company,
its member and manager

By: _____
Todd R. Cottle, Trustee of the 2007
Todd R. Cottle and Jennifer N. Cottle
Revocable Trust, its member

EXHIBIT A TO PROMISSORY NOTE

DEFINITIONS APPLICABLE TO PROMISSORY NOTE

"**Assessments**" shall mean any and all special assessments, levies and charges on the Property made by any governmental entity, political subdivision, maintenance district, and any like entity, and homeowner association payments applicable to the Property and payable by Borrower.

"**Gross Income**" shall mean all amounts received by Borrower from third parties for the use or occupancy of the Project or any portion thereof, and for services provided thereon, whether or not denominated rent, including without limitation, rent, cost reimbursements, parking charges and amounts received by, payable to, or payable to the order of Borrower, but excluding security deposits.

"**Index**" shall mean the Consumer Price Index—Urban Consumers (Los Angeles-Long Beach-Anaheim CA, area; Base 1982-84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"**Operating Expenses**" shall mean, subject to the limitations set forth below, all expenses paid by Borrower in connection with the Project, whether ordinary or extraordinary, except expenses reimbursed by insurance, to the extent so reimbursed, and federal and state taxes on net income. The term Operating Expenses shall include (I) all insurance premiums, including, without limitation, premiums for fire, extended coverage, earthquake and flood insurance, liability insurance, boiler and machinery insurance and business interruption and loss of rents insurance and any other insurance required by any mortgagee or any limited partner of Borrower; (II) all Taxes and Assessments; (III) all costs and expenses of ownership, operation, management, maintenance and repair of the Project (including walkways, parking areas and landscaped areas), including, but not limited to, the following costs by way of illustration: (A) utility expenses (including heating, ventilating, and air conditioning); (B) labor costs, costs of materials, and contractors' fees incurred in the management, maintenance, repair and/or operation of the Project; (C) maintenance, repair and component replacement of mechanical, plumbing, heating and air conditioning systems and elevators (whether considered an operating or capitalized expense); (D) property management fees not to exceed not to exceed six percent (6%) of Gross Income per year; (E) accounting; (F) janitorial; (G) security; (H) supplies; (I) materials and equipment; (J) social services provided to tenants to the extent not paid by tenants or other sources; and (K) waste disposal; (IV) debt service on (A) indebtedness secured by a first position mortgage or deed of trust (other than the indebtedness payable from Project Cash Flow) in accordance with the original loan documents consented to by City evidencing such indebtedness or any refinancing of such indebtedness consented to by City; (B) any loan consented to by City to the extent the proceeds are used to restore, repair (and, if necessary, reconfigure) the improvements on the Property to the extent the proceeds of Borrower's portion of an award from a partial taking are insufficient or unavailable for such work provided City has

approved the amount and terms of such loan in the exercise of their reasonable discretion; and (C) any deed of trust or mortgage securing a loan the proceeds of which are used to repair, restore, maintain, improve or alter the improvements on the Property, if (i) such maintenance, repair, improvement or alterations is required or permitted by the terms of the Agreement and (ii) has approved the amount and terms of such loan in the exercise of its reasonable discretion; (V) payments into operating and replacement reserves otherwise required by a mortgagee or limited partner in Borrower and approved as an Operating Expense by City in its reasonable discretion; (VI) payments on any deferred developer fee, approved by City in its reasonable discretion; and (VII) payment of an asset management fee to the limited partner of Borrower not to exceed $5,000 per calendar year escalating at 2.5% annually; and (VIII) payments of a partnership management fee paid to the managing general partner of Borrower not to exceed $25,000 per calendar year escalating at 2.5% annually.

Notwithstanding anything to the contrary in the foregoing, Operating Expenses shall not exceed the reasonable cost thereof as measured by fees paid to third parties rendering similar services, Operating Expenses shall not include any items paid from any of the reserves described in subsection (V) above, and Operating Expenses shall not include debt service on the indebtedness evidenced by the Subordinate Financing. Legal and accounting fees shall only be included in Operating Expenses to the extent directly related to the operation, maintenance, improvement or leasing of the Project, drafting and negotiating leases and construction contracts, calculating tenant reimbursements, prosecuting unlawful detainer actions, preparation of tax returns, accounting reports and audits, reports and studies required by any governmental agency, and appeals in respect of taxes, assessments, or income and franchise taxes; provided, however, that costs associated with appeals of real property taxes and assessments shall be included in Operating Expenses only if City has approved Borrower's undertaking the applicable appeal in writing in advance (such approval not to unreasonably withheld, conditioned or delayed).

"**Project Cash Flow**" shall mean, with respect to any calendar year, the amount of Gross Income for such calendar year reduced by the Operating Expenses for such calendar year, determined on a basis consistent with prior periods in accordance with the cash method of accounting, and otherwise in accordance with generally accepted business and accounting principles; provided, however that for purposes of calculating Project Cash Flow, the term "**Operating Expenses**" may not include the amount of any Taxes for which Borrower is or was entitled to an exemption under Sections 214(g) or 236 of the California Revenue and Taxation Code, and such exemption was not obtained due to a failure on the part of said Borrower or successor to use commercially reasonable efforts to obtain the exemption.

"**Subordinate Financing**" shall mean any financing from any funding source, public or private, secured by a deed of trust that is subordinate to the City HOME Loan Deed of Trust.

"**Taxes**" shall mean real and personal property taxes, fees, assessments and charges, water and sewer rates and charges, and other similar governmental charges

and impositions, whether general or special, ordinary or extraordinary, which may be levied, assessed, charged or imposed, or may become a lien or charge upon the Property or any part or parts thereof, or upon Borrower's interest in the Property, Borrower's ownership rights in the improvements and fixtures on the Property.

[End of Exhibit A]

ATTACHMENT NO. 6

CITY HOME LOAN DEED OF TRUST WITH ASSIGNMENT OF RENTS

[Attached]

Recording Requested by:
Ticor Title National Commercial Services

735480

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Director of Community Development

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder
NO FEE
* $ R 0 0 1 4 3 5 9 2 3 7 $ *
2023000116540 3:34 pm 05/18/23
318 503A A36 D11 16
0.00 0.00 0.00 0.00 45.00 0.00 0.000.000.00 0.00

(Space Above For Recorder's Use)

This Deed of Trust with Assignment of Rents is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

CITY HOME LOAN DEED OF TRUST WITH ASSIGNMENT OF RENTS
(HOME Loan)

This DEED OF TRUST WITH ASSIGNMENT OF RENTS ("**Deed of Trust**") is made this 10 day of May, 2023, among CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership ("**Trustor**"), TICOR TITLE COMPANY OF CALIFORNIA, a California corporation ("**Trustee**"), and the CITY OF IRVINE, a California municipal corporation ("**Beneficiary**"). Recorded concurrently herewith

Trustor grants, transfers and assigns to Trustee in trust, upon the trusts, covenants, conditions and agreements and for the uses and purposes hereinafter contained, with power of sale, and right of entry and possession, all of its title and interest in that real property (the "**Property**") in the City of Irvine, County of Orange, State of California, described in Exhibit A attached hereto and incorporated herein by this reference.

Together with Beneficiary's interest in all buildings, structures and improvements of every nature whatsoever now or hereafter situated on the Property; and

Together with the rents, issues and profits thereof; and together with all buildings and improvements of every kind and description now or hereafter erected or placed thereon, and all fixtures, including but not limited to all gas and electric fixtures, engines and machinery, radiators, heaters, furnaces. Heating equipment, laundry equipment, steam and hot-water boilers, stoves, ranges, elevators and motors, bathtubs. Sinks, water closets, basins. Pipes, faucets and other plumbing and heating fixtures, mantles, cabinets, refrigerating plant and refrigerators, whether mechanical or otherwise, cooking apparatus and appurtenances, and all shades, awnings, screens, blinds and other furnishings, it being hereby agreed that all such fixtures and furnishings shall to the extent permitted by law be deemed to be permanently affixed to and a part of the realty; and

Together with all building materials and equipment now or hereafter delivered to said premises and intended to be installed therein; and

Together with all plans, drawings, specifications, and articles of personal property now or hereafter attached to or used in and about the building or buildings now erected or hereafter to be erected on the Property which are necessary to the completion and comfortable use and occupancy of such building or buildings for the purposes for which they were or are to be erected, including all other goods and chattels and personal property as are ever used or furnished in operating a building, or the activities conducted therein, similar to the one herein described and referred to, and all renewals or replacements thereof or articles in substitution therefor, whether or not the same are, or shall be attached to said building or buildings in any manner.

To have and to hold the property hereinbefore described (including the Property and all appurtenances), all such property being referred to collectively herein as the "**Property,**" to Trustee, its successors and assigns forever.

FOR THE PURPOSE of securing (l) payment of indebtedness of Trustor to the Beneficiary in the principal sum of Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) (the "**City HOME Loan**"), evidenced by a promissory note of even date herewith between Trustor and Beneficiary (the "**City HOME Loan Note**"), together with all sums due thereunder including interest and other charges; and (2) the performance of each agreement of Trustor in this Deed of Trust and the City HOME Loan Note. Said City HOME Loan Note and all of its terms are incorporated herein by reference and this conveyance shall secure any and all extensions, amendments, modifications or renewals thereof however evidenced, and additional advances of the City HOME Loan evidenced by any note reciting that it is secured hereby.

AND TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR COVENANTS AND AGREES:

1. That it will pay the City HOME Loan Note at the time and in the manner provided therein;

2. That it will not permit or suffer the use of any of the Property for any purpose other than the use for which the same was intended at the time this Deed of Trust was executed, namely, as affordable rental housing;

3. That the City HOME Loan Note is incorporated herein and made a part of this Deed of Trust. Upon default under the City HOME Loan Note or this Deed of Trust, Beneficiary, at its option, may declare the whole of the indebtedness secured hereby to be due and payable;

4. That all rents, profits, and income from the Property covered by this Deed of Trust are hereby assigned to Beneficiary for the purpose of discharging the debt hereby secured. Permission is hereby given to Trustor so long as no default exists hereunder, to collect such rents, profits, and income;

5. That upon default hereunder, Beneficiary shall be entitled to the appointment of a receiver by any court having jurisdiction, without notice, to take possession and protect the Property described herein and operate same and collect the rents, profits and income therefrom;

6. That Trustor will keep the improvements now existing or hereafter erected on the Property insured against loss by fire and such other hazards, casualties and contingencies as may be required in writing from time to time by Beneficiary, and all such insurance shall be evidenced by standard fire and extended coverage insurance policy or policies, in the amount of the replacement value of the improvements. Such policies shall be endorsed with a standard mortgage clause with loss payable to Beneficiary subordinate to the rights and interest of the beneficiary of the Senior Loan Deed of Trust described in paragraph 31, below) and certificates thereof together with copies of original policies shall be deposited with Beneficiary;

7. To pay, before delinquency, any taxes and assessments affecting said Property when due, all encumbrances, charges, and liens, with interest, on said Property or any part thereof which appear to be prior or superior hereto. All costs, fees and expenses of this Trust;

8. To keep said Property in good condition and repair, not to remove or demolish any buildings thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor (unless contested in good faith if Trustor provides security satisfactory to Beneficiary that any amounts found to be due will be paid and no sale of the Property or other impairment of the security hereunder will occur); to comply with all laws affecting said Property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said Property in violation of law and/or covenants, conditions and/or restrictions affecting said Property; not to permit or suffer any alteration of or addition to the buildings or improvements hereafter constructed in or upon said Property without the consent of Beneficiary;

9. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of evidence of title and attorneys' fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear;

10. Should Trustor fail to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof may make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee, being authorized to enter upon said Property for such purposes, may commence, appear in and/or defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; may pay, purchase, contest or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising

any such powers, may pay necessary expenses, employ counsel, and pay counsel's reasonable fees;

11. Beneficiary shall have the right to pay fire and other property insurance premiums when due should Trustor fail to make any required premium payments. All such payments made by Beneficiary shall be added to the principal sum secured hereby;

12. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, under permission given under this Deed of Trust, with interest from date of expenditure at the rate specified in the City HOME Loan Note;

13. That the City HOME Loan advanced hereunder is to be used in the development of the Property; and upon the failure of Trustor to keep and perform such covenants, the principal sum and all arrears of interest, and other charges provided for in the City HOME Loan Note shall, at the option of Beneficiary, become due and payable, anything contained herein to the contrary notwithstanding;

14. Trustor further covenants that it will not voluntarily create, suffer or permit to be created against the Property, subject to this Deed of Trust, any lien or liens except as authorized by Beneficiary and further that it will keep and maintain the Property free from the claims of all persons supplying labor or materials which will enter into the construction of any and all buildings now being erected or to be erected on the Property;

15. That any and all improvements made or about to be made upon the Property, and all plans and specifications, comply with all applicable municipal ordinances and regulations and all other regulations made or promulgated, now or hereafter, by lawful authority, and that the same will upon completion comply with all such municipal ordinances and regulations and with the rules of the applicable fire rating or inspection organization, bureau, association, or office;

16. Trustor herein agrees to pay to Beneficiary or to the authorized loan servicing representative of Beneficiary a charge not to exceed that permitted by law for providing a statement regarding the obligation secured by this Deed of Trust as provided by Section 2954, Article 2, Chapter 2, Title 14, Division 3 of the California Civil Code.

IT IS MUTUALLY AGREED THAT:

17. Subject to the additional cure rights in Section 6 of the City HOME Loan Note, if the construction of any improvements as herein referred to shall not be carried on with reasonable diligence, or shall be discontinued at any time for any reason other than events of Force Majeure pursuant to Paragraph 36 hereof: Beneficiary, after due notice to Trustor or any subsequent owner, is hereby invested with full and complete authority to enter upon the Property, employ watchmen to protect such improvements from depredation or injury and to preserve and protect the personal property therein, and to continue any and all outstanding contracts for the erection and completion of said building or buildings, to make and enter into any contracts and obligations wherever necessary, either in its own name or in the name of Trustor, and to pay and discharge all debts, obligations and liabilities incurred thereby. All such sums so advanced by Beneficiary

(exclusive of advances of the principal of the indebtedness secured hereby) shall be added to the principal of the indebtedness secured hereby and shall be secured by this Deed of Trust and shall be due and payable on demand;

18. In the event of any fire or other casualty to the Project or eminent domain proceedings resulting in condemnation of the Project or any part thereof: Trustor shall have the right to rebuild the Project, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to rebuild the Project in a manner that provides adequate security to Beneficiary for repayment of the City HOME Loan or if such proceeds are insufficient then Trustor shall have funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the City HOME Loan Note or this Deed of Trust. If the casualty or condemnation affects only part of the Project and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the City HOME Loan in a manner that provides adequate security for repayment of the remaining balance of the City HOME Loan. The rights of the Beneficiary to any insurance proceeds or condemnation awards pursuant to this paragraph 18 are and shall be subject to the prior right to any insurance proceeds or condemnation awards of the beneficiary of the Senior Loan Deed of Trust described in paragraph 29;

19. Upon default by Trustor in making any payments provided for herein or in the City HOME Loan Note secured hereby, and if such default is not made good within ten (10) days after notice from Beneficiary, or if Trustor shall fail to perform any covenant or agreement in this Deed of Trust within thirty (30) days after written demand therefor by Beneficiary (or, in the event that more than thirty (30) days is reasonably required to cure such default, should Trustor fail to promptly commence such cure, and diligently prosecute same to completion), Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale, and of written notice of default and of election to cause the Property to be sold, which notice Trustee shall cause to be duly filed for record and Beneficiary may foreclose this Deed of Trust. Beneficiary shall also deposit with Trustee this Deed of Trust, the City HOME Loan Note and all documents evidencing expenditures secured hereby;

20. After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said Property by public announcement at the time and place of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof.

Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. Trustee shall apply the proceeds of sale to payment of (1) the expenses of such sale, together with the reasonable expenses of this trust including therein reasonable Trustee's fees or attorneys' fees for conducting the sale, and the actual cost of publishing, recording, mailing and posting notice of the sale; (2) the cost of any search and/or other evidence of title procured in connection with such sale and revenue stamps on Trustee's deed; (3) all sums expended under the terms hereof, not then repaid, with accrued interest at the rate specified in the City HOME Loan Note; (4) all other sums then secured hereby; and (5) the remainder, if any, to the person or persons legally entitled thereto;

21. Beneficiary may from time to time substitute a successor or successors to any Trustee named herein or acting hereunder to execute this Deed of Trust. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers, and duties conferred upon any Trustee herein named or acting hereunder. Each such appointment and substitution shall be made by written instrument executed by Beneficiary, containing reference to this Deed of Trust and its place of record, which, when duly recorded in the proper office of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee;

22. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law;

23. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the City HOME Loan Note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto";

24. The trust created hereby is irrevocable by Trustor;

25. 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. The term "**Beneficiary**" shall include not only the original Beneficiary hereunder but also any future owner and holder, including pledgees, of the City HOME Loan Note secured hereby. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. All obligations of each Trustor hereunder are joint and several;

26. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made public record as provided by law. Except as otherwise provided by law, Trustee is not obligated to notify any party hereto of pending sale under this Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee;

27. The undersigned Trustor requests that copies of any notice of default and of any notice of sale hereunder be mailed to it at Cartwright Family Apartments, LP, 14211 Yorba Street, Suite 200, Tustin, California 92780 with a copy to RCC MGP LLC, 14131 Yorba Street, Suite 204, Tustin, California 92780.

28. Trustor agrees at any time and from time to time upon receipt of a written request from Beneficiary, to furnish to Beneficiary a detailed statement in writing of income, rents, profits, and operating expenses of the premises, and the names of the occupants and tenants in possession, together with the expiration dates of their leases and full information regarding all rental and occupancy agreements, and the rents provided for by such leases and rental and occupancy agreements, and such other information regarding the Property and their use as may be requested by Beneficiary.

29. The full principal amount outstanding plus accrued but unpaid interest thereon, shall be due and payable on the earlier to occur of the following:

a. As more particularly provided in the City HOME Loan Note, sale, transfer, assignment or refinancing of the Property as provided further in this paragraph 29; unless: (i) in the case of a sale in which the sale proceeds are insufficient to repay in full the City HOME Loan, the Beneficiary approves such sale and the purchaser assumes the balance of the City HOME Loan in accordance with the terms of the City HOME Loan Note; or (ii) in the case of a refinancing in which the refinancing proceeds are insufficient to repay in full the City HOME Loan, the Beneficiary approves such refinancing and the Borrower remains obligated pursuant to the terms of the Note.

b. In order to induce Beneficiary to make the loan evidenced hereby, Trustor agrees that in the event of any transfer of the Property without the prior written consent of Beneficiary (other than a transfer resulting from a foreclosure, or conveyance by deed in lieu of foreclosure, by the holder of the Senior Loan Deed of Trust), Beneficiary shall have the absolute right at its option, without prior demand or notice, to declare all sums secured hereby immediately due and payable. Consent to one such transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions. Beneficiary may grant or deny such consent in its sole discretion and, if consent should be given, any such transfer shall be subject to this paragraph 29, and any such transferee shall assume all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall not, however, release Trustor from any liability thereunder without the prior written consent of Beneficiary.

c. As used herein, "**transfer**" includes the sale, agreement to sell, transfer or conveyance of the Property, or any portion thereof or interest therein, whether voluntary, involuntary, by operation of law or otherwise, the execution of any installment land sale contract or similar instrument

affecting all or a portion of the Property, or the lease of all or substantially all of the Property. "**Transfer**" shall not include the leasing of individual residential units on the Property or "**Permitted Transfers**" as defined in the Affordable Housing and Loan Agreement between Trustor and Beneficiary dated on or about the date hereof, which sets forth the terms and conditions for City HOME Loan ("**City HOME Loan Agreement**").

d. The term "**Sale**" means any transfer, assignment, conveyance or lease (other than to a tenant for occupancy} of the Property and/or the improvements thereon, or any portion thereof, or any interest therein by the Trustor, and (if Trustor is a partnership) includes any transfer, assignment or sale of any partnership interest in the Trustor by an individual or entity which is a general or limited partner in the Trustor, or any interest by any individual or entity which holds an interest in any such general or limited partner in the Trustor, which brings the cumulative total of all such direct and indirect transfers, assignments and sales during the term of this Deed of Trust to more than thirty-five percent (35%) of the ownership interests in the Trustor, and any such transfer, assignment or sale of a direct or indirect partnership interest thereafter. Sale includes a sale in condemnation or under threat thereof. Sale does not include dedications and grants of easements to public and private utility companies of the kind customary in real estate development. Notwithstanding the above, Sale does not include any Permitted Transfers as defined in the City HOME Loan Agreement, sale or transfer of limited partner interests related to the syndication of Low Income Housing Tax Credits, or by the Trustor's limited partner (the "**Tax Credit Partner**"), the removal of Trustor's general partner by the Tax Credit Partner and its replacement with an affiliate of Tax Credit Partner, nor does it include the purchase of the Property by a general partner of Trustor or its affiliate pursuant to an option and right of first refusal agreement executed concurrently with execution of Trustor's agreement of limited partnership upon admission of the Tax Credit Partner.

Notwithstanding anything to the contrary contained in this Deed of Trust or in the City HOME Loan Note, prior to declaring any default or taking any remedy permitted under this Deed of Trust, the City HOME Loan Note or applicable law based upon an alleged default, the Tax Credit Partner shall have a period of not less than thirty (30) days to cure such alleged default; provided, however, if in order to cure such default reasonably believes that it must remove a general partner of Trustor, or all of them, pursuant to the Amended and Restated Agreement of Limited Partnership of Trustor dated as of May [16], 2023, Tax Credit Partner shall so notify Beneficiary and so long as Tax Credit Partner is reasonably and diligently attempting to remove the general partner or general partners, Tax Credit Partner shall have until the date thirty (30) days after the effective date of the removal of the general partner or general partners to cure such default.

30. Trustor shall permit Beneficiary and its agents or representatives, to inspect

the Property at any and all reasonable times, with or without advance notice. Inspections shall be conducted so as not to interfere with the tenants' use and enjoyment of the Property.

31. [Intentionally Omitted].

32. For purposes of this Deed of Trust, "**Hazardous Materials**" mean and include any hazardous, toxic or dangerous waste, substance or material including, without limitation, flammable explosives, radioactive materials, asbestos, hazardous wastes, toxic substances and any materials or substances defined as hazardous materials, hazardous substances or toxic substances in (or for purposes of) the Comprehensive Environmental Response, Compensation and Liability Act of 1380 ("**CERCLA**"), as amended (42 U.S.C. §9601, seq.), the Hazardous Materials Transportation Act (49 U.S.C. §1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. §6901 et seq.) and those substances defined as hazardous wastes in §25117 of the California Health and Safety Code or as hazardous substances in §25316 of the California Health and Safety Code or in any regulations promulgated under either such law, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law. Ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance or material, as now or at any time hereafter in effect. Hazardous Materials shall not include any materials commonly used in the construction, maintenance and/or operation of a multifamily residential development, provided such materials are used and stored in a manner which complies with applicable law.

33. In addition to the general and specific representations. Covenants and warranties set forth in the Deed of Trust or otherwise, Trustor represents, covenants and warrants, with respect to Hazardous Materials, as follows:

a. Except as otherwise disclosed to Beneficiary in writing, neither Trustor nor, to the best knowledge of Trustor, any other person, has ever caused or permitted any Hazardous Materials to be manufactured, placed, held, located or disposed of on, under or at the Property or any part thereof, and neither the Property nor any part thereat or any property adjacent thereto, has ever been used {whether by the Trustor or, to the best knowledge of the Trustor, by any other person) as a manufacturing site, dump site or storage site (whether permanent or temporary) for any Hazardous Materials;

b. Trustor hereby agrees to indemnify Beneficiary, its officers, employees, contractors and agents, and hold Beneficiary, its officers, employees, contractors and agents harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any and every kind whatsoever paid, incurred or suffered by, or asserted against Beneficiary, its officers, employees, contractors or agents for, with respect to, or as a direct or indirect result of, the presence or use, generation, storage, release, threatened release or disposal of Hazardous Materials on or under the Property or the escape, seepage,

leakage, spillage, discharge, emission or release of any Hazardous Materials from the Property (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under CERCLA, any so-called "Superfund" or "Superlien" law, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Materials)(collectively, "**Claims**"), caused by Trustor, except to the extent such Claims are the result of Beneficiary's gross negligence or willful misconduct.

c. Trustor has not received any notice of (i) the happening of any event involving the use, spillage, discharge or cleanup of any Hazardous Materials ("**Hazardous Discharge**") affecting Trustor or the Property or (ii) any complaint, order, citation or notice with regard to air emissions, water discharges, noise emissions or any other environmental, health or safety matter affecting Trustor or the Property ("**Environmental Complaint**") from any person or entity, including, without limitation, the United States Environmental Protection Agency ("**EPA**"). If Trustor receives any such notice after the date hereof, then Trustor will give, within seven (7) business days thereafter, oral and written notice of same to Beneficiary.

d. Without limitation of Beneficiary's rights under this Deed of Trust, Beneficiary shall have the right, but not the obligation, to enter onto the Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any such Hazardous Materials or Environmental Complaint upon its receipt of any notice from any person or entity, including without limitation, the EPA, asserting the existence of any Hazardous Materials or an Environmental Complaint on or pertaining to the Property which, if true, could result in an order, suit or other action against Trustor affecting any part of the Property by any governmental agency or otherwise which, in the sole opinion of Beneficiary, could jeopardize its security under this Deed of Trust. All reasonable costs and expenses incurred by Beneficiary in the exercise of any such rights shall be secured by this Deed of Trust and shall be payable by Trustor upon demand together with interest thereon at a rate equal to the highest rate payable under the City HOME Loan Note secured hereby.

34. The following shall be an Event of Default:

a. Failure of Trustor to pay, when due, principal and interest and any other sums or charges on the City HOME Loan Note, in accordance with the provisions set forth in the City HOME Loan Note;

b. A violation of the terms, conditions or covenants of the City HOME Loan Note or this Deed of Trust; or

c. A default under the Senior Loan Deed of Trust to which the lien of this Deed of Trust is subordinate.

35. Subject to the extensions of time set forth in paragraph 36, and subject to the further provisions of this paragraph 35 and of paragraph 37, failure or delay by the Trustor to perform any term or provision of this Deed of Trust constitutes a default under this Deed of Trust. The Trustor must immediately commence to cure, correct, or remedy such failure or delay and shall complete such cure, correction, or remedy with reasonable diligence.

a. The Beneficiary shall give written notice of default to the Trustor, specifying the default complained of by the Beneficiary. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

b. The Trustor shall not be in default so long as it endeavors to complete such cure, correction, or remedy with reasonable diligence, provided such cure, correction or remedy is completed within thirty (30) days after receipt of written notice (or such additional time as may be deemed by the Beneficiary to be reasonably necessary to correct the cause).

c. Any failures or delays by the Beneficiary 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. Delays by the Beneficiary in asserting any of its rights and remedies shall not deprive the Beneficiary 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.

36. Notwithstanding specific provisions of this Deed of Trust, performance hereunder shall not be deemed to be in default where delays or defaults are due to: war; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God or other deities; 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; delays of any contractor or supplier; acts of the other party; acts or failure to act of the Beneficiary, or any other public or governmental agency or entity (except that any act or failure to act of Beneficiary shall not excuse performance by Beneficiary); or any other causes beyond the reasonable control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time the party claiming such extension gives notice to the other party, provided notice by the party claiming such extension is given within thirty (30) days after the commencement of the cause. Times of performance under this Deed of Trust may also be extended in writing by the Beneficiary and Trustor.

37. If a monetary event of default occurs under the terms of the City HOME Loan Note or this Deed of Trust, prior to exercising any remedies thereunder Beneficiary

shall give Trustor written notice of such default. Trustor shall have a period of ten (10) days after such notice is given within which to cure the default prior to exercise of remedies by Beneficiary under the City HOME Loan Note and this Deed of Trust.

38. If a non-monetary event of default occurs under the terms of the City HOME Loan Note or this Deed of Trust, prior to exercising any remedies thereunder, Beneficiary shall give Trustor notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Trustor shall have such period to effect a cure prior to exercise of remedies by the Beneficiary under the City HOME Loan Note and this Deed of Trust. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and Trustor (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Beneficiary. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.

39. Upon the occurrence of an Event of Default as described in paragraph 34. Trustor shall be obligated to repay the City HOME Loan and, subject to the nonrecourse provision of the City HOME Loan Note, Beneficiary may seek to enforce payment of any and all amounts due by Trustor pursuant to the terms of the City HOME Loan Note.

40. All expenses (including reasonable attorneys' fees and costs and allowances) incurred in connection with an action to foreclose, or the exercise of any other remedy provided by this Deed of Trust, including the curing of any Event of Default, shall be the responsibility of Trustor.

41. Beneficiary acknowledges that Trustor and the California Tax Credit Allocation Committee ("**Credit Agency**") intend to enter into an extended use agreement, which constitutes the extended low-income housing commitment described in Section 42(h)(6){B) of the Internal Revenue Code, as amended (the "**Code**"). As of the date hereof Code Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Code Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or by instrument in lieu of foreclosure. In the event the extended use agreement required by the Credit Agency is recorded against the Property, Beneficiary agrees to comply with the provisions set forth in Code Section 42(h)(6)(E)(ii).

42. Except as provided in paragraph 31, each successor owner of an interest in the Property, other than through foreclosure, deed in lieu of foreclosure or an owner who takes an interest in the Property after a foreclosure has occurred, shall take its interest subject to this Deed of Trust.

[Signature page to follow]

Trustor has caused this Deed of Trust to be executed as of the date set forth above.

BORROWER:

Cartwright Family Apartments, LP,
a California limited partnership

By: RCC MGP LLC,
a California limited liability company,
its managing general partner

By: Riverside Charitable Corporation,
a California nonprofit public benefit corporation,
its sole member and manager

By: _____
Recinda K. Shafer, Deputy Executive Director

By: Cartwright CCR LLC,
a California limited liability company,
its developer general partner

By: C & C Development Co., LLC,
a California limited liability company,
its member and manager

By: _____
Todd R. Cottle, Trustee of the 2007
Todd R. Cottle and Jennifer N. Cottle
Revocable Trust, its member

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On May 15, 2023, before me, Jessica Fillon, (insert name and title of the officer)
Notary Public, personally appeared Reinda K. Shafer,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

JESSICA FILLOON
Notary Public - California
Orange County
Commission # 2377456
My Comm. Expires Oct 5, 2025

882/048170-0698
18629228.6 a05/15/23

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On May 15, 2023, before me, Jessica Filloon, (insert name and title of the officer)
Notary Public, personally appeared Todd R. Coffle,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(~~s~~) (is)/~~are~~ subscribed to the within instrument and acknowledged to me that (he)/~~she/they~~ executed the same in (his)/~~her/their~~ authorized capacity(~~ies~~), and that by ~~his/her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

JESSICA FILLOON
Notary Public - California
Orange County
Commission # 2377456
My Comm. Expires Oct 5, 2025

882/048170-0698
14456853.13 a05/14/23

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39

ATTACHMENT NO. 7

CITY HOME REGULATORY AGREEMENT

[Attached]

Recording Requested by: 7351130
Ticor Title National Commercial Services
RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Irvine
Community Development Department
One Civic Center Plaza
Irvine, CA 92623
Attn: Director of Community Development

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder
NO FEE
* $ R 0 0 1 4 3 5 9 2 3 2 $ *
2023000116535 3:34 pm 05/18/23
318 503A A12 D02 31
0.00 0.00 0.00 0.00 90.00 0.00 0.000.000.00 0.00

(Space Above For Recorder's Use)

This Regulatory Agreement and Declaration of Covenants and Restrictions is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS (City HOME Funds)

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("**Agreement**") is entered into as of this 15th day of May, 2023 ("**Regulatory Agreement Effective Date**"), by and between the CITY OF IRVINE, a California municipal corporation ("**City**"), and CARTWRIGHT FAMILY APARTMENTS, LP, a California limited partnership ("**Developer**") (hereinafter, City and Developer are sometimes collectively referred to as "**Parties**" and individually referred to as a "**Party**").

RECITALS

A. Developer owns fee title to that certain real property in the City of Irvine, County of Orange, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Property**").

B. City and Developer are parties to that certain Affordable Housing and Loan Agreement (HOME Funds) dated on or about the same date hereof ("**City HOME Loan Agreement**"), which provides for Developer to develop and thereafter operate a 60-unit residential rental project with 59 of such residential units income restricted and related improvements ("**Project**") on the Property. The City HOME Loan Agreement further provides for City to loan to Developer an amount not to exceed the sum of Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) ("**City HOME Loan**") to assist Developer with the development costs of the Project units referred to herein as the "**HOME Units**". The City HOME Loan Agreement is a public record available for inspection at City Hall, One Civic Center Plaza, Irvine, CA 92623-9575. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the City HOME Loan Agreement.

C. The source of the funds for the City HOME Loan is funds received by City from the United States Department of Housing and Urban Development ("**HUD**") under the HOME Investment Partnership Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*).

D. City and Developer desire to enter into this Agreement to place certain covenants and restrictions on Developer development, use and operation of the Property, including the imposition of affordability covenants requiring that the HOME Units be rented to households of certain income levels at affordable rent.

E. It is the intent of the City and Developer that the Property shall be subject to this Agreement and that the terms hereof shall be binding on the Developer and its successors in interest in the Property for so long as this Agreement shall remain in effect.

AGREEMENT

Based upon the foregoing Recitals, which are hereby incorporated by this reference, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"**Affordability Term**" shall have the meaning ascribed in Section 3 of this Agreement.

"**Agreement**" shall mean this Regulatory Agreement and Declaration of Covenants and Restrictions by and between City and Developer.

"**Capital Replacement Reserve**" shall have the meaning ascribed in Section 11.1 of this Agreement.

"**City**" shall mean the City of Irvine, a municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92623-9575.

"**City HOME Loan**" shall mean the loan to be provided by City to Developer in the amount not to exceed the sum of Two Million Four Hundred Fifty-One Thousand Eight Hundred Thirty-Seven Dollars and Eighty-Two Cents ($2,451,837.82) for certain costs attributable to the HOME Units.

"**City HOME Loan Agreement**" shall mean the certain Affordable Housing and Loan Agreement between City and Developer, referenced in Recital B of this Agreement, including all exhibits and other documents attached thereto, as may be amended from time to time.

"**City HOME Loan Note**" shall mean that certain Promissory Note (City HOME Loan) Secured by Deed of Trust, evidencing Developer's obligation to repay the City HOME Loan.

"**Construction Completion Date**" shall mean the date that all units in the Project have received all required occupancy permits and City has verified that all improvements required to be constructed in connection with the Project have been completed in accordance with the City HOME Loan Agreement.

"**Contract Officer**" shall mean City's Housing Manager or such other person as may be designated by the City Manager to administer this Agreement.

"**CPI Adjustment**" shall have the meaning ascribed in Section 16.1 of this Agreement.

"**Developer**" shall mean Cartwright Family Apartments, LP, a California limited partnership, having its offices at 14211 Yorba Street, Suite 200, Tustin, CA 92780. The term "**Developer**" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Developer hereunder, in accordance with this Agreement.

"**Developer Personnel**" shall mean any employee, volunteer, contractor, subcontractor, or agent of Developer or any other person under Developer's supervision and direction, including the contractors and subcontractors constructing the Project. Developer is responsible for the full compliance of all Developer Personnel with this Agreement, including without limitation all labor standards applicable to the Project.

"**Developer Representative**" shall mean an employee of Developer who is designated by Developer to represent Developer in the administration of this Agreement. As of the Effective Date, Todd R. Cottle is the Developer Representative. Developer may change the Developer Representative by designating a different employee of Developer and delivering written notice thereof to City.

"**Eligible HOME Unit Tenant**" shall mean a tenant of one of the HOME Units within the Project whose household income as of the commencement date of his or her occupancy does not exceed the income limit and any other eligibility requirements permitted for the particular Residential Unit pursuant to any applicable regulation or agreement, and thereafter meets all income limits and other eligibility requirements.

"**GAAP**" shall mean generally accepted accounting principles.

"**HOME Funds**" shall mean the funds allocated to City by HUD under the HOME Investment Partnership Act at Title II of the Cranston-Gonzales National Affordable Housing Act.

"**HOME Affordable Rent**" shall mean the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252, which are summarized in Section 4.6 of this Agreement.

"**HOME Requirements**" shall collectively refer to the requirements of the HOME Investment Partnership Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations (24 C.F.R. § 92, *et seq.*), and the legal requirements summarized or referenced in Attachment No. 3 to the City HOME Loan Agreement which is incorporated herein by this reference.

"**HOME Unit Mix**" shall mean the household income levels permitted for each HOME Unit, as follows: three 3-bedroom units shall be occupied by households earning 50% or less of the Median Income, adjusted for household size, and eight 3-bedroom units shall be occupied by households earning 80% or less of the Median Income, adjusted for household size.

"**HOME Units**" shall mean eleven (11) units in the Project comprised of the HOME Unit Mix. In accordance with 24 C.F.R. § 92.252(j), the HOME Units shall be permitted to float among all of the Residential Units in the Project (other than the one (1) unrestricted manager's unit) so long as the HOME Units are comprised of the bedroom mix set forth in the HOME Unit Mix and each substituted HOME Unit is comparable in terms of size and features to the originally designated HOME Unit. No later than thirty (30) days after unit numbers (address numbers) have been assigned by Developer to the Project or the Construction Completion Date, whichever is later, Developer shall deliver to City the unit numbers (addresses) of the units that comprise the initial eleven (11) HOME Units, along with the rents proposed by Developer to comply with the HOME Affordable Rent, and utility allowance, all in a format mutually agreed upon by City and Developer. City shall review and approve Developer's submission pursuant to Section 4.6(e). Developer shall promptly deliver to City a written update of the unit numbers (addresses) that comprise the eleven (11) HOME Units if Developer changes any unit number (address) of a HOME Unit at any time during the term of this Agreement.

"**Index**" shall mean the Consumer Price Index—Urban Consumers (Los Angeles-Long Beach-Anaheim CA, area; Base 1982-84 = 100), as published by the United States Department of Labor, Bureau of Labor Statistics or any successor index or agency reasonably acceptable to the parties.

"**Investor**" shall have the meaning ascribed in Section 19.1 of this Agreement.

"**Median Income**" shall mean the Orange County Area Median Income, as periodically published by the HUD pursuant to the HOME Requirements, or successor regulation. Upon request by Developer, City shall provide to Developer the amount of the Median Income.

"**Operating Expenses**" shall have the meaning ascribed in Section 11.2 of this Agreement.

"**Operating Reserve Account**" shall have the meaning ascribed in Section 11.2 of this Agreement.

"**Program**" shall mean the affordable rental housing program to be operated on the Property and all obligations and activities that constitute the Program Activities.

"**Program Activities**" shall mean the tasks, activities, and operations set forth in this Agreement, all activities assisted with the City HOME Loan, and all other obligations under this Agreement that Developer is required to perform.

"**Program Default**" shall have the meaning ascribed in Section 6.4 of this Agreement.

"**Project**" shall mean the construction on the Site of an affordable rental housing complex with approximately sixty (60) units, with fifty-nine (59) of such units restricted for rental to and occupancy by income-eligible tenants at a rent affordable to such tenants, related interior and exterior improvements and amenities appropriate and/or necessary for the development.

"**Property**" shall mean that certain real property located in the City of Irvine, more particularly described in the legal description attached hereto as Exhibit "A" and incorporated herein by this reference

"**Property Manager**" shall have the meaning ascribed in Section 9.1 of this Agreement.

"**Property Management Plan**" shall have the meaning ascribed in Section 9.3 of this Agreement.

"**Regulatory Agreement Effective Date**" is defined in the Preamble of this Agreement.

"**Residential Unit(s)**" shall mean the sixty (60) residential units to be developed on the Property.

"**Target Balance**" shall have the meaning ascribed in Section 11.2 of this Agreement.

"**TCAC**" shall mean the California Tax Credit Allocation Committee or successor state agency responsible for the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

"**TCAC Requirements**" shall mean all federal, state, and local laws, regulations, and policies governing the administration of the federal and state Low-Income Housing Tax Credit Program authorized pursuant to Section 42 of the Internal Revenue Code.

2. Development of the Project. Developer shall commence and complete development of the Project on the Property within the times and subject to the terms and conditions set forth in the City HOME Loan Agreement.

3. Term. The covenants set forth in this Agreement shall commence on the Regulatory Agreement Effective Date and shall remain in effect until the date that is twenty (20) years following the Construction Completion Date ("**Affordability Term**").

4. Use; Affordability Covenants. Developer hereby covenants and agrees that the Property shall be managed and operated in accordance with the provisions set forth in this Section 4.

4.1 General. Developer shall devote the Property for use as an affordable residential rental complex with the HOME Units to be rented to and occupied or held available for occupancy only by Eligible HOME Unit Tenants at HOME Affordable Rent in compliance with the HOME Unit Mix. Developer shall not permit the Residential Units to be utilized on a transient basis, or as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, trailer court or park, day care facilities, or non-residential uses.

4.2. Occupancy by Eligible HOME Unit Tenants. The lease for each HOME Unit shall provide that it is to be used as the principal residence of the Eligible HOME Unit Tenant and for no other purpose. The lease shall further provide that an Eligible HOME Unit Tenant shall not lease or sublease its HOME Unit or its right of occupancy. Developer shall institute a program to ensure that the HOME Units remain occupied by the Eligible HOME Unit Tenants.

4.3 Occupancy Limits. The number of persons permitted to occupy each HOME Unit shall not exceed the occupancy permitted pursuant to the general requirements of the United States Department of Housing and Urban Development, which as of the date of this Agreement is two (2) persons per bedroom, plus one (1) person (e.g., for a two (2) bedroom unit the maximum number of persons residing in the unit can be five (5) persons). The lease for each HOME Unit shall include a provision limiting the number of persons permitted to occupy each HOME Unit in accordance with the preceding sentence and Developer shall enforce such occupancy restrictions. In addition, the minimum household size to lease a HOME Unit shall be one (1) person per bedroom.

4.4 Determination of Eligible HOME Unit Tenant Status. Immediately prior to an Eligible HOME Unit Tenant's occupancy of a HOME Unit, Developer shall obtain an Income Computation and Certification Form in a form approved by City (which may be the form used in connection with the regulatory agreement for low income housing tax credits, or other form approved by the Contract Officer) from each such Eligible HOME Unit Tenant dated immediately prior to the date of initial occupancy of the HOME Unit by such Eligible HOME Unit Tenant. In addition, Developer shall provide such further information as may be reasonably required by City for purposes of verifying a tenant's status as an Eligible HOME Unit Tenant, provided the same is reasonably available to Developer without unreasonable expense in connection with obtaining the same. Developer shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (a) obtain three (3) pay stubs for the most recent pay periods; (b) obtain a written verification of income and employment from the applicant's current employer; (c) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (d) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or

verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable; and (e) such other information as may be requested by the City to verify an applicant's income. Developer shall maintain in its records each Income Computation and Certification Form obtained pursuant to this Section and Section 4.5 for a minimum period of five (5) years.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of a HOME Unit by an Eligible HOME Unit Tenant, and on each anniversary date thereafter, or if preferred by Developer and approved in writing by City, within sixty (60) days prior to January 1 of each year, Developer shall recertify the income of such Eligible HOME Unit Tenant by obtaining a completed Income Computation and Certification Form based upon the current income of each occupant of the HOME Unit. Subject to Section 5.2 during the Affordability Term, in the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household originally qualified, such household will no longer qualify as an Eligible HOME Unit Tenant at that original income level. If the occupant's income falls within one of the other income categories of Eligible HOME Unit Tenants, the rent shall be increased to the HOME Affordable Rent applicable to the new income category, provided a HOME Unit reserved for the new income category exists and is permitted pursuant to Developer's agreement with any Third-Party as may be in effect as described in the definition of "HOME Unit Mix" set forth in Section 1 of this Agreement. To the extent permitted by applicable law, including the requirements of Section 42 of the United States Internal Revenue Code, if the income exceeds the income permitted for Eligible HOME Unit Tenant status, the occupants' lease shall not be renewed and said occupants shall be required to vacate the unit within one hundred eighty (180) days after the recertification. Otherwise, the next available Residential Unit will be leased to an Eligible HOME Unit Tenant at an income level that will cause the Project to be in compliance with the HOME Unit Mix as quickly as possible.

4.6 HOME Affordable Rent. The rent for each HOME Unit shall not exceed the rent limits set forth in the HOME Requirements including 24 C.F.R. §92.252. The allowable rent under the HOME Requirements is summarized below:

(a) HOME Rent Limitations. The HOME Requirements establish maximum rent limits (High HOME Rents) at the lesser of (a) the fair market rent for existing housing for comparable units in the area as established by HUD under 24 C.F.R. § 888.111, or (b) a rent that does not exceed thirty percent (30%) of the adjusted income of a household whose annual income equals sixty-five percent (65%) of the median income for the Orange County area, as determined by HUD, with adjustments for the number of bedrooms in the HOME Unit. The HOME rent limits provided by HUD will include average occupancy per unit and adjusted income assumptions.

(b) Additional HOME Rent Limitations. The HOME Requirements also require that affordable units occupied by Eligible HOME Unit Tenants whose income does not exceed fifty percent (50%) of the median income meet one of the following rent requirements:

(i) The rent does not exceed the lesser of (X) the rent calculated under subparagraph (a) above, or (Y) an amount equal to thirty percent (30%) of the annual income of a household whose income equals fifty percent (50%) of the Median Income, with adjustments for smaller and larger households. HUD provides the HOME rent limits which include average occupancy per unit and adjusted income assumptions.

(ii) The rent does not exceed thirty percent (30%) of the household's adjusted income. If the HOME Unit receives federal or state project-based rental subsidy and the Eligible HOME Unit Tenant pays as a contribution toward rent not more than thirty percent (30%) of the household's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the federal or state project-based rental subsidy program.

(c) Utility Allowance. City shall submit a waiver request to HUD prior to initial occupancy, pursuant to 24 C.F.R. 92.252(d)(1) to confirm the use of the Orange County Housing Authority Utility Allowance Schedule in lieu of the HUD Utility Model. If the Eligible HOME Unit Tenant is paying utilities and services, the rent may not exceed the maximum rent minus the monthly allowance established by the Orange County Housing Authority for utilities and services.

(d) Rental Charges In Excess of HOME Requirements. It shall constitute a default of the Developer to charge or accept rent amounts in excess of the HOME Affordable Rent. In the event that Developer charges or receives such higher rental amounts, in addition to any other remedy City shall have, Developer shall be required to refund to the Eligible HOME Unit Tenant the entire amount of rent received in excess of the amount permitted pursuant to this Agreement, plus interest at the rate of ten percent (10%) per annum or the maximum legal rate then applicable, whichever is less; provided if Developer, after commercially reasonable efforts, is unable to locate such Eligible HOME Unit Tenant, Developer shall pay all of such excess amounts to City .

(e) City Approval of Initial Rent Schedule and Utility Allowances. Prior to initial occupancy of HOME Units, Developer shall submit to City a schedule of the proposed gross rents for the HOME Units and the proposed Utility Allowance Schedule. City shall review and approve the rents proposed by Developer for HOME Units, subject to the maximum rent limitations in this Section 4.6, and shall ensure that the rents do not exceed the maximum rent minus the monthly allowance for utilities and services.

4.7 Leasing HOME Units. The HOME Units shall be available for rental on a continuous basis and Developer shall not give preference to any particular class or group in renting HOME Units, except to the extent that the HOME Units are required to be rented to Eligible HOME Unit Tenants. Developer shall market the HOME Units to the residents of the City of Irvine on a nonexclusive basis.

The initial lease-up of the HOME Units shall be done pursuant to a lottery system. Prior to commencing any marketing activities for the HOME Units, Developer shall submit to City for City's review and approval Developer's proposed marketing plan, and procedures for conducting the lottery. A representative of City shall attend the lottery. Notwithstanding anything in this Agreement to the contrary, none of Developer, Cartwright CCR LLC, C&C Development Co. LLC, RCC MGP LLC, Riverside Charitable Corporation, and The Waterford Group, and their respective officials, directors, and employees, and the immediate family members of their respective officials, directors, and employees shall be eligible to participate in the lottery for the initial lease-up of the HOME Units. As used herein, the term "**immediate family member**" shall mean and include a parent or step-parent, grandparent or step-grandparent, sibling or step-sibling and child or step-child.

Following the initial lease-up of the HOME Units, Developer shall maintain a waiting list of persons interested in renting a HOME Unit. Subject to Section 4.3 above, at such time as a HOME Unit becomes available for rental, Developer shall rent such HOME Unit to the first person on the waiting list that qualifies as an Eligible HOME Unit Tenant to rent the HOME Unit. Developer shall use commercially reasonable efforts to lease HOME Units that become available as quickly as possible.

4.8 Rental Agreement. The form of the lease agreement between Developer and each of the Eligible HOME Unit Tenants shall comply with Section 5.3 of this Agreement.

5. HOME Requirements. The covenants set forth in this Section 5 shall be applicable during the Affordability Term and shall apply notwithstanding any other provision herein to the contrary.

5.1 Compliance with HOME Requirements. Developer shall operate the Project in accordance with, and shall comply with, all applicable HOME Requirements. Developer, at its expense, shall submit to the appropriate entities any and all reports requested by City that are required to be submitted pursuant to the HOME Requirements. In the case of any conflict between the HOME Requirements and this Agreement, the HOME Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the HOME Requirements, Developer shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the applicable HOME Requirements.

5.2 Recertification. In accordance with 24 C.F.R. §92.252(i), in the event a recertification demonstrates that a household's income exceeds the income allowed for Eligible HOME Unit Tenant status, such household will no longer qualify as an Eligible HOME Unit Tenant and will be required to pay as rent an amount equal to the lesser of the amount payable by the tenant under State or local law or 30% of the household's adjusted income, except that if the HOME Unit has been allocated low income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42), the tenant must pay rent governed by Section 42 of the Internal Revenue Code.

5.3 Lease. The form of the lease between Developer and each Eligible HOME Unit Tenant shall be approved by City prior to the rental or leasing of any of the HOME Units, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. Once approved, no changes shall be made to the form of the lease without City's prior written approval, which approval shall not be unreasonably withheld, conditioned or delayed so long as the lease is consistent with this Agreement and the HOME Requirements. The lease between Developer and the Eligible HOME Unit Tenants shall comply with 24 C.F.R. § 92.253 and may not contain any of the following provisions: (i) an agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of Developer in a lawsuit brought in connection with the lease; (ii) an agreement by the tenant that Developer may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties (this provision does not apply to disposition of personal property of a tenant who has vacated his/her unit); (iii) an agreement by the tenant not to hold Developer or Developer's agents legally responsible for any action or failure to act, whether intentional or negligent; (vi) an agreement of the tenant that Developer may institute a lawsuit without notice to the tenant; (v) an agreement by the tenant that Developer may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties; (vi) an agreement by the tenant to waive any right to a trial by jury; (vii) an agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease; and (viii) an agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by Developer against the tenant (the tenant may, however be obligated to pay costs if the tenant loses).

In addition, the form of the lease between Developer and each Eligible HOME Unit Tenant shall obligate the Eligible HOME Unit Tenant to comply with the provisions set forth in Section 4 of this Agreement that are applicable to the Eligible HOME Unit Tenants and an Eligible HOME Unit Tenant who violates such requirements shall be in default under the rental agreement. Each lease agreement with an Eligible HOME Unit Tenant shall include a provision to the effect that the Developer has relied on the information provided by the Eligible HOME Unit Tenant on the Income Computation and Certification Form and all other supporting information supplied by the Eligible HOME Unit Tenant in determining qualification for occupancy of the applicable HOME Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease agreement. In addition, each lease agreement shall contain a provision that failure to cooperate with the annual recertification process may disqualify the Eligible HOME Unit Tenant as such and will be cause for immediate termination of such lease agreement.

5.4 Monitoring. City shall monitor and evaluate Developer's performance under this Agreement to determine compliance with this Agreement and the HOME Requirements. Developer shall reasonably cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Property and the HOME Units

during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Developer's performance hereunder.

5.5 Records to be Maintained. Developer shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement demonstrating that the activities meet the HOME Requirements, and such other records as may be reasonably required by City to enable City to evaluate Developer's compliance with the HOME Requirements and to enable City to comply with City's recordkeeping and reporting requirements under the HOME Requirements. The books and records required to be maintained by Developer shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Developer pertaining to this Agreement at all times during normal business hours upon 48 hours prior written notice to Developer.

5.6 Audits. Developer shall perform all audits of its books and records required by HUD or the HOME Requirements or reasonably required by City and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Developer shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Operation of Program.

6.1 Standard of Performance. Developer shall operate or cause to be operated the Program, and perform or cause to be performed all Program Activities, in a competent, professional, and first class manner and to the satisfaction of City in its reasonable discretion and in accordance with this Agreement and in compliance with all applicable laws including the HOME Requirements. Developer shall, if requested by City, provide to City monthly written reports on the progress of any Program Service. Developer shall cause the Program Activities to be performed by Developer or Developer Personnel under Developer's direct supervision, and shall ensure that all Developer Personnel engaged in the Program Activities are fully qualified and authorized and permitted under applicable law to operate the Program. Developer shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities. Developer shall be responsible for all costs related to the Program.

6.2 Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 6.4 that results in a Program Default or knowingly allows such conduct to occur at the Property or by Developer Personnel, or knowingly allows illegal activity to occur at the Property, City shall have the right to require that Developer immediately replace such manager or supervisor of the Program.

6.3 Drug Free Covenant. Developer shall use commercially reasonable efforts to maintain a drug free environment on the Property. Developer covenants to City that Developer shall use commercially reasonable efforts pursuant to Section 6.5 of this

Agreement to ensure that all persons residing on the Property shall not unlawfully manufacture, distribute, dispense, possess, or use controlled substances as defined in 21 United States Code section 812 and California Health and Safety Code section 11007, or successor statutes, and as prohibited by applicable law.

6.4 Program Defaults. If Developer shall or permit Developer Personnel to:

(a) engage in any act injuring, abusing, mistreating, or endangering any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of the Project as reasonably determined by City; or

(b) fail to use commercially reasonable efforts in violation of Section 6.3 above; or

(c) engage in any act or transgression that, in the reasonable judgment of City, may cause embarrassment to the City, reflect adversely upon the City or its funding programs or upon Developer, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency, then

Developer and City agree to meet and confer within ten (10) days of the request of City to determine a resolution reasonably acceptable to City and Developer agrees to thereafter promptly implement the resolution. The failure of Developer to implement the resolution shall constitute a default under this Agreement ("**Program Default**").

6.5 Occupants of Housing Facilities. To the extent permitted by applicable law, Developer shall include in its occupancy or lease agreements with the Eligible HOME Unit Tenants a requirement that the occurrence of any illegal activity by the tenant or by the tenant's guests at the Property, shall be grounds for immediate termination of the tenant's right to reside within the HOME Unit and City shall have the right to require that Developer enforce such provision.

7. No Discrimination. Developer shall not discriminate against, or segregate, any person or group of persons on account of race, color, creed, national origin, ancestry, sex, sexual orientation, marital status, or religion in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Property, nor shall the Developer for itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the Property.

8. Maintenance of Property. For the entire Affordability Term, Developer shall maintain or cause to be maintained the Property and all improvements on the Property in a good condition and repair (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders, and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction. City places prime importance on quality maintenance to protect

its investment and to ensure that affordable housing projects are not allowed to deteriorate due to substandard maintenance. In addition, Developer shall keep the Property free from all graffiti and any accumulation of debris or waste material. Developer shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and replace dead and diseased plants and landscaping with comparable approved materials. In the event that Developer breaches any of the covenants contained in this Section 8, and such default continues for a period of fifteen (15) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to landscaping, graffiti, debris, waste material, and general maintenance) or thirty (30) days after written notice from City or such longer period of time as is reasonably necessary to correct the condition (with respect to building improvements), then City in addition to whatever other remedy it may have at law or in equity, shall have the right to enter upon the Property and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, City shall be permitted (but not required) to enter upon the Property and perform all acts and work necessary to protect, maintain, and preserve the improvements and landscaped areas on the Property, and to charge a fee to Developer 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 ten percent (10%) administrative charge, which amount shall be promptly paid by Developer to City upon demand.

9. Management.

9.1 Property Manager. Developer shall manage or cause the Project, and all appurtenances thereto, to be managed in accordance with this Agreement and in a prudent and business-like manner, consistent with good property management standards for other comparable high quality, well-managed affordable rental housing projects in the City of Irvine. Developer may contract with a property management company or individual property manager to operate and maintain the Project in accordance with the terms of this Section 9.1 ("**Property Manager**"); provided, however, the selection and hiring of the Property Manager (and each successor or assignee) is and shall be subject to the prior written approval of City in its reasonable discretion. Developer shall conduct due diligence and background evaluation of any potential Third-Party 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 significant and relevant prior experience with affordable housing projects and properties comparable to the Project, and the references and credit record of such property 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 City for review and approval. A complete and true copy of the results of such background evaluation shall be provided to City. Approval of a Property Manager by City shall not be unreasonably delayed but shall be in its sole reasonable discretion, and City shall use good faith efforts to respond as promptly as practicable in order to facilitate effective and ongoing property management of the Project by one qualified Property Manager. The replacement of the Property Manager by Developer and/or the selection by Developer of any new or different Property Manager

shall also be subject to the foregoing requirements. City hereby approves Advanced Property Services Management, Inc., as the initial Property Manager.

9.2 On-Site Residential Manager. The Property Manager, or an employee or agent of Property Manager or its sub-management agent, shall reside full-time in a Residential Unit located within the Project, and said Residential Unit shall be the Property Manager's only residence.

9.3 Property Management Plan. Prior to the completion of the Project, Developer shall prepare and submit to City for review and approval, which approval shall not be unreasonably withheld, a management plan which shall include a detailed plan and strategy for long term marketing, operation, maintenance, repair and security of the Project, and the method of selection of tenants, rules and regulations for tenants, and other rental policies for the Project ("**Property Management Plan**"). The ongoing management and operation of the Project shall be in compliance with the approved Property Management Plan. Developer and its Property Manager may from time to time submit to City amendments to the Property Management Plan, the implementation of which shall be subject to the prior written approval of City, which approval shall not be unreasonably withheld.

9.4 Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, City 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. For purposes of this Agreement, the term "**Gross Mismanagement**" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality affordable housing complex, and shall include, but is not limited to, any one or more of the following occurring twice within a three hundred sixty-five (365) day period:

(a) Leasing to tenants who exceed the prescribed income levels with the knowledge that the tenants do not income qualify;

(b) Allowing the tenants to exceed the prescribed occupancy levels without taking immediate action to stop such overcrowding upon learning of the violation;

(c) Underfunding required reserve accounts to the extent sufficient cash flow is available;

(d) The failure to timely maintain the Project in accordance with the Property Management Plan and this Agreement, which is not corrected within the periods specified in Section 19;

(e) Fraud or embezzlement of Project funds, including without limitation funds in the reserve accounts;

(f) Failing to comply with reasonable recommendations of the Irvine Police Department or other local law enforcement agency(ies) with jurisdiction over the Project, in maintaining a crime-free environment within the Project upon learning of the violation;

(g) Failing to reasonably cooperate with City, including its code enforcement division, or other local health and safety enforcement agency(ies) with jurisdiction over the Project, in maintaining a decent, safe, and sanitary environment within the Project, upon learning of the violation; and

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

Notwithstanding the requirements of the Property Manager to correct any condition of Gross Mismanagement as described above, Developer is obligated and shall use its best 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 provisions of the foregoing requirements and requirements of this Agreement within any contract between Developer and its Property Manager for the Property.

10. Code Enforcement. Developer acknowledges and agrees that City and its employees and authorized agents shall have the right to conduct code compliance and/or code enforcement inspections of the Project and the individual Residential Units, both exterior and interior, at reasonable times and upon reasonable notice to Developer and/or an individual tenant. If such notice is provided by City or its representative(s) to Developer, then Developer (or its Property Manager) shall promptly and directly advise any affected tenant of such upcoming inspection and cause access to the area(s) and/or Residential Units of the Project to be made available and open for inspection. Developer shall include express advisement of such inspection rights within the lease agreements for each Residential Unit of the Project in order for each and every tenant and tenant household to be aware of this inspection right.

11. Reserves.

11.1 Capital Reserve Requirements. Commencing upon the date that the construction financing for the Project is converted to permanent financing, Developer shall annually set aside into a separate interest-bearing trust account an amount of the higher of (i) Five Hundred Fifty Dollars ($500.00) per Residential Unit, increasing by five percent (5%) every fifth year (or such increased amount as reasonably agreed upon by City and Developer from time to time), or (ii) the minimum amount for capital reserves per Residential Unit required by the TCAC Requirements ("**Capital Replacement Reserve**"). Funds in the Capital Replacement Reserve shall be used only for capital repairs, improvements and replacements to the Project, including fixtures and equipment, which

are normally capitalized under GAAP. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve or lessen Developer's obligation to undertake any and all necessary capital repairs, improvements, or replacements and to continue to maintain the Project in the manner prescribed herein. Not less than once per year, Developer, at its expense, shall submit to City an accounting for the Capital Replacement Reserve. Capital improvements and repairs to, and replacements of the Project shall include only those items with a long life in excess of one year, including without limitation the following: carpet and drapery replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and 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; sewer line replacement; water line replacement; gas line replacement; and lighting fixture replacement. Any capital replacement reserve requirements of any other lenders or parties shall not increase the Capital Replacement Reserve funding requirements under this Section.

11.2 Operating Reserve. Developer shall establish an interest bearing account to be known as the "**Operating Reserve Account**." Commencing upon the closing of the permanent financing for the Project, Developer shall deposit into the Operating Reserve Account an amount equal to pay both three (3) months' of Operating Expenses and three (3) months' of debt service for the Property ("**Target Balance**"). Funds in the Operating Reserve Account shall be invested in an interest bearing account and any earnings shall become and remain a part of the Operating Reserve Account. Developer may draw upon the funds in the Operating Reserve Account only when the amount of HOME Affordable Rent received by Developer is insufficient to pay Operating Expenses. If for any reason the amount in the Operating Reserve Account falls below an amount equal to fifty percent (50%) of the Target Balance amount, Developer shall deposit Project Cash Flow in the Operating Reserve Account until the Target Balance is restored. In the event of a failure by Developer to pay Operating Expenses or in the event of a default by Developer under the City HOME Loan Agreement or this Agreement that would provide for the acceleration of the City HOME Loan, then City may, after delivery of notice to Developer and the expiration of any applicable cure periods, apply the funds in the Operating Reserve Account to the City HOME Loan or use such funds for the continued operation of the Project. Nothing in this Section 11.2 shall modify or be deemed to modify any payment obligation of Developer pursuant to the City HOME Loan Agreement or any attachments thereto entered into by and between Developer and City. "**Operating Expenses**" shall have the meaning ascribed to that term in the City HOME Loan Note evidencing the City HOME Loan. Upon the Project achieving an annual debt service coverage ratio of one and twenty-five hundredths (1.25) or greater for three (3) consecutive years after permanent loan funding for the Project, this Operating Reserve requirement is released.

12. Records. Developer shall maintain complete and accurate records pertaining to the HOME Units for a period of five (5) years (unless a longer period of time is expressly set forth herein), and shall permit any duly authorized representative of City to inspect the books and records of Developer pertaining to the HOME Units.

13. Right to Inspect. City shall have the right to inspect the Property and the Residential Units for purposes of assuring compliance with this Agreement during normal business hours on not less than seventy-two (72) hours written notice.

14. Relocation. Developer shall be responsible for providing any relocation benefits or assistance and paying relocation costs to any tenants or occupants who may be displaced from the Property if such benefits or assistance are required to be provided by a public agency, such as the City, under any applicable federal, state, or local laws, rules or regulations. Developer shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses arising out of any claims for relocation benefits or assistance that may be asserted by any tenants or occupants of the Project.

15. Indemnification. Developer shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Property and the operation of the rental project thereon or Developer's performance under this Agreement, except to the extent caused by the active negligence or willful misconduct of City.

16. Insurance. Upon completion of the Project and for the term of this Agreement, Developer shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Developer and City, and shall provide City evidence reasonably acceptable to City, of insurance policies meeting the minimum requirements set forth in this Section 16.

16.1. Types of Insurance Policies. The insurance policies to be maintained by Developer upon completion of the Project and for the duration of the term of this Agreement are as follows:

16.2 Types of Insurance and Minimum Limits.

(a) Workers' Compensation Insurance in the minimum statutorily required coverage amounts. This insurance coverage shall be required unless Developer has no employees and certifies to this fact by initialing here .

(b) Automobile Liability Insurance for each of Developer's vehicles used in the performance of this Regulatory Agreement, including owned, non-owned (e.g. owned by Developer's employees), leased or hired vehicles, in the minimum amount of $1,000,000 combined single limit per occurrence for bodily injury and property damage. This insurance coverage is required unless Developer does not drive a vehicle in conjunction with any part of the performance of this Regulatory Agreement and Developer and City both certify to this fact by initialing here / .

(c) Comprehensive or Commercial General Liability Insurance coverage at least as broad as the most recent ISO Form CG 00 01 with a minimum limit of $3,000,000 per occurrence, and $5,000,000 in the aggregate, including coverage for: (a) products and completed operations, (b) bodily and personal injury, (c) broad

form property damage, (d) contractual liability, and (e) cross-liability.

(d) Builder's Risk (course of construction) insurance coverage in an amount equal to the full cost of the hard construction costs of the Project. Such insurance shall cover, at a minimum: all work, materials, and equipment to be incorporated into the Project; the Project during construction; the completed Project until such time as City issues a final Certificate of Occupancy. Such insurance shall protect/insure the interests of Developer/owner and all of Developer's contractor(s), and subcontractors, as each of their interests may appear. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding anything to the contrary in this Section 16.2, however, Developer's requirement to maintain the insurance required by this paragraph shall terminate on the date City issues a final Certificate of Occupancy for the Project.

(e) Insurance against fire, extended coverage, vandalism, and malicious mischief, and such other additional perils, hazards, and risks as now are or may be included in the standard "all risk" form in general use in Orange County, California, with the standard form fire insurance coverage in an amount equal to full actual replacement cost thereof, as the same may change from time to time. The above insurance policy or policies shall include coverage for earthquakes to the extent required by any Project lender or Investor. City shall be a loss payee under such policy or policies and such insurance shall contain a replacement cost endorsement. Notwithstanding anything to the contrary in this Section 16.2, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a final Certificate of Occupancy for the Project.

(f) Business interruption and extra expense insurance to protect Developer and City covering loss of revenues and/or extra expense incurred by reason of the total or partial suspension or delay of, or interruption in, the operation of the Project caused by loss or damage to, or destruction of, any part of the insurable real property structures or equipment as a result of the perils insured against under the all-risk physical damage insurance, covering a period of suspension, delay or interruption of at least twelve (12) months, in an amount not less than the amount required to cover such business interruption and/or extra expense loss during such period. Notwithstanding anything to the contrary in this Section 16.2, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a final Certificate of Occupancy for the Project.

(g) Boiler and machinery insurance in the aggregate amount of the full replacement value of the equipment typically covered by such insurance. Notwithstanding anything to the contrary in this Section 16.2, however, Developer's requirement to maintain the insurance required by this paragraph shall not commence until the date City issues a final Certificate of Occupancy for the Project.

16.3 Other Insurance Provisions

(a) All policies of Comprehensive or Commercial General Liability Insurance shall be endorsed to cover the City of Irvine, and the City's officials, officers, members, employees, agents and volunteers as additional insureds with respect to liability arising out of the work or operations and activities performed by or on behalf of Developer, including materials, parts or equipment furnished in connection with such work or operations. Endorsements shall be at least as broad as ISO Form CG 20 10 11 85, or both CG 20 10 10 01 and CG 20 37 10 01, covering both ongoing operations and products and completed operations.

(b) All required policies shall be endorsed to contain the following clause:

"This insurance shall not be canceled until after thirty (30) days' prior written notice (10 days for nonpayment of premium) has been given to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

Should Developer fail to obtain such an endorsement to any policy required hereunder, Developer shall be responsible to provide at least thirty (30) days' notice (10 days for nonpayment of premium) of cancellation of such policy to the City as a material term of this Agreement.

(c) Developer agrees to provide its insurance broker(s) with a full copy of these insurance provisions and provide City on or before the Date of Regulatory Agreement with Certificates of Insurance and endorsements for all required coverages. However, failure to obtain the required documents prior to the work beginning shall not waive the Developer's obligation to provide them. All Certificates of Insurance and endorsements shall be delivered or sent to:

City of Irvine
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: Community Development Director

(d) Developer hereby grants to City a waiver of any right of subrogation which any insurer of said Developer may acquire against City by virtue of the payment of any loss under such insurance; provided, however, any right of subrogation in favor of City is subject and subordinate to the rights of any senior lender. Developer agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not the City has received a waiver of subrogation endorsement from the insurer.

16.4 Developer's Continuing Indemnification Obligations. Developer agrees that the provisions of this Section 16.4 shall not be construed as limiting in any way City's right to indemnification or the extent to which Developer may be held responsible for the payment of damages to any persons or property resulting from Developer's activities or the activities of any person or persons for which Developer is otherwise responsible.

16.5 Remedies for Defaults Re: Insurance. In addition to any other remedies City may have, if Developer commits a default hereunder by failing to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, City may at its sole option, obtain such insurance and invoice Developer for the amount of said premium. Exercise of the remedy set forth herein, however, is an alternative to other remedies City may have and is not the exclusive remedy for Developer's failure to maintain insurance or secure appropriate endorsements.

17. Repair of Damage. If any improvements on the Property shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Developer shall promptly proceed to obtain insurance proceeds, and, provided the insurance proceeds are sufficient to restore the Property and the insurance proceeds are made available therefor by the senior secured lenders and the other terms and conditions to the release of such proceeds set forth in the mortgage in favor of the senior secured lender are satisfied in full, 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 improvements to substantially the same condition as the improvements are required to be maintained in pursuant to this Agreement, and Developer shall complete the same as soon as possible thereafter so that the Project can continue to be operated and occupied as an affordable housing project in accordance with this Agreement. In no event shall the repair, replacement, or restoration period exceed two (2) years from the date of the destruction subject to events of force majeure unless City, in its sole and absolute discretion, approves a longer period of time. City shall reasonably cooperate with Developer, at no expense to City, in an effort to obtain any governmental permits required for such repair, replacement, or restoration.

18. Reserved.

19. Defaults and Remedies.

19.1 Defaults. Failure or delay by any Party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other Party specifying the default (or such other period specifically provided herein) constitutes a default under this Agreement; provided, however, if such default is of the nature requiring more than thirty (30) days to cure, the defaulting Party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). Except as required to protect against further damages, the injured Party may not institute

proceedings against the Party in default until the time for cure has expired. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

In addition to Developer's cure rights hereunder, NEF Assignment Corporation, an Illinois not-for-profit corporation, or its successors and assigns pursuant to this Agreement ("**Investor**"), for so long as Investor is a limited partner investor in Developer, shall have ten (10) days after receipt of a default notice from City to cure a monetary default of this Agreement and thirty (30) days after receipt of a default notice to cure any non-monetary default under this Agreement; provided however, if the non-monetary default is incapable of being cured within thirty (30) days, Investor shall have an additional ninety (90) days to cure such default provided it has commenced to cure the default and is diligently proceeding to cure such default through the end of such period. City shall provide a copy of any written notice of default to the Investor at the mailing address set forth in Section 20.9. City shall accept any cure made by Investor as if made by Developer, but failure by City in timely delivering a default notice to Investor shall not be a default or breach by City under this Agreement.

19.2 Institution of Legal Actions. In addition to any other rights or remedies, any Party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement; provided, however, that notwithstanding anything in the foregoing to the contrary, in no event shall Developer be entitled to obtain monetary damages of any kind from City, including but not limited to damages for economic loss, lost profits, or any other economic or consequential damages of any kind. Such legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that county.

19.3 Rights and Remedies are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

20. Miscellaneous.

20.1 Entire Agreement, Waivers, and Amendments. This Agreement contains the entire agreement between the Parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the Parties with respect to all or part of the subject matter hereof, with the exception of the City HOME Loan Agreement and all executed versions of the agreements attached to those agreements. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the Party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Agreement by either Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Agreement. Any amendment or modification to this Agreement must be in writing and executed by the appropriate authorities of City and Developer.

20.2 Attorney's Fees and Costs. If either Party to this Agreement commences an action against the other Party to this Agreement arising out of or in connection with this Agreement, the prevailing Party shall be entitled to recover reasonable attorney's fees, expert witness fees, costs of investigation, and costs of suit from the losing Party.

20.3 Prohibition Against Assignment and Transfer by Developer. The qualifications and identity of Developer are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Developer and entered into this Agreement with Developer. Accordingly, except as expressly set forth herein, Developer shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder or in the Property or in the Project without the City's prior written approval. As used herein, the term "**significant change in ownership**" shall mean any change by virtue of which any member of C & C Development Co., LLC or any affiliated entity does not continue to be the managing member of the developer general partner of Developer.

Notwithstanding the foregoing paragraph, the following shall not require City approval (except as specifically provided below) for the purpose of this Section 20.3 (the "**Permitted Transfers**"):

(a) "Permitted Encumbrances" (as defined in the City HOME Loan Agreement);

(b) a conveyance of the Property resulting from the foreclosure of a Permitted Encumbrance (or a deed-in-lieu of such a foreclosure);

(c) Developer's the assignment of this Agreement and the transfer of the Property to any general partner of Developer or to one or more of the members of the general partners of Developer;

(d) any transfer of equity in the Developer that does not change management or operational control of the Project other than to permit the admittance of RCC MGP LLC, a California limited liability company, as the managing general partner of the Partnership;

(e) the lease of the Residential Units consistent with this Agreement;

(f) the transfer and sale of limited partnership interests in Developer, while Developer is in the form of a limited partnership;

(g) during the time in which Developer is in the form of a limited partnership, in the event that any general partner of Developer is removed by the limited partner thereof for cause following default under the partnership agreement, the transfer of the general partner interest to an affiliate of the limited partner, or if the replacement general partner is a 501(c)(3) tax exempt nonprofit corporation selected by the limited partner (other than an affiliate of the limited partner)

approved by City, in its reasonable discretion, so long as the successor nonprofit corporation has the same or substantially similar experience, assets and access to capital and private funding as Developer did at the Regulatory Agreement Effective Date of this Agreement; and

(h) the transfer of the Project from Developer to one of the general partners of the Developer or an affiliate of the general partners of the Developer at the end of the tax credit compliance period for the Project.

As used in this Section, the term "**affiliate**" shall mean any "**person,**" directly or indirectly, "**controlling**" or "**controlled**" by or under common "**control**" with Developer, whether by direct or indirect ownership of equity interests, by contract or otherwise, where "**person**" means any association, corporation, governmental entity or agency, individual, joint venture, joint-stock company, limited liability company, partnership, trust, unincorporated organization, or other entity of any kind, "**control**" means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether by ownership of equity interests, by contract or otherwise, and "**controlling**" and "**controlled**" means exercising or having control..

Developer shall deliver written notice to City requesting approval of any assignment or transfer requiring City approval hereunder. In considering whether it will grant approval to any assignment by Developer of its interest in the Property and this Agreement or any portion thereof, Developer shall consider factors such as the financial strength and capability of the proposed transferee to perform Developer's obligations hereunder and the proposed assignee's experience and expertise in the planning, financing, development, and operation of similar projects.

No assignment, excluding assignments for Permitted Encumbrances, shall be effective as to City unless and until the proposed assignee and Developer execute and deliver to City an assignment and assumption agreement in form reasonably satisfactory to the Contract Officer and legal counsel for City.

20.4 Prohibition Against Assignment and Transfer by City. The City shall not voluntarily assign or transfer its interest in all or any part of this Agreement (which by definition includes all attachments hereto) without Developer's prior written approval, which shall not be unreasonably withheld.

20.5 Compliance with Laws and Regulations. Developer shall carry out the design, construction and operation of the Project, and operate the Program, in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the legal requirements set forth in Attachment No. 3 to the City HOME Loan Agreement and the statutes referenced therein. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though all such provisions were included. Developer acknowledges and agrees that it shall be and remain, and shall cause the Developer Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner

affecting the performance under this Agreement, including the HOME Requirements. Developer shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Developer or Developer Personnel of any applicable local, state and/or federal law.

20.6 Interpretation; Governing Law. This Agreement shall be construed according to its fair meaning and as if prepared by both of the Parties hereto. This Agreement shall be interpreted in accordance with the internal laws of the State of California, without regard to conflict of law principles.

20.7 Severability. If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Agreement, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

20.8. Third-Party Beneficiaries. No person or entity other than City and Developer and the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

20.9. Notices. Formal notices, demands, and communications between City and Developer shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, (c) mailing in the United States mail, certified or first class mail, postage prepaid, or (d) delivery by electronic mail (email) with transmittal confirmation and confirmation of delivery, addressed to:

To City:	City of Irvine One Civic Center Plaza Irvine, CA 92623-9575 Attn: Community Development Director
With a copy to:	Rutan & Tucker, LLP 18575 Jamboree Road, 9th Floor Irvine, CA 92612 Phone No.: 714-641-5100 Attention: Jeffrey T. Melching, Esq.

To Developer:	Cartwright Family Apartments, LP c/o C & C Deveopment Co., LLC 14211 Yorba Street, Suite 200 Tustin, CA 92780 Attn: Todd R. Cottle and RCC MGP LLC 14131 Yorba St., Suite 204 Tustin, CA 92780 Attn: President
With a copy as long as a limited partner of Developer to	NEF Assignment Corporation 10 S. Riverside Plaza, Suite 1700 Chicago, Illinois 60606 Attention: General Counsel
With a copy to:	Goldfarb & Lipman LLP 1300 Clay Street, 11th Floor Oakland, CA 94612 Attention: Lynn Hutchins Email: lhutchins@goldfarblipman.com

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Notices delivered by email shall be deemed effective the next business day, not less than twenty-four (24) hours, following the date of transmittal and confirmation of delivery to the intended recipient. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any Party may from time to time designate in writing.

20.10 Covenants Run with the Land. This Agreement shall be binding on Developer's successors in interest in the Property until the expiration of the Affordability Term. This Agreement is designed to create equitable servitudes and covenants running with the Property, in favor of City. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth herein shall be binding upon all persons having any right, title or interest in the Property, or any part thereof, their heirs, successive owners and assigns; shall inure to the benefit of City and its successors and assigns, shall be binding upon Developer, its successors and assigns and successors in interest; and may be enforced by Developer and its successors and assigns. Developer hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land. Developer hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Property for purposes of affordable housing. City shall have the right to designate real property as benefited by

the covenants contained herein during the term of this Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided herein both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

20.11 Compliance with Other Agreements. The parties acknowledge that other affordable housing regulatory agreements (including, without limitation, that certain Amended and Restated Affordable Housing Regulatory Agreement entered into by and between City and Developer on January 31, 2023 and recorded against the Property on May 16, 2023, as Instrument No. 2023000113676, which imposes income restrictions on the tenants of the Residential Units and limits the amount of rent that may be charged. Developer shall comply with the most restrictive terms of such agreements. Developer acknowledges that in order to effectuate the foregoing the actual rent paid by Eligible HOME Unit Tenants to Developer may be less than the HOME Affordable Rent amounts set forth in this Agreement.

20.12 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

[signatures on next page]

IN WITNESS WHEREOF, City and Developer have caused this instrument to be executed on their behalf by their respective officers or agents herein duly authorized as of the date set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

DATED: 5/15/2023

By: _____
Oliver C. Chi, City Manger

ATTEST:

_____
Carl Petersen, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP

_____
Jeffrey T. Melching, City Attorney

BORROWER:

CARTWRIGHT FAMILY APARTMENTS, LP,
a California limited partnership

By: RCC MGP LLC,
a California limited liability company,
its managing general partner

By: Riverside Charitable Corporation,
a California nonprofit public benefit corporation,
its sole member and manager

By: _____
Recinda K. Shafer, Deputy Executive Director

By: Cartwright CCR LLC,
a California limited liability company,
its developer general partner

By: C & C Development Co., LLC,
a California limited liability company,
its member and manager

By: _____
Todd R. Cottle, Trustee of the 2007
Todd R. Cottle and Jennifer N. Cottle
Revocable Trust, its member

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Orange)

On May 15, 2023 before me, Lori Beyer, Notary Public
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

LORI BEYER
Notary Public - California
Orange County
Commission # 2412378
My Comm. Expires Aug 7, 2026

Signature _____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On May 15, 2023, before me, Jessica Filloon,
(insert name and title of the officer)
Notary Public, personally appeared Regina K. Shafer who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

JESSICA FILLOON
Notary Public - California
Orange County
Commission # 2377456
My Comm. Expires Oct 5, 2025

WITNESS my hand and official seal.

Signature _____ (Seal)

A Notary Public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On May 15, 2023, before me, Jessica Filloon,
(insert name and title of the officer)
Notary Public, personally appeared Todd Cattle, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

JESSICA FILLOON
Notary Public - California
Orange County
Commission # 2377456
My Comm. Expires Oct 5, 2025

882/048170-0829
18682266.3 a04/21/23

EXHIBIT "A"

LEGAL DESCRIPTION OF PROPERTY

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AND IS DESCRIBED BELOW:

PARCEL 1, AS PER MAP FILED IN BOOK 130, PAGES 33 AND 34 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM SAID LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THE LAND, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILLED WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNEL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

ALSO EXCEPTING THEREFROM FROM THE LAND ANY AND ALL WATER, WATER RIGHTS OR INTERESTS THEREIN APPURTENANT OR RELATING TO THE LAND OR OWNED OR USED BY THE IRVINE COMPANY IN CONNECTION WITH OR WITH RESPECT TO THE LAND (NO MATTER HOW ACQUIRED BY THE IRVINE COMPANY), WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATE, LITTORAL, PERCOLATING, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM OR IN THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTERESTS ON ANY OTHER PROPERTY OWNED OR LEASED BY THE IRVINE COMPANY; BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF THE LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED BY THE IRVINE COMPANY A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION RECORDED MARCH 22, 1978 AS INSTRUMENT NO. 28117, IN BOOK 12606, PAGE 482 OFFICIAL RECORDS.

APN: 435-142-39

ATTACHMENT 8

AFFORDABLE HOUISNG AND LOAN AGREEMENT (HOME FUNDS)

AFFORDABILITY RESTRICTIONS
CITY OF IRVINE

MAXIMUM RENTS					
Restrictions [1]	# of Units	Unit Type	2022 Gross Rent [2]	2023 Utility Allowance [3]	2022 Net Rent
Low HOME per HUD	3	3-Bedrooms	$1,761.00	$137.00	$1,624.00
High HOME per HUD	8	3-Bedrooms	$2,257.00	$137.00	$2,120.00
Total Restricted Units	**11**				

MAXIMUM INCOME LEVELS [4]		
Household Size	2022 HOME 50% AMI / Low HOME	2022 TCAC 80% AMI / High HOME
1 Person	$47,450	$75,920
2 Person	$54,200	$86,720
3 Person	$61,000	$97,600
4 Person	$67,750	$108,400
5 Person	$73,200	$117,120
6 Person	$78,600	$125,760
7 Person	$84,050	$134,480
8 Person	$89,450	$143,120

[1] Monthly gross rent is based on rent published annually by the U.S. Department of Housing and Urban Development (HUD) for the HOME Program.

[2] The most recent HUD publication of maximum gross rents for the HOME Program is June 15, 2022.

[3] Utilities are published annually by the Orange County Housing Authority (OCHA). The allowances were most recently published October 1, 2022. The tenant paid utilities are electric heating and cooking, basic electricity and air conditioning.

[4] The most recent HUD publication of maximum income limits for the HOME Program is June 15, 2022.

Supporting Documents from Table 1

Document 47

Project Name: Families Forward

Year: 2021

DRAFT

CITY CLERK - CONTRACTS
SCAN SHEET

CONTRACT #: 10987

CONTRACTING PARTY: FAMILIES FORWARD, INC.

CONTRACT DATE: 02/10/2020

EXPIRATION DATE:

DESCRIPTION: AFFORDABLE HOUSING AND GRANT AGREEMENT (CDBG FUNDS) BY AND BETWEEN CITY OF IRVINE AND FAMILIES FORWARD, INC.

AMOUNT:

DEPARTMENT: COMMUNITY DEVELOPMENT

ITEM #:

MEETING DATE:

ORIGINAL

AFFORDABLE HOUSING AND GRANT AGREEMENT (CDBG Funds)

by and between

CITY OF IRVINE,
a California municipal corporation,

and

FAMILIES FORWARD, INC.,
a California nonprofit public benefit corporation

10987

TABLE OF CONTENTS

Page

1. DEFINITIONS 1

2. ACQUISITION OF AFFORDABLE UNIT 3
   - 2.1 Identification of Affordable Unit 3
   - 2.2 Purchase Agreement 4
   - 2.3 Affordable Unit Implementation Document 5
   - 2.4 Program Activities 5
   - 2.5 Monitoring 6
   - 2.6 Compliance with Laws and Regulations and Program Requirements 6
   - 2.7 Licenses, Approvals and Permits 6
   - 2.8 Program Costs 6
   - 2.9 Program Income 6
   - 2.10 Compliance with Permits and Laws 6
   - 2.11 Rights of Access 7
   - 2.12 Relocation 7

3. CITY GRANT 7
   - 3.1 City Grant - General 7
   - 3.2 Permissible Use of City Grant; Eligible Expenses 7
   - 3.3 Disbursements of City Grant 7
   - 3.4 Return of City Grant Proceeds 8
   - 3.5 Excess City Grant Proceeds 9
   - 3.6 Matching Funds 9

4. AFFORDABILITY COVENANTS 9

5. RECORDS AND REPORTS 9
   - 5.1 Records 9
   - 5.2 Reports 10

6. INSURANCE AND INDEMNITY 11
   - 6.1 Insurance 11
   - 6.2 Indemnification 12

7. TERM; TERMINATION 12
   - 7.1 Term 12
   - 7.2 Termination for Cause 12
   - 7.3 Termination for Convenience 13
   - 7.4 Obligations Survive Termination 13

8. DEFAULTS AND REMEDIES 13
   - 8.1 Defaults-General 13
   - 8.2 Institution of Legal Actions 13
   - 8.3 Additional City Remedies 14

Page

8.4 Applicable Law 14
8.5 Rights and Remedies are Cumulative 14
8.6 Attorney's Fees 14

9. GENERAL PROVISIONS 14
9.1 Notices, Demands, and Communications between the Parties 14
9.2 Nonliability of City Officials and Employees 15
9.3 Contract Administration 15
9.4 Enforced Delay; Extension of Times of Performance 15
9.5 Interpretation 16
9.6 Entire Agreement, Waivers and Amendments 16
9.7 Severability 16
9.8 Prohibition against Assignment and Transfer 16
9.9 Third Party Beneficiaries 16
9.10 Authority to Execute 17
9.11 Execution in Counterparts 17
9.12 Exhibits 17

EXHIBITS

A COMMUNITY DEVELOPMENT BLOCK GRANT REQUIREMENTS
B REGULATORY AGREEMENT
C AFFORDABLE UNIT IMPLEMENTATION DOCUMENT

AFFORDABLE HOUSING AND GRANT AGREEMENT
(CDBG Funds)

This AFFORDABLE HOUSING AND GRANT AGREEMENT ("Agreement") is entered into this 10th day of February, 2020, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, INC. a California nonprofit public benefit corporation ("Participant").

RECITALS

A. Participant desires to acquire an existing residential unit in the City of Irvine for the purpose of providing affordable housing.

B. City has received Community Development Block Grant funds ("CDBG Funds") from the United States Department of Housing and Urban Development ("HUD") under Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301, *et. seq.*), Catalog of Federal Domestic Assistance Number 14.218, Grant Number B-19-MC-06-0557, and the regulations promulgated thereunder (24 C.F.R. § 570, *et seq.*) to be used for the purposes of this Agreement.

C. City desires to provide financial assistance to Participant in the form of a grant of CDBG Funds in an amount not to exceed Three Hundred Ninety-Nine Thousand Six Hundred Eighty-Six Dollars ($399,686) ("City Grant") to be used by Participant for certain expenses related to Participant's acquisition of an existing residential unit, which expenses are more particularly described herein as the "Eligible Expenses."

D. Participant's CDBG application indicates that such residential unit will be made available to homeless households or households at risk of homelessness.

E. City's provision of the City Grant to Participant pursuant to this Agreement, and the fulfillment generally of this Agreement, are in the vital and best interests of the City and the welfare of its residents.

AGREEMENT

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both parties, City and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

"Affordable Rent" shall mean a monthly rent (including a reasonable utility allowance) that does not exceed the product of 1/12th of 30% multiplied by 50% of the Median Income adjusted for family size appropriate for the Affordable Unit. For purposes of calculating the Affordable Rent, "adjusted for family size appropriate for the Affordable

Unit" shall mean a household of two persons in the case of a 1-bedroom Affordable Unit, a household of three persons in the case of a 2-bedroom Affordable Unit, a household of four persons in the case of a 3-bedroom Affordable Unit, and a household of five persons in the case of a 4-bedroom Affordable Unit. "Affordable Unit" shall mean one housing unit located within the City that is listed for sale and that City approves for Participant's acquisition under this Agreement.

"Affordable Unit Completion Date" shall mean June 1, 2020.

"Affordable Unit Implementation Document" shall have the meaning set forth in Section 2.3 of this Agreement.

"Agreement" shall mean this Affordable Housing and Grant Agreement between City and Participant, including all exhibits and other documents attached hereto, and the Affordable Unit Implementation Document. This Agreement constitutes the written agreement required under 24 C.F.R. § 570.503 to be entered into by a recipient and subrecipient for subgrants of CDBG Funds.

"CDBG Requirements" shall mean the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *e. seq.*) as amended from time to time, and the implementing regulations set forth in 24 C.F.R. § 570 *et seq.* as amended from time to time, including without limitation those summarized in Exhibit "A" attached hereto and incorporated herein by this reference.

"City" shall mean the City of Irvine, a California municipal corporation, organized under the laws of the State of California and having its offices at One Civic Center Plaza, Irvine, CA 92606.

"Contract Officer" shall mean City's Housing Administrator.

"Effective Date" shall mean the date this Agreement is approved by City; which date shall be inserted in the preamble to this Agreement.

"Eligible Expenses" shall mean only the expenses for the acquisition of the Affordable Unit for which the City Grant may be used. The line item categories of Eligible Expenses and the amount budgeted for each item shall be set forth in the Affordable Unit Implementation Document.

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

"Matching Program Funds" Shall be those funds that are equivalent to twenty-five percent (25%) of the City Grant, which is the sum of Ninety-Nine Thousand Nine Hundred Twenty-One Dollars ($99,921) to be contributed by Participant and used for Eligible Expenses. If City disburses less than the full amount of the City Grant, the Matching Program Funds amount shall be at least twenty-five cents ($0.25) for every dollar to be reimbursed from City Grant proceeds. Such matching expenditures shall be paid solely by Participant.

"Median Income" shall mean the Orange County Area Median Income, as established by HUD.

"Notice to Proceed" shall mean a written letter from City to the Participant Representative notifying Participant that Program Requirements have been met such that Participant may proceed to close escrow for the Affordable Unit.

"Participant" shall mean Families Forward, Inc., a California nonprofit public benefit corporation, having its offices at 8 Thomas, Irvine, CA 92618. The term "Participant" includes any legally permissible assignee or successor to the rights, powers, and responsibilities of Participant hereunder, in accordance with Section 9.8 of this Agreement.

"Participant Representative" shall mean Madelynn Hirneise, Chief Executive Officer, who is designated by Participant to represent Participant in the administration of this Agreement.

"Program Activities" shall mean the tasks, activities, and operations set forth in the Affordable Unit Implementation Document, all activities assisted with the City Grant, and all other obligations under this Agreement that Participant is required to perform.

"Program Funds" shall refer to the CDBG Funds.

"Program Requirements" shall refer to the CDBG Requirements.

"Proposed Affordable Unit" shall mean a residential housing unit located within the City that Participant proposes to acquire pursuant to this Agreement.

"Purchase Agreement" shall have the meaning set forth in Section 2.2 of this Agreement.

"Quarter" shall mean any of the three (3) month periods during a fiscal year commencing July 1, October 1, January 1, or April 1.

"Qualified Household" shall mean a low-income person(s) or household, whose gross household income does not exceed fifty percent (50%) of the Median Income, adjusted for household size, and is determined in accordance with the definition of annual income at 24 C.F.R. § 5.609.

2. ACQUISITION OF AFFORDABLE UNIT.

2.1 Identification of Affordable Unit. As of the date of this Agreement, the Affordable Unit has not been specifically identified but shall be located within the corporate limits of the City. The location of the Affordable Unit shall be as determined by Participant and City, but shall be subject to the approval of City in its sole discretion. Participant shall exercise diligent efforts to select the unit that it proposes to constitute an Affordable Unit (the "Proposed Affordable Unit") as soon as reasonably practicable, but no later than Sixty (60) days after the Effective Date. After locating a Proposed Affordable

Unit, Participant shall notify City of the location and acquisition price of the Proposed Affordable Unit as soon as reasonably practicable. City shall have the right to approve or disapprove any Proposed Affordable Unit in its sole and absolute discretion. The Proposed Affordable Unit approved by City as an Affordable Unit shall meet all applicable Program Requirements. Upon City's approval of a Proposed Affordable Unit as an Affordable Unit, Participant shall have the right to (a) commence Program Activities for the purchase of the Affordable Unit, and (b) open an escrow for the purchase and sale of the Affordable Unit, provided that Participant has obtained an executed Purchase Agreement as set forth below.

2.2 Purchase Agreement.

(a) The form of the purchase agreement that Participant will enter into with the owners of the Affordable Unit for the acquisition of the Affordable Unit ("Purchase Agreement") shall be subject to the prior written approval of City. Following execution of the Purchase Agreement, Participant shall comply with each and every condition, responsibility, and obligation it may have pursuant to the Purchase Agreement in order to accomplish the close of escrow on or prior to the outside closing date set forth in the Purchase Agreement and shall exercise commercially diligent efforts to cause the conditions precedent to the close of escrow for which Participant is responsible to be satisfied. In addition to any other conditions precedent that Participant must satisfy therein, the Purchase Agreement shall require as a condition precedent to closing of escrow that City and Participant have executed and delivered a copy to the escrow holder an Affordable Unit Implementation Document for the Affordable Unit to be purchased by Participant. Participant shall not amend or modify the Purchase Agreement without the prior written consent of City. Participant shall keep City informed of the progress of the performance under the Purchase Agreement and shall notify City of any defaults of Participant or the seller of the Affordable Unit thereunder or any default notices issued by either party. Participant shall not assign the Purchase Agreement to any other party. Participant shall be responsible for making any good faith deposit required by the seller of the Affordable Unit, using Matching Funds.

(b) The Purchase Agreement shall provide for a reasonable contingency period during which Participant shall have the right to review title and inspect the environmental condition of the Affordable Unit, in addition to any other rights Participant may have during the contingency period. Participant shall promptly disclose to City if, upon the expiration of the contingency period, the condition of title, environmental condition, or any other reason caused Participant to terminate the Purchase Agreement.

(c) In the event that Participant accepts the condition of the Affordable Unit and does not terminate the Purchase Agreement prior to the expiration of the contingency period set forth therein, Participant shall notify City that it intends to proceed with closing of escrow. Provided Participant is not in default of this Agreement, and provided that Participant and City have executed or will have

executed by the close of escrow the Affordable Unit Implementation Document, then City shall issue a Notice to Proceed.

(d) In the event that Participant terminates the Purchase, any funds disbursed by City into escrow shall be returned to City.

2.3 Affordable Unit Implementation Document. For the Affordable Unit, City and Participant shall set forth in a written instrument substantially in the form of Exhibit "C" attached hereto, to be executed by both parties, the following for the Affordable Unit (an "Affordable Unit Implementation Document"): (a) the address and location of the Affordable Unit; (b) a description of the rehabilitation and/or repair work that Participant will be required to perform using Participant's funds (i.e., neither CDBG Funds nor Matching Funds shall be used for rehabilitation or repair work), if any; (c) the dates and/or time periods by which the obligations and tasks must be performed and completed with respect to the Affordable Unit; (d) the line item categories of Eligible Expenses for the Affordable Unit and the amount of City Grant proceeds allocated to each category; (d) the income level and other affordability requirements that will be imposed on the Affordable Unit, as set forth in this Agreement; and (e) any other information that is required under the Program Requirements. Upon execution of the Affordable Unit Implementation Document, all of the terms, conditions, provisions and covenants of the Affordable Unit Implementation Document shall be deemed incorporated in this Agreement by reference as though written out at length herein and this Agreement and the Affordable Unit Implementation Document shall be deemed to constitute a single instrument or document. Upon execution of the Affordable Unit Implementation Document and delivery to escrow thereof for the Affordable Unit, Participant shall have the right to a disbursement from the City Grant to cover a portion of the purchase price and closing costs, as based upon an estimated escrow statement or similar document provided by the escrow holder for the Affordable Unit. If requested by Participant, City shall wire the funds to the escrow account opened for the Affordable Unit within two (2) business days of Participant's request. City shall use every reasonable effort to ensure a disbursement of the City Grant for the Affordable Unit shall be received by escrow holder no later than two (2) days prior to the outside closing date set forth in the Purchase Agreement.

2.4 Program Activities. Participant shall perform and complete all Program Activities diligently and in a timely manner to the satisfaction of City and in accordance with this Agreement. If any of the Program Activities constitutes a specific task or activity that is required under this Agreement or the Affordable Unit Implementation Document Agreement to be commenced or completed by a certain date or time period, Participant shall commence, complete, and perform the task or activity within the specified time period. In addition to the quarterly reports referred to in Section 5.2, Participant shall, if requested by City, provide to City monthly written reports on the progress of Program Activities. Participant represents to City that the Program Activities will be performed by Participant under its direct supervision, and that all personnel engaged in the Program

Activities shall be fully qualified and authorized and permitted under applicable law to perform such Program Activities.

2.5 Monitoring. City shall monitor and evaluate Participant's performance under this Agreement to determine compliance with this Agreement and the Program Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Affordable Unit (provided Participant has access) during normal business hours for the purpose of assuring compliance with this Agreement and evaluating Participant's performance hereunder.

2.6 Compliance with Laws and Regulations and Program Requirements. Participant shall observe and comply with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including the Program Requirements and the legal requirements set forth in Exhibit "A" attached to this Agreement and the statutes referenced therein. Because the source of the City Grant is funds received from HUD pursuant to the Community Development Block Grant, program Participant is required to comply with all applicable Program Requirements. In the case of any conflict between the Program Requirements and this Agreement, the Program Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the Program Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the Program Requirements.

2.7 Licenses, Approvals and Permits. Participant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Activities.

2.8 Program Costs. Except to the extent City has specifically agreed to provide the City Grant pursuant to Section 3 of this Agreement, Participant shall be responsible for all costs related to the Program Activities.

2.9 Program Income. Participant shall submit to City quarterly reports as set forth in Section 5.2 of this Agreement on all program income as defined 24 C.F.R. 570.500(a) generated by activities carried out with CDBG Funds, if any. The program income shall be retained by Participant and utilized for Eligible Expenses, Program Activities, or such other activities approved in writing by City, in which case all provisions of this Agreement shall apply to the activities funded by the program income. In the event City determines that Participant may retain the program income for Eligible Expenses, the program income shall be expended by Participant for Eligible Expenses before City is obligated to advance any other City Grant proceeds to Participant. Upon the termination of this Agreement, all unused program income shall be returned to City.

2.10 Compliance with Permits and Laws. Participant shall carry out the Program Activities in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation all applicable federal and state fair labor standards, including the payment of prevailing wages, if required, and all applicable conditions and requirements of the Program Requirements.

2.11 Rights of Access. During the period and for so long as Participant owns the Affordable Unit, representatives of City shall have the reasonable right of access to the Affordable Unit, without charges or fees, for the purpose of assuring compliance with this Agreement, including but not limited to the inspection of the repair and/or rehabilitation work being performed by Participant.

2.12 Relocation. City shall not be responsible for relocating any occupants from the Affordable Unit to the extent any occupants are located in the Affordable Unit. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Affordable Unit, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant.

3. CITY GRANT.

3.1 City Grant - General. Subject to the terms and conditions set forth herein, City shall provide to Participant the City Grant.

3.2 Permissible Use of City Grant; Eligible Expenses. Pursuant to all of the terms and conditions of this Agreement, Participant shall be permitted to use the City Grant proceeds only for the Eligible Expenses that are actually and reasonably incurred by Participant and approved by City, and for no other purpose.

3.3 Disbursements of City Grant. Provided Participant is not in default of this Agreement, the City Grant shall be disbursed by City to Participant from time to time, as Eligible Expenses are incurred by Participant, as follows:

(a) *Submittal of Payment Request.* Participant shall submit to the Contract Officer a request for payment of City Grant proceeds to pay for Eligible Expenses incurred by Participant or that the parties expect to be incurred by Participant within thirty (30) days from the date the payment request is submitted. The payment request shall include the total amount requested, with such supporting information as City may reasonably require, documenting that the costs for which Participant seeks payment are solely for Eligible Expenses incurred by Participant or to be incurred by Participant. The supporting information required by City may include without limitation, letters of intent to purchase real property, receipts, canceled checks, time records, billing statements, bank statements, invoices, and contracts (including the Purchase Agreement). The payment request shall itemize the Eligible Expenses by listing each budget line item category from the project budget that is set forth in the Affordable Unit Implementation Document and including the following information for each category: (i) a description and the amount of each Eligible Expense included within that category for which payment is sought; (ii) the total amount budgeted in the Affordable Unit Implementation

Document to the budget line item category; and (iii) the total amount paid to Participant for the budget line item category to date.

(b) *City's Review of Payment Request and Disbursement of Funds*. The Contract Officer shall have the authority on behalf of City to calculate and approve the amount of Participant's Eligible Expenses. To the extent City has received sufficient Program Funds, payment of the City Grant amount determined by City to be owing to Participant shall be made by City to Participant no later than the time limit set forth in this Agreement, or if no time limit is otherwise set forth herein, then no later than fifteen (15) days after Participant's submission of its completed payment request. It is anticipated that the Eligible Expenses for the acquisition of the Affordable Unit may be deposited by City into the escrow established for the acquisition of the Affordable Unit. If City disapproves a payment request, City shall notify Participant in writing the reason(s) for disapproval.

(c) *Conditions to Disbursement*. City's obligation to disburse the City Grant proceeds to Participant in accordance with this Section 3.3 is subject to the satisfaction of all of the following conditions at the time the payment is to be made: (i) Participant shall have provided to City a complete payment request with all supporting information; (ii) Participant shall have submitted to City the reports referred to in Section 5.2 of this Agreement; (iii) if payment for the professional services of a consultant or contractor is an Eligible Expense, Participant shall have provided City a copy of the executed contract between Participant and the consultant or contractor, certified by Participant to be a true and correct copy thereof; (iv) Participant shall have executed and delivered to City, pursuant to the terms and conditions set forth in this Agreement, the Purchase Agreement and the Affordable Unit Implementation Document; (v) Participant shall not be in default of any of its obligations set forth in this Agreement; (vi) City has issued the Notice to Proceed; and (vii) City shall have received sufficient Program Funds from HUD, as applicable. In connection with clause (vii) of the preceding sentence, Participant acknowledges and agrees that City's obligation to provide the City Grant to Participant under this Agreement shall be subject to the availability of Program Funds and, if for any reason City does not receive sufficient Program Funds from HUD or the funds are withdrawn, City shall have no obligation to provide the City Grant to Participant or to fund the City Grant from any other source of funds. Notwithstanding any other provision of this Agreement, it is understood that City is not obligated to expend City Grant proceeds for Program Activities that were performed, or Eligible Expenses that were incurred, prior to City's issuance of the Notice to Proceed.

3.4 Return of City Grant Proceeds. Upon the Affordable Unit Completion Date or the earlier termination of this Agreement, Participant shall transfer to City any City Grant funds on hand for the Affordable Unit for which Eligible Expenses have not been incurred. In addition to the foregoing, in the event the Eligible Expenses for which any disbursement of City Grant funds are disbursed are not incurred by Participant within thirty (30) days after City's disbursement, or such longer time as City approves in its sole discretion, City shall have the right to require that Participant return the City Grant

proceeds to City. In addition, if it is determined, as a result of an audit or otherwise, that any of the disbursements of City Grant proceeds were improper or made for expenditures not eligible for payment, Participant shall immediately repay to City the amounts of such disbursements.

3.5 Excess City Grant Proceeds. If the amount of Eligible Expenses incurred by Participant as of the Affordable Unit Completion Date or the earlier termination of this Agreement is less than the City Grant, the excess City Grant proceeds shall revert to City. In addition, the City Grant funds for Eligible Expenses for which Participant has not submitted a complete payment request to City within thirty (30) days after the Affordable Unit Completion Date or the earlier termination of this Agreement shall revert to City and be allocated for other activities.

3.6 Matching Funds. Participant shall contribute at least 25 cents per dollar disbursed from City Grant proceeds. Such matching expenditures shall be paid solely by Participant and such matching expenditures shall be used for Eligible Expenses.

4. AFFORDABILITY COVENANTS.

Participant acknowledges that the Affordable Unit will be required to be maintained as an affordable rental housing unit, as determined by City at the time the Affordable Unit Implementation Document is executed for the Affordable Unit. Concurrently with the close of escrow for the Affordable Unit, City and Participant shall enter into and record against the Affordable Unit a regulatory agreement, substantially in the form attached hereto and incorporated herein as Exhibit "C", which shall set forth the affordability requirements for the Affordable Unit, including that the Affordable Unit must be rented continuously to a Qualified Household at an Affordable Rent ("Regulatory Agreement"). The term of the Regulatory Agreement shall be for a period of twenty (20) years following the date the Affordable Unit is first occupied by a Qualified Household.

5. RECORDS AND REPORTS.

5.1 Records.

5.1.1 Records to be maintained. Participant shall keep and maintain records providing a full description of the Program Activities undertaken, records demonstrating that the Program Activities meet the Program Requirements, records demonstrating the eligibility of the activities constituting the Eligible Expenses, and such other records as may be reasonably required by City to enable City to evaluate Participant's compliance with the Program Requirements, to identify and account for the use of the City Grant proceeds and expenditures of Eligible Expenses and all costs pertaining to this Agreement, and to enable City to comply with City's recordkeeping and reporting requirements under the CDBG Requirements, including without limitation the records specified in 24 C.F.R. 570.506 as they pertain to the activities under this Agreement. Books and records pertaining to the Eligible Expenses shall be kept and prepared in accordance with generally accepted accounting principles.

5.1.2 Retention. The books and records required to be maintained by Participant under this Agreement shall be retained for a period of five (5) years following the expiration of the Regulatory Agreement; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the foregoing retention period, Participant shall retain the books and records until completion of the action and resolution of all issues which arise from it.

5.1.3 Location of Records. The books and records required to be maintained by Participant pursuant to this Agreement shall be kept at a location in the City of Irvine.

5.1.4 Access to Records. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Agreement at all times during normal business hours.

5.1.5 Audits. Participant shall perform all audits of its books and records required by the Program Requirements or City or HUD and a copy of such audits shall be forwarded to the City within thirty (30) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

5.2 Reports.

5.2.1 Quarterly Reports. No later than fifteen (15) days after the end of each Quarter, Participant shall submit to City the following quarterly reports on forms approved by the Contract Officer:

Performance Reports. A report on the summary of the Program Activities and activities undertaken by Participant under this Agreement for the previous Quarter ("Performance Report"). The Performance Report shall, at a minimum, describe the status of each of the Program Activities required to be performed and met during that Quarter, progress towards completing the other Program Activities, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions which impaired the ability of Participant to meet any obligations if any were not met, favorable developments which enabled Participant to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, and any additional pertinent information related to contract performance.

Program Income. A report on the program income generated for the Quarter, if any, as more fully explained in Section 2.9 of this Agreement, which shall include a description of the expenditures of program income and a progress report for the activities funded by the program income if Participant is permitted to retain program income.

5.2.2 Other Reports. In addition to the reports referenced in Section 5.2.1, Participant shall, at such times and in such forms as required by City, prepare and submit to the Contract Officer such other reports concerning the performance of the Program Activities, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with Program Requirements, as City may reasonably require from time to time.

6. INSURANCE AND INDEMNITY.

6.1 Insurance. Prior to issuance of any Notice to Proceed, Participant shall furnish or cause to be furnished to City evidence reasonably satisfactory to City's Contract Officer of Commercial General Liability coverage in the amount of at least One Million Dollars ($1,000,000) combined single limits, naming City and its officers, officials, employees, volunteers, agents, and representatives as additional insureds, and a policy of all-risk property insurance in an amount equal to the full replacement value of the Affordable Unit. Participant shall continue to maintain such insurance in full force and effect during the term of this Agreement. All such insurance:

shall be primary insurance and not contributory with any other insurance which City or its officers, officials, employees, volunteers, agents, or representatives may have;

shall contain no special limitations on the scope of protection afforded to City or its officers, officials, employees, volunteers, agents, and representatives;

shall be "per occurrence" rather than "claims made" insurance;

shall apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability;

shall provide that the policy will not be cancelled or limited in scope by the insurer or Participant unless there is a minimum of thirty (30) days prior written notice by certified mail, return receipt requested to City;

shall be written by a California licensed insurer with a Best rating of not less than A:VII;

shall be endorsed to state that any failure to comply with the reporting provisions of the policies shall not affect coverage provided to City and its officers, officials, employees, volunteers, agents, and representatives; and

shall contain a waiver by the insurer of any right to subrogation against City, and its officers, officials, employees, volunteer, agents, and representatives which arises or might arise by reason of any payment under such policy or policies or by reason of any act or omission of City or its officers, employees, volunteers, agents, and representatives.

Any deductible or self-insured retention must be declared to City. None of the above described policies shall include a deductible or self-insured retention amount of more than Ten Thousand Dollars ($10,000) unless approved in writing by the Contract Officer.

Participant shall also furnish or cause to be furnished to City's Contract Officer evidence reasonably satisfactory to the Contract Officer that Participant and any contractor with whom Participant has contracted for the performance of the Program Activities have current Workers' Compensation insurance as required by the State of California Labor Code as well as Employer's Liability Coverage of not less than One Million Dollars ($1,000,000) per accident. Such insurance shall be endorsed to include a waiver of subrogation rights against City and its officers, officials, employees, volunteers, agents, and representatives, and notice of cancellation as described in subsection (e) above. Such policies shall be written by California licensed insurers with Best ratings of not less than A:VII in the most recent edition of Best Rating Guide.

Nothing in this Section 6.1 shall in any way limit Participant's indemnity obligations set forth in Section 6.2 herein.

6.2 Indemnification. Participant shall indemnify, defend, and hold harmless City and its officers, officials, employees, representatives and agents (collectively, the "Indemnitee"), with legal counsel satisfactory to City, from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Participant or Participant's officers, employees, contractors, and agents, in the performance under this Agreement and/or with respect to the Affordable Unit, except to the extent of such loss as may be caused by the active negligence or willful misconduct of any Indemnitee. Upon receiving knowledge of any suit, claim or demand asserted by a third party that City believes is covered by this indemnity, City shall give Participant written notice of the matter.

7. TERM; TERMINATION.

7.1 Term. The term of this Agreement shall commence on the date set forth in the preamble to this Agreement and, unless terminated earlier pursuant to the provisions herein, shall continue thereafter until the Regulatory Agreement terminates or is terminated. Participant shall use the Property for the operation of the "Program" (as that term is defined in the Regulatory Agreement) and no other purpose, and shall operate the Program on a continuous basis.

7.2 Termination for Cause. This Agreement may be terminated by City for cause as follows:

(a) *Lack of Funding*. If, for any reason, the Program Funds required by City to fund the Eligible Expenses are not received by City or are withdrawn from City, City may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding, without liability to Participant.

(b) *Failure to Comply with Agreement*. If Participant fails to comply with the terms and conditions of this Agreement and fails to cure the default after notice from City as set forth in Section 8.1 of this Agreement, City may terminate this Agreement in whole or in part.

7.3 Termination for Convenience. This Agreement may be terminated for convenience as provided in 2 C.F.R. Part 200.

7.4 Obligations Survive Termination. Notwithstanding the expiration or earlier termination of this Agreement, Participant's obligations to City shall not terminate until all closeout requirements are completed. In addition, the following obligations of Participant shall survive the termination of this Agreement: (a) Participant's indemnity obligations; (b) the obligation to cause audits to be performed relating to Participant's activities and costs under this Agreement; (c) the obligation to repay to City any City Grant proceeds improperly disbursed to Participant or disbursed or used for ineligible expenditures; and (d) any other obligations which cannot by their nature be performed until after the expiration of the Agreement. No termination under this Agreement shall release either party then in default from liability for such default. All terms of this Agreement shall survive as necessary for the purpose of enabling either party to enforce its provisions or pursue an action with respect to a default of this Agreement, including the provisions of Section 8.6.

8. DEFAULTS AND REMEDIES.

8.1 Defaults-General. The failure or delay by either party to perform any term or provision of this Agreement shall constitute a default. Except where a shorter period of time is specified in this Agreement, the defaulting party shall have thirty (30) days after receipt of written notice from the other party specifying the nature of the default to cure, correct or remedy the default, or for defaults that cannot reasonably be cured, corrected, or remedied within such thirty (30) day time period, the defaulting party shall have thirty (30) days after receipt of the notice to commence to cure such failure or delay and shall diligently prosecute such cure, correction or remedy to completion within an additional sixty (60) days following the conclusion of such thirty (30) day period (for a total of ninety (90) days). 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 the time for cure, correction, or remedy of a default has expired. Except as otherwise expressly provided in this Agreement, any failure or delay by a party in giving a notice of default or in asserting any of its rights and remedies as to any default shall not constitute a waiver of any default, nor shall it change the time of default, nor shall it 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.

8.2 Institution of Legal Actions. In addition to any other rights or remedies, either party may institute legal action to cure, correct, or remedy any default, to recover damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. Such legal actions must be instituted and maintained in the Superior

Court of the County of Orange, State of California, or in any other appropriate court in that county.

8.3 Additional City Remedies. In addition to any other rights or remedies available at law or in equity, upon a default of Participant, City may do any of the following: (a) temporarily withhold disbursement of City Grant proceeds pending correction of the default by Participant; (b) refuse to advance all or any part of the City Grant and reallocate said funds to another activity; (c) wholly or partially suspend or terminate the award of the City Grant; (d) wholly or partially suspend or terminate this Agreement; (e) withhold further awards for the Program Activities; and (f) require Participant to repay any City Grant funds which City determines were not expended in compliance with the requirements of this Agreement or the Program Requirements.

8.4 Applicable Law. The internal laws of the State of California shall govern the interpretation and enforcement of this Agreement.

8.5 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

8.6 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. If any party to this Agreement is required to initiate or defend litigation with a third party because of the violation of any term or provision of this Agreement by the other party, then the party so litigating shall be entitled to reasonable attorneys' fees from the other party to this Agreement. Attorneys' fees shall include attorney's fees on any appeal, and in addition a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

9. GENERAL PROVISIONS.

9.1 Notices, Demands, and Communications between the Parties. Formal notices, demands, and communications between City and Participant shall be given either by (a) personal service, (b) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (c) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

To City:
City of Irvine
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

With a copy to:	Rutan & Tucker, LLP 611 Anton Blvd. Suite 1400 Costa Mesa, CA 92626 Attn: Jeffrey T. Melching, Esq.
To Participant:	Families Forward, Inc. 8 Thomas Irvine, CA 92618 Attn: Chief Executive Officer
With a copy to:	Manatt, Phelps & Phillips 695 Town Center Drive, 14th Floor Costa Mesa, CA 92626 Attn: Roger A. Grable, Esq.

Notices personally delivered or delivered by document delivery service shall be deemed effective upon receipt. Notices mailed shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as any party may from time to time designate in writing.

9.2 Nonliability of City Officials and Employees. No member, official, employee, or contractor of City shall be personally liable to Participant in the event of any default or breach by City or for any amount which may become due to Participant or on any obligations under the terms of this Agreement.

9.3 Contract Administration. The Contract Officer shall be the person designated by City to administer this Agreement on behalf of City, and the Participant Representative shall be the person designated by Participant to administer this Agreement on behalf of Participant. The Community Development Director (or his or her authorized representative) shall have the authority to issue interpretations, waive provisions, grant extensions of time, and enter into amendments of this Agreement on behalf of City so long as such actions do not substantially add to the costs of City as specified herein. The Participant Representative (or his authorized representative) shall have the authority to issue interpretations, waive provisions and enter into amendments of this Agreement on behalf of Participant so long as such actions do not substantially add to the costs of Participant as specified herein

9.4 Enforced Delay; Extension of Times of Performance. Except as expressly set forth in this Section 9.4, performance by either party hereunder shall not be deemed to be in default and such party shall be entitled to an extension of time to perform its obligations hereunder where delays in performance are due to causes beyond the control and without the fault of such party, including as applicable: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; 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; delays of any contractor, subcontractor or supplies; acts of the other party; acts or the failure to act of City or any other public or governmental agency or entity (except that any act or failure to act of or by City shall not excuse performance by City). Notwithstanding the foregoing, Participant's inability to secure satisfactory financing, interest rates, and market and economic conditions shall not entitle Participant to an extension of time to perform. An extension of time for any cause permitted under this Section 9.4 shall be limited to the period of the enforced delay, which period 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 knowledge of the commencement of the cause. If no written notice is sent within thirty (30) days, for purposes of measuring the extension period for performance of the obligation in question, the period of the enforced delay shall commence to run from the date written notice is sent to the other party. Times of performance under this Agreement may be extended by mutual written agreement of City and Participant.

9.5 Interpretation. The terms of this Agreement shall be construed in accordance with the meaning of the language used and shall not be construed for or against any party by reason of the authorship of this Agreement or any other rule of construction which might otherwise apply. The Section headings are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this Agreement.

9.6 Entire Agreement, Waivers and Amendments. This Agreement integrates all of the terms and conditions mentioned herein, or incidental hereto, and supersedes all negotiations and previous agreements between the parties with respect to all or any part of the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate authorities of City and Participant.

9.7 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement.

9.8 Prohibition against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to City. It is because of those qualifications and identity that City has provided financial assistance to Participant and entered into this Agreement with Participant. Accordingly, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any significant change in ownership or assign all or any part of this Agreement or any rights hereunder, or in the programs and projects associated with the Program Activities, or in the Affordable Unit without City's prior written approval which City may grant or withhold in its sole and absolute discretion.

9.9 Third Party Beneficiaries. Nothing in this Agreement is intended to create any third party beneficiaries, and no person or entity other than City and Participant, and

the permitted successors and assigns of each of them, shall be authorized to enforce the provisions of this Agreement.

9.10 Authority to Execute. The person(s) executing this Agreement on behalf of the parties hereto warrant that (a) such party is duly organized and existing, (b) they are duly authorized to execute and deliver this Agreement on behalf of said party, and (c) by so executing this Agreement, such party is formally bound to the provisions of this Agreement.

9.11 Execution in Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

9.12 Exhibits. This Agreement incorporates by reference the following three (3) Exhibits attached hereto:

Exhibit "A" Community Development Block Grant Requirements
Exhibit "B" Regulatory Agreement
Exhibit "C" Affordable Unit Implementation Document

[Signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the date set forth above.

Address:

City of Irvine
Community Development Department
Neighborhood Services Division
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Pete Carmichael, Director of
Community Development

Date: 2·6·20

ATTEST:

_____
Molly M. Perry, City Clerk

APPROVED AS TO FORM:

_____
Jeffrey T. Melching, City Attorney

Address:

Families Forward, Inc.
8 Thomas
Irvine, CA 92618
Attn: Madelynn Hirneise, CEO
E-mail: mhirneise@families-forward.org

"PARTICIPANT"

FAMILIES FORWARD, INC., a California nonprofit public benefit corporation

By: _____
Name: Gary Cohn
Title: Chairman

Date:

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

Date: _____

IN WITNESS WHEREOF, City and Participant have entered into this Agreement as of the date set forth above.

Address:

City of Irvine
Community Development Department
Neighborhood Services Division
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Pete Carmichael, Director of
Community Development

Date: _____

ATTEST:

_____
Molly M. Perry, City Clerk

APPROVED AS TO FORM:

_____
Jeffrey T. Melching, City Attorney

Address:

Families Forward, Inc.
8 Thomas
Irvine, CA 92618
Attn: Madelynn Hirneise, CEO
E-mail: mhirneise@families-forward.org

"PARTICIPANT"

FAMILIES FORWARD, INC., a California nonprofit public benefit corporation

By: _____
Name: Gary Cohn
Title: Chairman

Date:

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

Date: 2/6/2020

EXHIBIT "A"

COMMUNITY DEVELOPMENT BLOCK GRANT REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Participant shall comply, and shall cause all Participant Personnel to comply, with the following regulations and requirements insofar as they are applicable to the performance of the Agreement.[1] All references to "City" in this Exhibit "A" shall refer to the City of Irvine, or to the City of Irvine, Community Development Department, Neighborhood Services Division, whichever is applicable.

1. Equal Opportunity and Nondiscrimination.

1.1 Title VI of the Civil Rights Act of 1964, as amended, including Public Law 88-352 implemented in 24 C.F.R. Part 1. This law provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance. In regard to the sale or lease of the Property, Participant shall cause or require a covenant running with the land to be inserted in the deed and leases prohibiting discrimination under this Title, and providing that City and the United States are beneficiaries of and entitled to enforce such covenants. Participant shall enforce such covenant and shall not itself so discriminate.

1.2 Fair Housing Act, Title VIII of the Civil Rights Act of 1968, as amended, including Public Law 90-234. The Fair Housing Act provides in part that there shall be no discrimination in housing practices on the basis of race, color, religion, sex, and national origin. The Fair Housing Act was amended in 1988 to provide protections from discrimination in any aspect of the sale or rental of housing for families with children and persons with disabilities. The Fair Housing Act also establishes requirements for the design and construction of new rental or for-sale multi-family housing to ensure a minimum level of accessibility for persons with disabilities.

1.3 Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 et. seq., 42 U.S.C. 6101 et. seq., and 29 U.S.C. 794. This law provides in part that no person on the grounds of race, color, national origin, sex, or religion shall be excluded from participation in, be denied the benefits of, or otherwise be subject to discrimination under any activity funded in whole or part with funds under this Title.

---

[1] This exhibit is a list and summary of some of the applicable legal requirements and is not a complete list of all Subrecipient requirements. The description set forth next to a statute or regulation is a summary of certain provisions in the statute or regulation and is in no way intended to be a complete description or summary of the statute or regulation. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.

1.4 Section 104(b) of Title I of the Housing and Community Development Act of 1974, as amended, including 42 U.S.C. 5301 et. seq. This law provides in part that any grant under Section 106 shall be made only if the grantee certifies to the satisfaction of the Secretary of HUD that the grantee will, among other things, affirmatively further fair housing.

1.5 Executive Order 11246, as amended. This order includes a requirement that grantees and subrecipients and their contractors and subcontractors not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin.

1.6 Executive Order 11063, as amended, including 24 C.F.R. Part 107. This order and its implementing regulations include requirements that all actions necessary be taken to prevent discrimination because of race, color, religion, sex, or national origin in the use, occupancy, sale, leasing, rental, or other disposition of property assisted with Federal loans, advances, grants, or contributions.

1.7 Section 504 of the Rehabilitation Act of 1973, as amended. This Act specifies in part that no otherwise qualified individual shall solely by reason of his or her disability or handicap be excluded from participation (including employment), denied program benefits, or subjected to discrimination under any program or activity receiving Federal assistance. Participant must ensure that its programs are accessible to and usable by persons with disabilities.

1.8 The Americans with Disabilities Act (ADA) of 1990, as amended. This Act prohibits discrimination on the basis of disability in employment by state and local governments and in places of public accommodation and commercial facilities. The ADA also requires that facilities that are newly constructed or altered, by, on behalf of, or for use of a public entity, be designed and constructed in a manner that makes the facility readily accessible to and usable by persons with disabilities. The Act defines the range of conditions that qualify as disabilities and the reasonable accommodations that must be made to assure equality of opportunity, full participation, independent living, and economic self-sufficiency for persons with disabilities.

1.9 The Age Discrimination Act of 1975, as amended. This law provides in part that no person shall be excluded from participation in, be denied program benefits, or subjected to discrimination on the basis of age under any program or activity receiving federal assistance.

1.10 EEO/AA Statement. Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action employer.

1.11 Minority/Women Business Enterprise. Participant will use its best efforts to afford small businesses and minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "small business" means a business that meets the

criteria set forth in Section 3(a) of the Small Business Act, as amended (15 U.S.C. 632), and "minority and women-owned business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish-surnamed or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

2. Environmental.

2.1 Air and Water. Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. 7401, et seq.; Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251, et seq., as amended, 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection City regulations pursuant to 40 C.F.R. Part 50, as amended.

2.2 Flood Disaster Protection Act of 1973. Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained.

2.3 Lead-Based Paint. Participant shall comply with the Lead-Based Paint Regulations referenced in 24 C.F.R. § 570.608, including 24 C.F.R. Part 35, et. al.

2.4 Historic Preservation. Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470) and the procedures set forth in 36 C.F.R. Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties and related laws and Executive Orders, insofar as they apply to the performance of the Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

2.5 Limitation on Activities Pending Clearance. In accordance with 24 C.F.R. § 58.22 entitled "Limitations on activities pending clearance, "neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their contractors, may commit HUD assistance under a program listed in 24 C.F.R. § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, City shall notify Participant. HUD funds shall not be utilized before this requirement is satisfied. The environmental review or violation of the provisions may

result in approval, modification of cancellation of the City Grant. If a project or activity is exempt under 24 C.F.R. § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 C.F.R. § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

3. Uniform Administrative Requirements. The uniform administrative requirements described in 24 C.F.R. § 570.502.

4. Other Program Requirements. Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 C.F.R. § 570 except for City's environmental responsibilities under 24 C.F.R. § 570.604 and City's responsibility for initiating the review process under the provisions of 24 C.F.R. Part 52.

5. Reversion of Assets. Upon the expiration of the Funding Period or sooner termination of the Agreement, Participant shall transfer to City (a) any and all CDBG Funds, (b) any accounts receivable attributable to the use of CDBG Funds. In all cases in which equipment acquired, in whole or in part, with funds under the Agreement is sold, the proceeds shall be program income (prorated to reflect the extent to that funds received under the Agreement were used to acquire the equipment). Equipment not needed by Participant for activities under the Agreement shall at the election of City either be (a) transferred to City for the CDBG program, or (b) retained by Participant after compensating City an amount equal to the current fair market value of the equipment less the percentage of non-CDBG Funds used to acquire the equipment.

6. Relocation. City shall not be responsible for relocating any occupants from the Property in connection with the Program or Project. If required, Participant shall have the sole and exclusive responsibility for providing relocation assistance and paying all relocation costs required to comply with all applicable federal and state laws, rules, and regulations, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 42 U.S.C. § 4601 et seq., as amended, and implementing regulations, and HUD Handbook 1378. Participant shall indemnify, defend, and hold City harmless from and against any claims, liabilities, damages, or losses made against it by tenants or occupants of the Property, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant.

7. Allowable Costs and Audits. Participant shall comply with and administer the Project and Program in accordance with OMB Circular No. A-122 "Cost Principles for Non Profit Organizations" or OMB Circular No. A-21 "Cost Principles for Educational Institutions", as applicable. If Participant is a governmental or quasi-governmental agency, the applicable sections of OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments" shall apply. Participant shall have an annual audit conducted in accordance with OMB Circular No. A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

8. Records and Reports. Participant shall provide to City and shall cause each of its contractors, subcontractors and subrecipients to provide to City all records and reports relating to the Project and Program that may be reasonably requested by City in order to enable it to perform its record keeping and reporting obligations pursuant to the CDBG Requirements, including but not limited to those described in the Agreement and 24 C.F.R. § 570.506.

9. Religious Organizations. If Participant is a religious organization as defined by the CDBG Requirements, Participant shall comply with all conditions prescribed by HUD for the use of CDBG Funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 C.F.R. § 570.200(j).

10. Conflict of Interest. Participant will comply with 24 C.F.R. 570.611 regarding the avoidance of conflict of interest, which provisions include (but are not limited to) the following:

(a) Participant shall maintain a written code or standards of conduct that shall govern the performance of its officers, employees or agents engaged in the award and administration of contracts supported by Federal funds.

(b) No employee, officer or agent of the Participant shall participate in the selection, or in the award, or administration of, a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved.

(c) No covered persons who exercise or have exercised any functions or responsibilities with respect to CDBG-assisted activities, or who are in a position to participate in a decision-making process or gain inside information with regard to such activities, may obtain a financial interest in any contract, or have a financial interest in any contract, subcontract, or agreement with respect to the CDBG-assisted activity, or with respect to the proceeds from the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for a period of one (1) year thereafter. For purposes of this paragraph, a "covered person" includes any person who is an employee, agent, consultant, officer, or elected or appointed official of the Grantee, the Participant, or any designated public agency.

11. Political Activity (24 C.F.R. § 570.207(a)(3)). Participant is prohibited from using CDBG Funds to finance the use of facilities or equipment for political purposes or to engage in other partisan political activities, such as sponsoring candidate forums, distributing brochures, voter transportation, or voter registration.

12. Anti-Lobbying Certification. By its execution of the Agreement, Participant hereby certifies that:

(a) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of

Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(c) It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure. At the request of City, Participant shall execute a separate document that contains the certifications set forth above.

13. Drug-Free Workplace Requirements. Participant shall comply with and be subject to the requirements of the federal drug-free workplace requirements, which include the following actions be taken:

(a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition.

(b) Establishing an ongoing drug-free awareness program to inform employees about: (a) the dangers of drug abuse in the work place; (b) the grantee's policy of maintaining a drug-free workplace; (c) any available drug counseling, rehabilitation, and employee assistance programs; and (d) the penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.

(c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (i).

(d) Notifying the employee in the statement required by paragraph (i) that, as a condition of employment under the grant, the employee will: (a) abide by the terms of the statement; and (b) notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five (5) calendar days after such conviction.

(e) Notifying the agency in writing, within ten (10) calendar days after receiving notice under sub-paragraph (iv)(b) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.

(f) Taking one of the following actions, within thirty (30) calendar days of receiving notice under subparagraph (iv)(b), with respect to any employee who is so convicted: (a) taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or (b) requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement, or other appropriate agency.

(g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (i), (ii), (iii), (iv), (v), and (vi).

14. Procurement. Participant will comply with the procurement standards under 2 C.F.R. §§ 200.317-200.326. Participant shall comply with all existing and future City policies concerning the purchase of equipment.

15. Labor Provisions.

15.1 Section 3 of the Housing and Community Development Act of 1968. Participant shall comply with and cause its contractors and subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 C.F.R, Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 C.F.R § 135.38 provides:

(a) 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, particularly persons who are recipients of HUD assistance for housing.

(b) The parties to this contract agree to comply with HUD's regulations in 24 C.F.R. 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.

(c) 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 the notice 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 and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

(d) The contractor agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 C.F.R. 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 C.F.R. 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 C.F.R. Part 135.

(e) The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 C.F.R. Part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 C.F.R. Part 135.

(f) Noncompliance with HUD's regulations in 24 C.F.R. Part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts relating to the construction of the Project.

15.2 Labor Standards. Participant shall comply with the provisions of 24 C.F.R. 570.603 and related requirements. Participant shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts. Participant shall comply with the requirements of the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 3141 through 3148), the provisions of Contract Work Hours and Safety Standards Act (40 U.S.C. 327

et seq. and implementing regulations), the Copeland Anti-Kick Back Act (40 U.S.C. 276c and 18 U.S.C. 874 et seq.), the implementing regulations of the U.S. Department of Labor including 29 C.F.R. Parts 1, 3, 5, 6 and 7, and all other applicable Federal, state and local laws and regulations pertaining to labor standards insofar as those acts apply to the performance of the Agreement. Participant shall maintain documentation that demonstrates compliance with these provisions and such documentation shall be made available to City and HUD for review upon request. Participant shall cause or require to be inserted in full, in all such contracts subject to such regulations, provisions meeting the requirements of this paragraph.

15.3 HUD Form 4010. Participant shall comply and cause Participant Personnel to comply with the provisions of HUD Form 4010 attached hereto. HUD Form 4010 must be included in the bid packet and construction contract and subcontracts for the Project.

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section l(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program; Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract. In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant ',to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract.

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract.

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration. ... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

EXHIBIT "B"

REGULATORY AGREEMENT

[See following document]

FREE RECORDING REQUESTED
BY AND WHEN RECORDED MAIL
TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Regulatory Agreement") is dated to be effective as of _____, 2020, and entered into by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, INC., a California nonprofit public benefit corporation ("Participant").

RECITALS

A. Participant is the owner of that certain real property located at _____, in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "1" and incorporated by reference herein (the "Affordable Unit").

B. City and Participant are parties to that certain Affordable Housing and Grant Agreement dated February __, 2020 (the "Agreement"), pursuant to which City has provided a grant of funds to Participant from City's Community Development Block Grant program (the "City Grant") to assist Participant with the acquisition of the Affordable Unit.

C. All of the terms, conditions, provisions and covenants set forth in the Agreement are incorporated in this Regulatory Agreement by reference as though written out at length herein and, with respect to the Affordable Unit, the Agreement and this Regulatory Agreement shall be deemed to constitute a single instrument or document. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

D. City and Participant desire to place restrictions upon the use and operation of the Affordable Unit in order to ensure that the Affordable Unit is continuously made available as affordable rental housing for low- income families in accordance with the

terms set forth herein. It is the intent of the parties that title to the Affordable Unit shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on Participant and its successors in interest in the Affordable Unit for so long as this Regulatory Agreement remains in effect.

NOW THEREFORE, in consideration of the benefits received by Participant, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Participant and City agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordable Rent" shall mean a monthly rent (including a reasonable utility allowance) that does not exceed the product of 1/12th of 30% multiplied by 50% of the Median Income adjusted for family size appropriate for the Affordable Unit. For purposes of calculating the Affordable Rent, "adjusted for family size appropriate for the Affordable Unit" shall mean a household of two persons in the case of a 1-bedroom Affordable Unit, a household of three persons in the case of a 2-bedroom Affordable Unit, a household of four persons in the case of a 3-bedroom Affordable Unit, and a household of five persons in the case of a 4-bedroom Affordable Unit.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 et seq.) as amended from time to time, and the implementing regulations set forth in 24 C.F.R. § 570 et seq. as amended from time to time, and the requirements set forth and referred to in Exhibit "A" attached to the Agreement.

"City Grant" shall mean the grant provided by City to Participant pursuant to the Agreement in the amount not to exceed the sum of Three Hundred Ninety-Nine Thousand Six Hundred Eighty-Six Dollars ($399,686) for the acquisition of the Affordable Unit.

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

"Marketing Plan" means a marketing plan for the rental of the Affordable Unit which provides, to the extent authorized by applicable federal, state and local laws and regulations, that a preference be given to prospective tenants who are currently residents of the City or currently work in the City. The Marketing Plan shall include a tenant selection system in conformance with fair housing laws. City shall have approved the Marketing Plan, in its reasonable discretion.

"Median Income" shall mean the Orange County Area Median Income, as established by the HUD.

"Participant" shall mean Families Forward, Inc., a California nonprofit public benefit corporation, and its permitted successors and assigns to the Affordable Unit.

"Participant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Participant or any other person under Participant's supervision, control or direction, including the contractors and subcontractors constructing the Project. Participant is responsible for the full compliance of all Participant Personnel with this Regulatory Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Affordable Unit and all obligations and activities that constitute the Program Services.

"Program Services" shall mean the tasks, activities, and operations set forth in this Regulatory Agreement and the Agreement, and all other obligations under this Regulatory Agreement that Participant is required to perform.

"Program Default" shall have the meaning ascribed in Section 4.9 of this Regulatory Agreement.

"Qualified Household" shall mean a low-income person or household whose gross household income does not exceed fifty percent (50%) of the Median Income, adjusted for household size, and is determined in accordance with the definition of annual income at 24 C.F.R. § 5.609.

2. Term. The term of this Agreement shall commence upon its execution and recordation in the Official Records and shall terminate on the twentieth (20th) anniversary of the date on which a Qualified Household first occupies the Affordable Unit. The termination of this Agreement shall not release either party from a default hereunder.

3. Use of Converted Properties.

3.1 Restrictions. During the term of this Agreement, subject to Section 3.3 below, the Affordable Unit shall be continuously operated as affordable rental housing occupied only by a Qualified Household at a rent that does not exceed an Affordable Rent. Participant shall cooperate with City in providing to City such evidence as required by City to confirm compliance with the foregoing and all obligations under this Agreement.

3.2 Occupancy Limits. The number of persons permitted to occupy the Affordable Unit shall not exceed two (2) persons per bedroom, plus one (1) person (e.g., for a two (2) bedroom Affordable Unit the maximum number of persons residing in the unit can be five (5) persons). The minimum number of persons permitted to occupy the Affordable Unit shall be not less than one (1) person per bedroom (e.g., for a two (2) bedroom Affordable Unit the minimum number of persons residing in the unit can be two (2) persons). Participant shall enforce such occupancy restrictions.

3.3 Change of Use. In accordance with 24 C.F.R. 570.505, if Participant desires to change the use of the Affordable Unit during the period set forth in Section 2 above, Participant shall provide affected citizens with reasonable notice of, and opportunity to comment on, any proposed change, and either (a) the new use of the Affordable Unit shall qualify as meeting one of the national objectives of 24 C.F.R. 570.208, or (b) if Participant determines after consultation with affected citizens that it is

appropriate to change the use of the Affordable Unit to a use which does not qualify under clause (a), Participant may retain or dispose of the Affordable Unit for the changed use if City's CDBG program is reimbursed in the amount of the then current fair market value of the Affordable Unit, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of and improvements to the Affordable Unit and, following such reimbursement, the Affordable Unit shall not be subject to any use restrictions under this Regulatory Agreement.

4. Operation of Program.

4.1 General Operating Requirements.

(a) Obligation to Operate Program; Program Description. Participant shall operate the Program and perform the Program Services on a continuous basis and shall use the Affordable Unit for no other purpose than the operation of the Program and Program Services. If any Program Services constitute a specific task or activity that is required under this Regulatory Agreement to be commenced or completed by a certain date or time period, Participant shall commence, complete, and perform the task or activity within the specified time period.

(b) Standard of Performance. Participant shall operate the Program and perform all Program Services in a competent, professional, and first class manner and to the satisfaction of City in its sole discretion and in accordance with this Regulatory Agreement. In addition, Participant shall operate the Program and perform the Program Services in compliance with the CDBG Requirements and in a manner that meets one or more of the CDBG national objective(s). In addition to the quarterly reports referred to in the Agreement, Participant shall, if requested by City, provide to City monthly written reports on the progress of any Program Services. Participant shall cause the Program Services to be performed by Participant or Participant Personnel under Participant's direct supervision, and shall ensure that all Participant Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Participant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Participant shall be responsible for all costs related to the Program.

(c) Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.9 or knowingly allows such conduct to occur at the Affordable Unit or by Participant Personnel, or knowingly allows illegal activity to occur at the Affordable Unit, City shall have the right to require that Participant immediately replace such manager or supervisor.

(d) Drug Free Covenant. Participant shall maintain a drug free environment on the Affordable Unit. Participant covenants to City that Participant, Participant Personnel and all persons working or residing on the Affordable Unit shall not unlawfully manufacture, distribute, dispense, possess or use controlled

substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Affordable Unit. If Participant or any Participant Personnel or any person working or residing on the Affordable Unit is convicted or pleads guilty or nolo contendere to a charge of unlawfully manufacturing, distributing, dispensing, possessing or using controlled substances on the Affordable Unit, then such event shall constitute a default of this Regulatory Agreement.

4.2 Selection of Tenants. Participant shall be responsible for the selection of tenants for the Affordable Unit in compliance with all lawful and reasonable criteria, as set forth in the Marketing Plan. Prior to selecting any tenant for the Affordable Unit, Participant shall provide all information and documentation received by Participant with respect to such prospective tenants to City for review and approval. Participant shall not refuse to lease to (i) 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 Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria, or (ii) an applicant who would be qualified to be a tenant in accordance with the approved tenant selection criteria but for a poor credit rating resulting from a foreclosure of a mortgage on a single family home previously owned by the applicant.

4.3 Occupancy By Qualified Household. The Affordable Unit occupied by tenant(s) who qualified as a Qualified Household at the commencement of the occupancy shall be treated as occupied by a Qualified Household until a recertification of such Qualified Household's income in accordance with Section 4.5 below demonstrates that such occupant no longer qualifies as a Qualified Household at the applicable income level. The Affordable Unit previously occupied by a Qualified Household and then vacated shall be considered occupied by a Qualified Household until the Affordable Unit is reoccupied, provided Participant uses its best efforts to re-lease the vacant Affordable Unit to a Qualified Household. Any vacated Affordable Unit shall be held vacant until re-leased to a Qualified Household. Participant shall submit notification to the City of the vacant Affordable Unit within three (3) days and should advertise the available Affordable Unit in a newspaper of general circulation in the City of Irvine.

4.4 Income Computation and Certification. Immediately prior to a Qualified Household's occupancy of the Affordable Unit, Participant shall obtain an Income Computation and Certification Form in the form attached hereto and incorporated herein as Exhibit "2" (or on a similar form required by any additional regulatory agreement if such form requires inclusion of the same information as required in Exhibit "2") from such Qualified Household dated no more than ninety (90) days prior to the date of initial occupancy in the Affordable Unit by such Qualified Household. In addition, Participant shall provide such further information as may be reasonably required in the future by City for purposes of verifying a tenant's status as a Qualified Household. Participant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process:(i) obtain three (3) pay stubs for

the most recent pay periods; (ii) obtain a written verification of income and employment from the applicant's current employer; (iii) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to City. Participant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this section for a minimum of five (5) years subsequent to the termination of this Regulatory Agreement as defined in Section 2.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of the Affordable Unit by a Qualified Household, and on each anniversary date thereafter, Participant shall recertify the income of such Qualified Household by obtaining a completed Income Recertification Form, in the form attached hereto and incorporated herein as Exhibit "3", based upon the current income of each known occupant of the Affordable Unit; provided, however, that if any additional regulatory agreement requires Participant to obtain a recertification form which requires inclusion of the same information as required in Exhibit "3", then Participant shall not be deemed to be in default hereunder if during the term of such additional regulatory agreement Participant obtains from each Qualified Household the recertification form required pursuant to said additional regulatory agreement.

4.6 Leases; Rental Agreements for Affordable Unit. Participant shall submit a standard lease form, which shall comply with the CDBG Requirements and the requirements of this Regulatory Agreement, to City for its approval. City shall reasonably approve such lease form upon finding that such lease form is consistent with the CDBG Requirements and this Regulatory Agreement. Participant shall enter into a written lease, in the form approved by City, with each tenant/tenant household of the Converted Properties. Participant shall not make any material changes to such form of lease without obtaining City's prior written consent. Any proposed increase in the monthly rent to be charged to a Qualified Household shall not exceed the then current Affordable Rent.

4.7 Reliance on Tenant Representations. Each tenant lease shall contain a provision to the effect that Participant has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

4.8 Occupants of Housing Facilities. To the extent permitted by applicable law, Participant shall include in its occupancy or lease agreements with the Qualified Households a requirement that the occurrence of any illegal activity by the Qualified Household, or by the Qualified Household's guests at the Affordable Unit, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Participant enforce such provision.

4.9 Program Defaults. The occurrence of any of the following (each, a "Program Default") shall constitute a default of this Regulatory Agreement and shall entitle City to exercise any of the remedies set forth in this Regulatory Agreement:

(a) the failure of Participant or Participant Personnel to treat any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of any housing facility, in a professional, respectful and courteous manner as determined by City in its sole discretion, or the engaging in any act by Participant or Participant Personnel injuring, abusing, mistreating, or endangering such persons as determined by City in its sole discretion;

(b) Participant or any Participant Personnel is convicted or pleads guilty or nolo contendere to any charge of criminal activity, including without limitation, the possession, use, or distribution of illegal or controlled substances, or otherwise engages in any acts of public disrepute, and such illegal activity or acts either occurs at the Affordable Unit or relates to or impacts the Program as determined by City in its sole discretion; or

(c) the occurrence of any act or transgression by Participant or Participant Personnel that, in the sole judgment of City, may cause embarrassment to City, reflect adversely upon City or its funding programs or upon Participant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency.

5. Monitoring and Records.

5.1 Monitoring. City shall monitor and evaluate Participant's performance under this Regulatory Agreement to determine compliance with this Regulatory Agreement and the CDBG Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Affordable Unit during normal business hours for the purpose of assuring compliance with this Regulatory Agreement and evaluating Participant's performance hereunder. City shall have the right to contact and interview Participant Personnel and any Qualified Household residing, or proposed by Participant to reside, in the Affordable Unit concerning this Regulatory Agreement.

5.2 Right to Inspect. City shall have the right to inspect the Affordable Unit for purposes of assuring compliance with this Regulatory Agreement and evaluating Participant's performance hereunder.

5.3 Records to be Maintained. Participant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Regulatory Agreement demonstrating that the activities meet the CDBG Requirements, and such other records as may be reasonably required by City to enable City to evaluate Participant's compliance with the CDBG Requirements and to enable City to comply with

City's recordkeeping and reporting requirements under the CDBG Requirements. The books and records required to be maintained by Participant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Regulatory Agreement at all times during normal business hours upon forty-eight (48) hours prior written notice to Participant.

5.4 Audits. Participant shall perform all audits of its books and records required by HUD or the CDBG Requirements or reasonably required by City and a copy of each of such audits shall be forwarded to the City within fifteen (15) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Regulatory Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Maintenance. Participant shall maintain or cause to be maintained the Affordable Unit in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with any approved plans for the Project, and all other applicable laws, rules, ordinances, orders, and regulations, including without limitation the City of Irvine Municipal Code, and all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. In addition, Participant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and debris and replace dead and diseased plants and landscaping with comparable materials. Participant shall be deemed to be in default under this Regulatory Agreement if Participant breaches any of the covenants contained in this Section 6 and such default continues for a period of five (5) days after written or verbal notice from City (with respect to landscaping, graffiti, debris, waste material, or general maintenance) or thirty (30) days after written notice from City (with respect to building improvements).

7. Obligation to Repair. If the Affordable Unit shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Participant, Participant 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 improvements so that the Program can continue to be operated, and Participant shall complete the same as soon as possible thereafter.

8. Relocation. Participant, at its sole cost and expense, shall be responsible for providing any relocation assistance and paying all relocation costs to any tenants or occupants who may be displaced from the Affordable Unit if such benefits or assistance are required to be provided by law. Participant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses made against it by tenants or occupants of the Affordable Unit, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 8.

9. Liens. Participant shall pay and promptly discharge, at Participant's cost and expense, all Impositions, liens, encumbrances and charges upon the Affordable Unit, or any part thereof or interest therein. As used herein, the term "Impositions" shall mean all (a) real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges and all other governmental charges and any interest or costs or penalties with respect thereto and charges for any agreement maintained for the benefit of the Affordable Unit, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which at any time may be assessed, levied or imposed upon the Project, or the rent or income received therefrom, or any use or occupancy thereof, and (b) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Participant or the Affordable Unit. In addition, Participant shall timely make all payments on all loans secured by the Affordable Unit or other debts which could give rise to a security interest in the Affordable Unit.

10. Indemnity. Participant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers ("Indemnified Parties") from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Affordable Unit or Participant's performance under this Regulatory Agreement, except to the extent caused by the sole negligence or willful misconduct of any of the Indemnified Parties.

11. Insurance; Repair of Damage. In addition to the insurance required under the Agreement which shall be maintained in force for the term of this Regulatory Agreement, Participant hereby certifies that it has or will obtain a policy of all-risk property insurance in an amount equal to the full replacement value of the structures comprising the Affordable Unit, and Participant shall continue to maintain such insurance in full force and effect during the term of this Regulatory Agreement. In no event shall the limits of any policy be considered as limiting the liability of Participant hereunder or limiting the indemnity obligation set forth in Section 10 of this Regulatory Agreement. If the improvements comprising the Affordable Unit shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Participant shall promptly and diligently commence the repair or replacement of the improvements comprising the Affordable Unit to substantially the same condition as existed prior to the destruction, and Participant shall complete the same as soon as possible thereafter so that the Affordable Unit can continue to be operated and occupied as affordable housing for Qualified Households in accordance with this Regulatory Agreement. In no event shall the repair, replacement, or restoration period exceed six (6) months from the date of the destruction unless City, in its sole and absolute discretion, approves a longer period of time.

12. Compliance with Laws. Participant shall comply and cause the Participant Personnel and each Qualified Household that occupies the Affordable Unit to comply with all applicable laws, regulations, and rules of any governmental agencies having jurisdiction with regard to any activities conducted on the Affordable Unit, including without limitation the CDBG Requirements. Each and every provision required by law to be included in this Regulatory Agreement shall be deemed to be included, and this Regulatory Agreement shall be read and enforced as though all such provisions were included. Participant acknowledges and agrees that it shall be and remain, and shall

cause the Participant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Regulatory Agreement, including the CDBG Requirements. Participant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Participant or Participant Personnel of any applicable local, state and/or federal law.

13. Non-Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account or race, color, creed, religion, sex, marital status, national origin or ancestry or any other protected class in the sale, lease sublease, transfer, use, occupancy, tenure or enjoyment of the site, or any part thereof, nor shall Participant, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Affordable Unit, or any part thereof.

14. Defaults.

14.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Regulatory Agreement:

(a) The failure or delay by either party to perform any term or provision of this Regulatory Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Regulatory Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Regulatory Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 14.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Regulatory Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 14.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Affordable Unit, and if corrective action is instituted by Participant within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within sixty (60) days of receipt of notice of such failure.

(d) The occurrence of any default under the Agreement that is not cured within any applicable cure period thereunder.

(e) The occurrence of a Program Default.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

14.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default of this Regulatory Agreement (other than a default of City) City may take any of the actions described in the Agreement for defaults, including without limitation (i) the enforcement of any of the City's rights contained in Section 11.2 of the Agreement including demanding that Participant repay the City Grant, or (ii) the institution of legal action to cure, correct, or remedy any default or obtain any other remedy consistent with the purposes of this Regulatory Agreement. All legal actions must be instituted and maintained in the Superior Court of Orange County California, or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

15. Miscellaneous.

15.1 Attorneys' Fees and Costs. If either party to this Regulatory Agreement commences an action against the other party to this Regulatory Agreement arising out of or in connection with this Regulatory Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

15.2 Entire Agreement, Waivers, and Amendments. This Regulatory Agreement, the Agreement, and the agreements referred to herein contain the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof. All waivers of the provisions of this Regulatory Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Regulatory Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Regulatory Agreement. Any amendment or modification to this Regulatory Agreement must be in writing and executed by the appropriate authorities of City and Participant.

15.3 Interpretation; Governing Law. This Regulatory Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Regulatory Agreement shall be construed in accordance with the laws of the State of California without regard to conflict of law principles.

15.4 Severability. If any one or more of the provisions contained in this Regulatory Agreement shall for any reason be held to be invalid, illegal, or unenforceable

in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Regulatory Agreement, and this Regulatory Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

15.5 Assignment and Transfer. Participant shall not transfer the Affordable Unit or any of Participant's rights hereunder, or any interest in the Affordable Unit, directly or indirectly, voluntarily or by operation of law, without the prior written approval of City, and if so purported to be transferred, the same shall be null and void. In considering whether it will grant approval of any transfer by Participant of its interest in the Affordable Unit, City shall consider factors such as (i) whether the completion of the rehabilitation of the Affordable Unit is jeopardized; (ii) the financial credit, strength, and capability of the proposed transferee to perform Participant's obligations hereunder; and (iii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects. In the absence of specific written agreement by City, no transfer by Participant of all or any portion of its interest in the Affordable Unit shall be deemed to relieve it or any successor party from the obligation to complete the rehabilitation of the Affordable Unit or any other obligations under this Regulatory Agreement. No assignment shall be approved if Participant is in default (or an event has occurred that would constitute a default with the giving of notice or the passage of time) of this Regulatory Agreement or the Agreement. Participant shall be responsible for all costs incurred by City in connection with any request for approval of a transfer and assignment.

15.6 Notices. Formal notices required to be delivered under this Regulatory Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; or (iii) one (1) business day after deposit before the daily deadline time with a reputable overnight courier or service; in each case postage fully prepaid and addressed to the respective parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other party hereto:

If to City:	City of Irvine One Civic Center Plaza Irvine, CA 92606 Attn: Housing Administrator
If to Participant:	Families Forward 8 Thomas Irvine, CA 92618 Attn: Chief Executive Officer

15.7 Covenants Run with the Land. All conditions, covenants, and restrictions contained in this Regulatory Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the

benefit and in favor of, and enforceable by, City and its successors and assigns, against Participant, its successors and assigns, to or of the Affordable Unit or any portion thereof or any interest therein, and any party in possession or occupancy of said Affordable Unit or portion thereof. Upon a transfer of the Affordable Unit by Participant, the transferee shall be subject to and shall comply with this Regulatory Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided hereinabove both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

15.8 Counterparts. This Regulatory Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

15.9 Exhibits. This Regulatory Agreement incorporates by reference the following Exhibits attached hereto:

Exhibit 1	Legal Description of Affordable Unit
Exhibit 2	Income Computation and Certification Form
Exhibit 3	Income Recertification Form

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Regulatory Agreement as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Charles Kovac, Housing Administrator

ATTEST:

_____
Molly M. Perry, City Clerk

"PARTICIPANT"

FAMILIES FORWARD, a California nonprofit corporation

By: _____
Name: Gary Cohn
Title: Chairman

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of _____)

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

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

WITNESS my hand and official seal.

Signature_____ (Seal)

EXHIBIT "1"

LEGAL DESCRIPTION OF AFFORDABLE UNIT

That certain real property located in the City of Irvine, County of Orange, State of California legally described as follows:

[Insert Legal Description]

EXHIBIT "2"

INCOME COMPUTATION AND CERTIFICATION FORM

INCOME COMPUTATION AND CERTIFICATION FORM
(Affordable Housing Eligibility for Renter Occupied Unit

PART I. PROPERTY FINANCED WITH GOVERNMENT ASSISTANCE

Property Address: _____

PART II. TENANT HOUSEHOLD INFORMATION

		Date of Birth	Soc. Sec. #	Relationship

TOTAL NUMBER OF PERSONS IN HOUSEHOLD:_____ (Please list information on other household members below)

Mailing Address: _____ Telephone Numbers: Work(____)

_____

_____ Home (____) _____

PART III. GROSS HOUSEHOLD INCOME Complete the following, attach copies of required verification as specified below. Attach a note explaining any significant changes in household income between the previous year and the current year. INFORMATION IS REQUIRED FOR ALL MEMBERS OF THE HOUSEHOLD AGE 18 OR OLDER REGARDLESS OF WHETHER THEY CONTRIBUTE TO THE COSTS OF THE HOUSEHOLD. If you are not required to file a tax return, please indicate this in Part V by your signature.

	ANN INCOME	**ANN INCOME**	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
A. Employment earnings			Copy of the most recent filed and signed Federal Income Tax Return with all schedules, attachments, W-2s, etc. Three (3) months consecutive paystubs.

	ANN INCOME	ANN INCOME	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
B. Self-employment earnings			Copies of the last two (2) most recent filed and signed Federal Income Tax Returns with all schedules, attachments, W-2s, etc. Three (3) months consecutive paystubs.
C. Social Security (OASDI)			A copy of the annual letter received from Social Security listing the gross monthly payment.
D. Supplemental Security Income (SSI)			A copy of the annual letter received from Social Security listing the gross monthly payment.
E. Public assistance (AFDC, general			A letter from the household's case worker indicating the amount of assistance provided and the nature of the assistance, including specific amounts designated for shelter or utilities.
assistance, unemployment, etc.)			A copy of the most recent three (3) months consecutive payment checks or statements indicating the gross amount of the payment.
F. Pension (s)			Annual award letter, year end stmt, W-2
G. Interest income			Three (3) months consecutive statements for all asset accounts.
H. Investment income (stocks, bonds, real estate, etc.)			Three (3) months consecutive statements for all asset accounts.
I. Room rental			Rental agreement, copies of checks, etc.
J. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.			A copy of the divorce decree / judgment listing the amount, period, and duration of alimony payments. A copy of the court order for child support payments, including the amount, period and duration of child support payments. A letter from the individual or organization outside of the household that provides a periodic payment. The letter should include the reason, amount, period and duration that the payments are expected to continue.
K. Other income (list type/source)			

	ANN INCOME	ANN INCOME	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
L. **TOTAL INCOME** (sum of A thru K)			/ 12 months = _____ mo. income

PART IV. PROPERTY STATUS

Will this property be your primary residence?_____

Will someone other than the individuals listed above be occupying this property?_____

If yes - Name of occupants:_____

Telephone Number: _____ Mailing Address:_____

_____

My/our housing expenses are as follows:

1.Monthly tenant rent _____
2.Average monthly utilities _____

PART V. TENANT CERTIFICATION

I/We understand that after the initial eligibility determination, completion of monitoring forms is required on an annual basis. I/We certify that I/we have disclosed all information pertaining to my/our application and that the information presented in the foregoing Sections I through IV is true and accurate to the best of my (our) knowledge.

_____ _____
Tenant Date Tenant Date

For more information regarding this application, please contact management staff at (949) _____.

FOR OFFICE USE ONLY

_____ Information verified
_____ Income category
_____ Maximum allowable annual income (_____% of median)
_____ Applicant's annual income_____ gross monthly_____ max housing costs

Comments: _____

_____

_____

_____

_____

_____
Management Staff Date

EXHIBIT "3"

INCOME RECERTIFICATION FORM
(Renter Occupied Unit)

PART I. GENERAL INFORMATION

1. Property Owner Name _____

2. Renter Name _____

3. Property Address _____
(Please include P.O. Box No. if applicable)

4. Has there been a change in ownership of this property during the preceding 12 month period?
Yes( ) No( )

(If yes, please explain) _____

PART II. UNIT INFORMATION

5. Number of Bedrooms _____
6. Number of Occupants _____
Names:

_____ _____

_____ _____

PART III. AFFIDAVIT OF RENTER

I, _____, and I, _____, as renters of units assisted pursuant to the Affordable Housing Program (the "Program"), do hereby represent and warrant that the following computation includes all income (I/we) **anticipate receiving for the 12-month period commencing on January 1, 20___** (including the renter(s) and all family members of the renters):

(a) amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (before payroll deduction) _____

(b) net income from business or profession or rental of property (without deduction for repayment of debts or expansion of business)

(c) interest and dividends _____

(d) periodic receipts such as social security, annuities, pensions, retirement funds, insurance policies, disability or death benefits, alimony, child support, regular contributions or gifts from persons not occupying unit _____

(e) public assistance allowance or grant plus excess of maximum allowable for shelter or utilities over the actual allowance for such purposes _____

(f) regular and special pay and allowances of a member of armed services (whether or not living in the dwelling) who is head of the family or spouse _____

Subtotal (a) through (f)

LESS: Portion of above items which are income of a family member who is less than 18 years old or a full-time student (_____)

TOTAL ELIGIBLE INCOME _____

NOTE: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payment such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under Title II of Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

2. This affidavit is made with the knowledge that it will be relied upon by the Landlord to determine maximum income for eligibility and (I/we) warrant that all information set forth in this Part III is true, correct and complete and based upon information (I/we) deem reliable and that the estimate contained in paragraph 1 is reasonable and based upon such investigation as the undersigned deemed necessary.

3. (I/We) will assist the Landlord in obtaining any information or documents required to verify the statements made in this Part III and have **attached hereto a copy of our federal income tax return for the last year (20___)**.

4. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable Landlord to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

B. (My/Our) monthly housing expenses are limited to the following:

1. Base rent _____
2. Average Monthly Utilities _____
3. Other (explain) _____

(I/We) understand that completion of monitoring forms is required on an annual basis and agree to notify the Landlord in writing of any change in ownership or rental of the unit.(I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date _____

_____

Renter(s)

EXHIBIT "C"

AFFORDABLE UNIT IMPLEMENTATION DOCUMENT

[See following document]

AFFORDABLE UNIT IMPLEMENTATION DOCUMENT

Pursuant to the AFFORDABLE HOUSING AND GRANT AGREEMENT ("Agreement") is entered into on the _____ day of _____, 2020, by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, INC. a California nonprofit public benefit corporation ("Participant"), this AFFORDABLE UNIT IMPLEMENTATION DOCUMENT is entered into this _____ day of _____, 2020. This Affordable Unit Implementation Document sets forth specific details concerning the Program Activities to be undertaken for the acquisition of an Affordable Unit by Participant, as required pursuant to the Agreement.

Address:

Description of any Rehabilitation and/or Repair Work Required to be performed with Participant's non-CDBG, non-Matching funds:

Implementation Schedule:

Identify Proposed Affordable Unit:	February 21, 2020
Execute Affordable Unit Implementation Document	March 6, 2020
Submit offer Contingent Upon City Approval	March 13, 2020
City Issuance of Letter Approving or Denying Offer	March 20, 2020
Expiration of Contingency Period	March 23, 2020
Disbursement of City Grant	April 10, 2020
Close of Escrow & Recordation of Regulatory Agreement	April 13, 2020
Marketing of Affordable Unit	April 20, 2020
Lease of Affordable Unit to Qualified Household	May 1, 2020
Affordable Unit Completion Date	May 1, 2020

Eligible Expenses:

Eligible Expense Line Item	City Grant	Participant's Matching Funds
Acquisition, including the purchase price of the property (but not any good faith deposit required to be made prior to the closing) and reasonable closing costs.	$399,686	$99,921

Income Level and Affordability Requirements:

The Affordable Unit shall be leased to a Qualified Household for an initial period of one (1) year at a rental rate that does not exceed an Affordable Rent.

An "Affordable Rent" shall mean a monthly rent (including a reasonable utility allowance) that does not exceed the product of 1/12th of 30% multiplied by 50% of the Median Income adjusted for family size appropriate for the Affordable Unit. For purposes of calculating the Affordable Rent, "adjusted for family size appropriate for the Affordable Unit" shall mean a household of two persons in the case of a 1-bedroom Affordable Unit, a household of three persons in the case of a 2-bedroom Affordable Unit, a household of four persons in the case of a 3-bedroom Affordable Unit, and a household of five persons in the case of a 4-bedroom Affordable Unit. Income shall be calculated in accordance with the Annual Income methodology prescribed at 24 CFR §5.609.

A "Qualified Household" shall mean those low-income person(s) or families whose gross household income does not exceed fifty percent (50%) of the Median Income, adjusted for family size and determined in accordance with the definition of annual income at 24 C.F.R. § 5.609.

Upon execution of this Affordable Unit Implementation Document, all of the terms, conditions, provisions and covenants of the Affordable Unit Implementation Document shall be deemed incorporated into the Agreement by reference as though written out at length in the Agreement. The Affordable Unit Implementation Document and the Agreement shall be deemed to constitute a single instrument or document.

Upon execution of this Affordable Unit Implementation Document and delivery to escrow thereof for the Affordable Unit, Participant shall have the right to a disbursement from the City Grant to cover a portion of the purchase price and closing costs, as based upon an estimated escrow statement or similar document provided by the escrow holder for the Affordable Unit. If requested by Participant, City shall wire the funds to the escrow account opened for the Affordable Unit within two (2) business days of Participant's request. City shall use every reasonable effort to ensure a disbursement of the City Grant for the Affordable Unit shall be received by escrow holder no later than two (2) days prior to the outside closing date set forth in the Purchase Agreement.

[Signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Affordable Unit Implementation Document as of the date set forth above.

Address:

City of Irvine
Community Development Department
Neighborhood Services Division
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

"CITY"

CITY OF IRVINE, a California municipal corporation

By:
Charles Kovac, Housing Administrator

Date:

Address:

Families Forward, Inc.
8 Thomas
Irvine, CA 92618
Attn: Madelynn Hirneise, CEO
E-mail: mhirneise@families-forward.org

"PARTICIPANT"

FAMILIES FORWARD, INC., a California nonprofit corporation

By: _____
Name: Gary Cohn
Title: Chairman

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

RECORDING REQUESTED BY
Lawyers Title Company
AND WHEN RECORDED MAIL DOCUMENT TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

Recorded in Official Records, Orange County
Hugh Nguyen, Clerk-Recorder

NO FEE

* $ R 0 0 1 1 6 0 9 4 4 7 $ *

2020000157051 8:00 am 04/08/20

93 410A A12 D02 26

0.00 0.00 0.00 0.00 75.00 0.00 0.000.000.00 0.00

SPACE ABOVE FOR RECORDER'S USE ONLY

REGULARTORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

Title of Document

Pursuant to Senate Bill 2 – Building Homes and Jobs Act (GC Code Section 27388.1), effective January 1, 2018, a fee of seventy-five dollars ($75.00) shall be paid at the time of recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, except those expressly exempted from payment of recording fees, per each single transaction per parcel of real property. The fee imposed by this section shall not exceed two hundred twenty-five dollars ($225.00).

☐ **Exempt from the fee per GC 27388.1 (a) (2); This document is subject to Documentary Transfer Tax**

☒ **Exempt from fee per GC 27388.1 (a) (2); recorded concurrently "In connection with" a transfer subject to the imposition of documentary transfer tax (DTT).**

☐ **Exempt from fee per GC 27388.1 (a) (2); recorded concurrently "In connection with" a transfer of real property that is a residential dwelling to an owner-occupier.**

☐ **Exempt from fee per GC 27388.1 (a) (1); fee cap of $225.00 reached.**

☐ **Exempt from the fee per GC 27388.1 (a) (1); not related to real property.**

THIS COVER SHEET ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
($3.00 Additional Recording Fee Applies)

10987

RECORDING REQUESTED BY
Lawyers Title Company
AND WHEN RECORDED MAIL DOCUMENT TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

SPACE ABOVE FOR RECORDER'S USE ONLY

REGULARTORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS

Title of Document

Pursuant to Senate Bill 2 – Building Homes and Jobs Act (GC Code Section 27388.1), effective January 1, 2018, a fee of seventy-five dollars ($75.00) shall be paid at the time of recording of every real estate instrument, paper, or notice required or permitted by law to be recorded, except those expressly exempted from payment of recording fees, per each single transaction per parcel of real property. The fee imposed by this section shall not exceed two hundred twenty-five dollars ($225.00).

☐ **Exempt from the fee per GC 27388.1 (a) (2); This document is subject to Documentary Transfer Tax**

☒ **Exempt from fee per GC 27388.1 (a) (2); recorded concurrently "in connection with" a transfer subject to the imposition of documentary transfer tax (DTT).**

☐ **Exempt from fee per GC 27388.1 (a) (2); recorded concurrently "in connection with" a transfer of real property that is a residential dwelling to an owner-occupier.**

☐ **Exempt from fee per GC 27388.1 (a) (1); fee cap of $225.00 reached.**

☐ **Exempt from the fee per GC 27388.1 (a) (1); not related to real property.**

THIS COVER SHEET ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
($3.00 Additional Recording Fee Applies)

RECORDING REQUESTED BY
LAWYERS TITLE

FREE RECORDING REQUESTED
BY AND WHEN RECORDED MAIL
TO:

City of Irvine
One Civic Center Plaza
Irvine, CA 92606
Attn: Housing Administrator

(Space Above For Recorder's Use)

This Regulatory Agreement is recorded at the request and for the benefit of the City of Irvine and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

KTC 2020 0051117

REGULATORY AGREEMENT
AND DECLARATION OF COVENANTS AND RESTRICTIONS

This REGULATORY AGREEMENT AND DECLARATION OF COVENANTS AND RESTRICTIONS ("Regulatory Agreement") is dated to be effective as of March 24, 2020, and entered into by and between the CITY OF IRVINE, a California municipal corporation ("City"), and FAMILIES FORWARD, INC., a California nonprofit public benefit corporation ("Participant").

RECITALS

A. Participant is the owner of that certain real property located at 316 Lemon Grove, in the City of Irvine, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "1" and incorporated by reference herein (the "Affordable Unit").

B. City and Participant are parties to that certain Affordable Housing and Grant Agreement dated February 10, 2020 (the "Agreement"), pursuant to which City has provided a grant of funds to Participant from City's Community Development Block Grant program (the "City Grant") to assist Participant with the acquisition of the Affordable Unit.

C. All of the terms, conditions, provisions and covenants set forth in the Agreement are incorporated in this Regulatory Agreement by reference as though written out at length herein and, with respect to the Affordable Unit, the Agreement and this Regulatory Agreement shall be deemed to constitute a single instrument or document. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Agreement.

D. City and Participant desire to place restrictions upon the use and operation of the Affordable Unit in order to ensure that the Affordable Unit is continuously made available as affordable rental housing for low- income families in accordance with the

terms set forth herein. It is the intent of the parties that title to the Affordable Unit shall be subject to this Regulatory Agreement and that the terms hereof shall be binding on Participant and its successors in interest in the Affordable Unit for so long as this Regulatory Agreement remains in effect.

NOW THEREFORE, in consideration of the benefits received by Participant, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Participant and City agree as follows:

1. Definitions. The following terms shall have the meanings in this Agreement given below unless expressly provided to the contrary:

"Affordable Rent" shall mean a monthly rent (including a reasonable utility allowance) that does not exceed the product of 1/12th of 30% multiplied by 50% of the Median Income adjusted for family size appropriate for the Affordable Unit. For purposes of calculating the Affordable Rent, "adjusted for family size appropriate for the Affordable Unit" shall mean a household of two persons in the case of a 1-bedroom Affordable Unit, a household of three persons in the case of a 2-bedroom Affordable Unit, a household of four persons in the case of a 3-bedroom Affordable Unit, and a household of five persons in the case of a 4-bedroom Affordable Unit.

"CDBG Requirements" shall collectively refer to the requirements of Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 et seq.) as amended from time to time, and the implementing regulations set forth in 24 C.F.R. § 570 et seq. as amended from time to time, and the requirements set forth and referred to in Exhibit "A" attached to the Agreement.

"City Grant" shall mean the grant provided by City to Participant pursuant to the Agreement in the amount not to exceed the sum of Three Hundred Ninety-Four Thousand Two Hundred Sixty Dollars ($394,260) for the acquisition of the Affordable Unit.

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

"Marketing Plan" means a marketing plan for the rental of the Affordable Unit which provides, to the extent authorized by applicable federal, state and local laws and regulations, that a preference be given to prospective tenants who are currently residents of the City or currently work in the City. The Marketing Plan shall include a tenant selection system in conformance with fair housing laws. City shall have approved the Marketing Plan, in its reasonable discretion.

"Median Income" shall mean the Orange County Area Median Income, as established by the HUD.

"Participant" shall mean Families Forward, Inc., a California nonprofit public benefit corporation, and its permitted successors and assigns to the Affordable Unit.

"Participant Personnel" shall mean any employee, volunteer, contractor, subcontractor, or agent of Participant or any other person under Participant's supervision, control or direction, including the contractors and subcontractors constructing the Project. Participant is responsible for the full compliance of all Participant Personnel with this Regulatory Agreement.

"Program" shall mean the affordable rental housing program to be operated on the Affordable Unit and all obligations and activities that constitute the Program Services.

"Program Services" shall mean the tasks, activities, and operations set forth in this Regulatory Agreement and the Agreement, and all other obligations under this Regulatory Agreement that Participant is required to perform.

"Program Default" shall have the meaning ascribed in Section 4.9 of this Regulatory Agreement.

"Qualified Household" shall mean a low-income person or household whose gross household income does not exceed fifty percent (50%) of the Median Income, adjusted for household size, and is determined in accordance with the definition of annual income at 24 C.F.R. § 5.609.

2. Term. The term of this Agreement shall commence upon its execution and recordation in the Official Records and shall terminate on the twentieth (20th) anniversary of the date on which a Qualified Household first occupies the Affordable Unit. The termination of this Agreement shall not release either party from a default hereunder.

3. Use of Converted Properties.

3.1 Restrictions. During the term of this Agreement, subject to Section 3.3 below, the Affordable Unit shall be continuously operated as affordable rental housing occupied only by a Qualified Household at a rent that does not exceed an Affordable Rent. Participant shall cooperate with City in providing to City such evidence as required by City to confirm compliance with the foregoing and all obligations under this Agreement.

3.2 Occupancy Limits. The number of persons permitted to occupy the Affordable Unit shall not exceed two (2) persons per bedroom, plus one (1) person (e.g., for a two (2) bedroom Affordable Unit the maximum number of persons residing in the unit can be five (5) persons). The minimum number of persons permitted to occupy the Affordable Unit shall be not less than one (1) person per bedroom (e.g., for a two (2) bedroom Affordable Unit the minimum number of persons residing in the unit can be two (2) persons). Participant shall enforce such occupancy restrictions.

3.3 Change of Use. In accordance with 24 C.F.R. 570.505, if Participant desires to change the use of the Affordable Unit during the period set forth in Section 2 above, Participant shall provide affected citizens with reasonable notice of, and opportunity to comment on, any proposed change, and either (a) the new use of the Affordable Unit shall qualify as meeting one of the national objectives of 24 C.F.R. 570.208, or (b) if Participant determines after consultation with affected citizens that it is

appropriate to change the use of the Affordable Unit to a use which does not qualify under clause (a), Participant may retain or dispose of the Affordable Unit for the changed use if City's CDBG program is reimbursed in the amount of the then current fair market value of the Affordable Unit, less any portion of the value attributable to expenditures of non-CDBG funds for acquisition of and improvements to the Affordable Unit and, following such reimbursement, the Affordable Unit shall not be subject to any use restrictions under this Regulatory Agreement.

4. Operation of Program.

4.1 General Operating Requirements.

(a) Obligation to Operate Program; Program Description. Participant shall operate the Program and perform the Program Services on a continuous basis and shall use the Affordable Unit for no other purpose than the operation of the Program and Program Services. If any Program Services constitute a specific task or activity that is required under this Regulatory Agreement to be commenced or completed by a certain date or time period, Participant shall commence, complete, and perform the task or activity within the specified time period.

(b) Standard of Performance. Participant shall operate the Program and perform all Program Services in a competent, professional, and first class manner and to the satisfaction of City in its sole discretion and in accordance with this Regulatory Agreement. In addition, Participant shall operate the Program and perform the Program Services in compliance with the CDBG Requirements and in a manner that meets one or more of the CDBG national objective(s). In addition to the quarterly reports referred to in the Agreement, Participant shall, if requested by City, provide to City monthly written reports on the progress of any Program Services. Participant shall cause the Program Services to be performed by Participant or Participant Personnel under Participant's direct supervision, and shall ensure that all Participant Personnel engaged in the Program Services are fully qualified and authorized and permitted under applicable law to operate the Program. Participant shall secure, at its sole cost and expense, any and all licenses, permits and approvals that may be required by law for the performance of the Program Services. Participant shall be responsible for all costs related to the Program.

(c) Management. If any manager or supervisor of the Program engages in any of the conduct described in Section 4.9 or knowingly allows such conduct to occur at the Affordable Unit or by Participant Personnel, or knowingly allows illegal activity to occur at the Affordable Unit, City shall have the right to require that Participant immediately replace such manager or supervisor.

(d) Drug Free Covenant. Participant shall maintain a drug free environment on the Affordable Unit. Participant covenants to City that Participant, Participant Personnel and all persons working or residing on the Affordable Unit shall not unlawfully manufacture, distribute, dispense, possess or use controlled

substances, as said term is defined in 21 United States Code Section 812 and California Health and Safety Code Section 11007 (or successor statutes), including marijuana, heroin, cocaine, and amphetamines on the Affordable Unit. If Participant or any Participant Personnel or any person working or residing on the Affordable Unit is convicted or pleads guilty or nolo contendere to a charge of unlawfully manufacturing, distributing, dispensing, possessing or using controlled substances on the Affordable Unit, then such event shall constitute a default of this Regulatory Agreement.

4.2 Selection of Tenants. Participant shall be responsible for the selection of tenants for the Affordable Unit in compliance with all lawful and reasonable criteria, as set forth in the Marketing Plan. Prior to selecting any tenant for the Affordable Unit, Participant shall provide all information and documentation received by Participant with respect to such prospective tenants to City for review and approval. Participant shall not refuse to lease to (i) 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 Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria, or (ii) an applicant who would be qualified to be a tenant in accordance with the approved tenant selection criteria but for a poor credit rating resulting from a foreclosure of a mortgage on a single family home previously owned by the applicant.

4.3 Occupancy By Qualified Household. The Affordable Unit occupied by tenant(s) who qualified as a Qualified Household at the commencement of the occupancy shall be treated as occupied by a Qualified Household until a recertification of such Qualified Household's income in accordance with Section 4.5 below demonstrates that such occupant no longer qualifies as a Qualified Household at the applicable income level. The Affordable Unit previously occupied by a Qualified Household and then vacated shall be considered occupied by a Qualified Household until the Affordable Unit is reoccupied, provided Participant uses its best efforts to re-lease the vacant Affordable Unit to a Qualified Household. Any vacated Affordable Unit shall be held vacant until re-leased to a Qualified Household. Participant shall submit notification to the City of the vacant Affordable Unit within three (3) days and should advertise the available Affordable Unit in a newspaper of general circulation in the City of Irvine.

4.4 Income Computation and Certification. Immediately prior to a Qualified Household's occupancy of the Affordable Unit, Participant shall obtain an Income Computation and Certification Form in the form attached hereto and incorporated herein as Exhibit "2" (or on a similar form required by any additional regulatory agreement if such form requires inclusion of the same information as required in Exhibit "2") from such Qualified Household dated no more than ninety (90) days prior to the date of initial occupancy in the Affordable Unit by such Qualified Household. In addition, Participant shall provide such further information as may be reasonably required in the future by City for purposes of verifying a tenant's status as a Qualified Household. Participant shall use good faith efforts to verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process:(i) obtain three (3) pay stubs for

the most recent pay periods; (ii) obtain a written verification of income and employment from the applicant's current employer; (iii) obtain an income verification form from the Social Security Administration, California Department of Social Services, and/or California Employment Development Department if the applicant receives assistance from any of said agencies; (iv) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other evidence and/or verification of such applicant's total income received during the calendar year from any source, taxable or nontaxable, or such other information as is satisfactory to City. Participant shall maintain in its records each Income Computation and Certification Form obtained pursuant to this section for a minimum of five (5) years subsequent to the termination of this Regulatory Agreement as defined in Section 2.

4.5 Recertification. Within sixty (60) days prior to the first anniversary date of the occupancy of the Affordable Unit by a Qualified Household, and on each anniversary date thereafter, Participant shall recertify the income of such Qualified Household by obtaining a completed Income Recertification Form, in the form attached hereto and incorporated herein as Exhibit "3", based upon the current income of each known occupant of the Affordable Unit; provided, however, that if any additional regulatory agreement requires Participant to obtain a recertification form which requires inclusion of the same information as required in Exhibit "3", then Participant shall not be deemed to be in default hereunder if during the term of such additional regulatory agreement Participant obtains from each Qualified Household the recertification form required pursuant to said additional regulatory agreement.

4.6 Leases; Rental Agreements for Affordable Unit. Participant shall submit a standard lease form, which shall comply with the CDBG Requirements and the requirements of this Regulatory Agreement, to City for its approval. City shall reasonably approve such lease form upon finding that such lease form is consistent with the CDBG Requirements and this Regulatory Agreement. Participant shall enter into a written lease, in the form approved by City, with each tenant/tenant household of the Converted Properties. Participant shall not make any material changes to such form of lease without obtaining City's prior written consent. Any proposed increase in the monthly rent to be charged to a Qualified Household shall not exceed the then current Affordable Rent.

4.7 Reliance on Tenant Representations. Each tenant lease shall contain a provision to the effect that Participant has relied on the income certification and supporting information supplied by the tenant in determining qualification for occupancy of the Affordable Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease.

4.8 Occupants of Housing Facilities. To the extent permitted by applicable law, Participant shall include in its occupancy or lease agreements with the Qualified Households a requirement that the occurrence of any illegal activity by the Qualified Household, or by the Qualified Household's guests at the Affordable Unit, shall be grounds for immediate termination of the Occupant's right to reside within the housing facility and City shall have the right to require that Participant enforce such provision.

4.9 Program Defaults. The occurrence of any of the following (each, a "Program Default") shall constitute a default of this Regulatory Agreement and shall entitle City to exercise any of the remedies set forth in this Regulatory Agreement:

(a) the failure of Participant or Participant Personnel to treat any employee or client of the Program or other persons receiving services under the Program, including any tenants or occupants of any housing facility, in a professional, respectful and courteous manner as determined by City in its sole discretion, or the engaging in any act by Participant or Participant Personnel injuring, abusing, mistreating, or endangering such persons as determined by City in its sole discretion;

(b) Participant or any Participant Personnel is convicted or pleads guilty or nolo contendere to any charge of criminal activity, including without limitation, the possession, use, or distribution of illegal or controlled substances, or otherwise engages in any acts of public disrepute, and such illegal activity or acts either occurs at the Affordable Unit or relates to or impacts the Program as determined by City in its sole discretion; or

(c) the occurrence of any act or transgression by Participant or Participant Personnel that, in the sole judgment of City, may cause embarrassment to City, reflect adversely upon City or its funding programs or upon Participant, tend to bring the Program into public disrepute, contempt, scandal, or ridicule, or tend to shock, insult or offend the community or public morals or decency.

5. Monitoring and Records.

5.1 Monitoring. City shall monitor and evaluate Participant's performance under this Regulatory Agreement to determine compliance with this Regulatory Agreement and the CDBG Requirements. Participant shall cooperate with City and shall make available to City all information, documents, and records reasonably requested by City and shall provide City the reasonable right of access to the Affordable Unit during normal business hours for the purpose of assuring compliance with this Regulatory Agreement and evaluating Participant's performance hereunder. City shall have the right to contact and interview Participant Personnel and any Qualified Household residing, or proposed by Participant to reside, in the Affordable Unit concerning this Regulatory Agreement.

5.2 Right to Inspect. City shall have the right to inspect the Affordable Unit for purposes of assuring compliance with this Regulatory Agreement and evaluating Participant's performance hereunder.

5.3 Records to be Maintained. Participant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Regulatory Agreement demonstrating that the activities meet the CDBG Requirements, and such other records as may be reasonably required by City to enable City to evaluate Participant's compliance with the CDBG Requirements and to enable City to comply with

City's recordkeeping and reporting requirements under the CDBG Requirements. The books and records required to be maintained by Participant shall be kept at a location in Orange County, California. City and HUD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all books and records of Participant pertaining to this Regulatory Agreement at all times during normal business hours upon forty-eight (48) hours prior written notice to Participant.

5.4 Audits. Participant shall perform all audits of its books and records required by HUD or the CDBG Requirements or reasonably required by City and a copy of each of such audits shall be forwarded to the City within fifteen (15) days after completion. Participant shall be subject to all audit and review requirements imposed on City in connection with this Regulatory Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

6. Maintenance. Participant shall maintain or cause to be maintained the Affordable Unit in first class condition and repair (and, as to landscaping, in a healthy condition) and in accordance with any approved plans for the Project, and all other applicable laws, rules, ordinances, orders, and regulations, including without limitation the City of Irvine Municipal Code, and all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials. In addition, Participant shall make all repairs and replacements necessary to keep the improvements in first class condition and repair and shall promptly eliminate all graffiti and debris and replace dead and diseased plants and landscaping with comparable materials. Participant shall be deemed to be in default under this Regulatory Agreement if Participant breaches any of the covenants contained in this Section 6 and such default continues for a period of five (5) days after written or verbal notice from City (with respect to landscaping, graffiti, debris, waste material, or general maintenance) or thirty (30) days after written notice from City (with respect to building improvements).

7. Obligation to Repair. If the Affordable Unit shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty required to be insured against by Participant, Participant 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 improvements so that the Program can continue to be operated, and Participant shall complete the same as soon as possible thereafter.

8. Relocation. Participant, at its sole cost and expense, shall be responsible for providing any relocation assistance and paying all relocation costs to any tenants or occupants who may be displaced from the Affordable Unit if such benefits or assistance are required to be provided by law. Participant shall indemnify, defend, and hold harmless City from and against any and all claims, liabilities, damages or losses made against it by tenants or occupants of the Affordable Unit, including without limitation claims for relocation assistance, inverse condemnation, and claims otherwise arising from any act or omission of Participant pursuant to this Section 8.

9. Liens. Participant shall pay and promptly discharge, at Participant's cost and expense, all Impositions, liens, encumbrances and charges upon the Affordable Unit, or any part thereof or interest therein. As used herein, the term "Impositions" shall mean all (a) real estate and personal property taxes and other taxes and assessments, water and sewer rates and charges and all other governmental charges and any interest or costs or penalties with respect thereto and charges for any agreement maintained for the benefit of the Affordable Unit, general and special, ordinary and extraordinary, foreseen and unforeseen, of any kind and nature whatsoever which at any time may be assessed, levied or imposed upon the Project, or the rent or income received therefrom, or any use or occupancy thereof, and (b) other taxes, assessments, fees and governmental charges levied, imposed or assessed upon or against Participant or the Affordable Unit. In addition, Participant shall timely make all payments on all loans secured by the Affordable Unit or other debts which could give rise to a security interest in the Affordable Unit.

10. Indemnity. Participant shall defend, indemnify and hold harmless City and its officers, officials, agents, employees, representatives, and volunteers ("Indemnified Parties") from and against any loss, damage, costs, expenses, liability, claim, or judgment relating in any manner to the Affordable Unit or Participant's performance under this Regulatory Agreement, except to the extent caused by the sole negligence or willful misconduct of any of the Indemnified Parties.

11. Insurance; Repair of Damage. In addition to the insurance required under the Agreement which shall be maintained in force for the term of this Regulatory Agreement, Participant hereby certifies that it has or will obtain a policy of all-risk property insurance in an amount equal to the full replacement value of the structures comprising the Affordable Unit, and Participant shall continue to maintain such insurance in full force and effect during the term of this Regulatory Agreement. In no event shall the limits of any policy be considered as limiting the liability of Participant hereunder or limiting the indemnity obligation set forth in Section 10 of this Regulatory Agreement. If the improvements comprising the Affordable Unit shall be totally or partially destroyed or rendered wholly or partly uninhabitable by fire or other casualty, Participant shall promptly and diligently commence the repair or replacement of the improvements comprising the Affordable Unit to substantially the same condition as existed prior to the destruction, and Participant shall complete the same as soon as possible thereafter so that the Affordable Unit can continue to be operated and occupied as affordable housing for Qualified Households in accordance with this Regulatory Agreement. In no event shall the repair, replacement, or restoration period exceed six (6) months from the date of the destruction unless City, in its sole and absolute discretion, approves a longer period of time.

12. Compliance with Laws. Participant shall comply and cause the Participant Personnel and each Qualified Household that occupies the Affordable Unit to comply with all applicable laws, regulations, and rules of any governmental agencies having jurisdiction with regard to any activities conducted on the Affordable Unit, including without limitation the CDBG Requirements. Each and every provision required by law to be included in this Regulatory Agreement shall be deemed to be included, and this Regulatory Agreement shall be read and enforced as though all such provisions were included. Participant acknowledges and agrees that it shall be and remain, and shall

cause the Participant Personnel to be and remain, fully knowledgeable and apprised of all local, state and federal laws, rules and regulations in any manner affecting the performance under this Regulatory Agreement, including the CDBG Requirements. Participant shall indemnify, protect, defend and hold harmless City and its officials, officers, employees, and agents, with counsel reasonably acceptable to City, from and against any and all loss, liability, damage, claim, cost, and/or expense (including reasonable attorneys' fees, court and litigation costs, and fees of expert witnesses) that results or arises in any way from any of the following the noncompliance by Participant or Participant Personnel of any applicable local, state and/or federal law.

13. Non-Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account or race, color, creed, religion, sex, marital status, national origin or ancestry or any other protected class in the sale, lease sublease, transfer, use, occupancy, tenure or enjoyment of the site, or any part thereof, nor shall Participant, or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Affordable Unit, or any part thereof.

14. Defaults.

14.1 Defaults-General. The occurrence of any of the following shall be deemed a default under this Regulatory Agreement:

(a) The failure or delay by either party to perform any term or provision of this Regulatory Agreement if such failure is not cured, corrected or remedied within any specific time period set forth in this Regulatory Agreement.

(b) If no other specific time period is set forth herein, the failure to cure a monetary default under this Regulatory Agreement (other than any monetary defaults specifically listed in any of the other subparagraphs of this Section 14.1) within ten (10) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default.

(c) If no other specific time period is set forth herein, the failure to cure a non-monetary default under this Regulatory Agreement (other than any non-monetary defaults specifically listed in any of the other subparagraphs of this Section 14.1) within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; provided, however, that if the failure cannot be corrected within such period, it shall not constitute a default if the failure is correctable without material adverse effect on the Affordable Unit, and if corrective action is instituted by Participant within such period and diligently pursued until the failure is corrected, and provided further that any such failure is cured within sixty (60) days of receipt of notice of such failure.

(d) The occurrence of any default under the Agreement that is not cured within any applicable cure period thereunder.

(e) The occurrence of a Program Default.

The party in default shall provide to the other party immediate written notice of the occurrence of any event that would constitute a default hereunder.

14.2 Remedies Upon Default. In addition to any other rights or remedies available at law or in equity, upon a default of this Regulatory Agreement (other than a default of City) City may take any of the actions described in the Agreement for defaults, including without limitation (i) the enforcement of any of the City's rights contained in Section 11.2 of the Agreement including demanding that Participant repay the City Grant, or (ii) the institution of legal action to cure, correct, or remedy any default or obtain any other remedy consistent with the purposes of this Regulatory Agreement. All legal actions must be instituted and maintained in the Superior Court of Orange County California, or in any other appropriate court in that county.

14.3 Rights and Remedies are Cumulative. Except as otherwise expressly stated in this Regulatory Agreement, the rights and remedies of the parties are cumulative, and the exercise by either party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

15. Miscellaneous.

15.1 Attorneys' Fees and Costs. If either party to this Regulatory Agreement commences an action against the other party to this Regulatory Agreement arising out of or in connection with this Regulatory Agreement, the prevailing party shall be entitled to recover reasonable attorneys' fees, expert witness fees, costs of investigation, and costs of suit from the losing party.

15.2 Entire Agreement, Waivers, and Amendments. This Regulatory Agreement, the Agreement, and the agreements referred to herein contain the entire agreement between the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to all or part of the subject matter hereof. All waivers of the provisions of this Regulatory Agreement must be in writing and signed by the appropriate authorities of the party to be charged. A waiver of the breach of the covenants, conditions or obligations under this Regulatory Agreement by either party shall not be construed as a waiver of any succeeding breach of the same or other covenants, conditions or obligations of this Regulatory Agreement. Any amendment or modification to this Regulatory Agreement must be in writing and executed by the appropriate authorities of City and Participant.

15.3 Interpretation; Governing Law. This Regulatory Agreement shall be construed according to its fair meaning and as if prepared by both of the parties hereto. This Regulatory Agreement shall be construed in accordance with the laws of the State of California without regard to conflict of law principles.

15.4 Severability. If any one or more of the provisions contained in this Regulatory Agreement shall for any reason be held to be invalid, illegal, or unenforceable

in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Regulatory Agreement, and this Regulatory Agreement shall be construed as if such invalid, illegal, or unenforceable provision(s) had never been contained herein.

15.5 Assignment and Transfer. Participant shall not transfer the Affordable Unit or any of Participant's rights hereunder, or any interest in the Affordable Unit, directly or indirectly, voluntarily or by operation of law, without the prior written approval of City, and if so purported to be transferred, the same shall be null and void. In considering whether it will grant approval of any transfer by Participant of its interest in the Affordable Unit, City shall consider factors such as (i) whether the completion of the rehabilitation of the Affordable Unit is jeopardized; (ii) the financial credit, strength, and capability of the proposed transferee to perform Participant's obligations hereunder; and (iii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects. In the absence of specific written agreement by City, no transfer by Participant of all or any portion of its interest in the Affordable Unit shall be deemed to relieve it or any successor party from the obligation to complete the rehabilitation of the Affordable Unit or any other obligations under this Regulatory Agreement. No assignment shall be approved if Participant is in default (or an event has occurred that would constitute a default with the giving of notice or the passage of time) of this Regulatory Agreement or the Agreement. Participant shall be responsible for all costs incurred by City in connection with any request for approval of a transfer and assignment.

15.6 Notices. Formal notices required to be delivered under this Regulatory Agreement to the other party must be in writing and shall be effective (i) when personally delivered by the other party or messenger or courier thereof; (ii) three (3) business days after deposit in the United States mail, registered or certified; or (iii) one (1) business day after deposit before the daily deadline time with a reputable overnight courier or service; in each case postage fully prepaid and addressed to the respective parties as set forth below or to such other address and to such other persons as the parties may hereafter designate by written notice to the other party hereto:

If to City:	City of Irvine One Civic Center Plaza Irvine, CA 92606 Attn: Housing Administrator
If to Participant:	Families Forward 8 Thomas Irvine, CA 92618 Attn: Chief Executive Officer

15.7 Covenants Run with the Land. All conditions, covenants, and restrictions contained in this Regulatory Agreement shall be covenants running with the land, and shall, in any event, and without regard to technical classification or designation, legal or otherwise, be, to the fullest extent permitted by law and equity, binding for the

benefit and in favor of, and enforceable by, City and its successors and assigns, against Participant, its successors and assigns, to or of the Affordable Unit or any portion thereof or any interest therein, and any party in possession or occupancy of said Affordable Unit or portion thereof. Upon a transfer of the Affordable Unit by Participant, the transferee shall be subject to and shall comply with this Regulatory Agreement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that City shall be deemed a beneficiary of the agreements and covenants provided hereinabove both for and in its own right and also for the purposes of protecting the interests of the community. All covenants without regard to technical classification or designation shall be binding for the benefit of City and such covenants shall run in favor of City for the entire period during which such covenants shall be in force and effect, without regard to whether City is or remains an owner of any land or interest therein to which such covenants relate.

15.8 Counterparts. This Regulatory Agreement may be executed in two or more counterparts, each of which when so executed and delivered shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

15.9 Exhibits. This Regulatory Agreement incorporates by reference the following Exhibits attached hereto:

Exhibit 1	Legal Description of Affordable Unit
Exhibit 2	Income Computation and Certification Form
Exhibit 3	Income Recertification Form

[signatures on next page]

IN WITNESS WHEREOF, City and Participant have entered into this Regulatory Agreement as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

By: _____
Peter Carmichael, Director of Community Development

ATTEST:

_____
Molly M. Perry, City Clerk

"PARTICIPANT"

FAMILIES FORWARD, a California nonprofit corporation

Signed in Counter-Parts

By: _____
Name: Gary Cohn
Title: Chairman

Signed in Counter-Parts

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

Signed in Counter-Parts

Signed in Counter-Parts

IN WITNESS WHEREOF, City and Participant have entered into this Regulatory Agreement as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

Signed in Counter-Parts

By: _____
Peter Carmichael, Director of
Community Development

ATTEST:

Signed in Counter-Parts

_____
Molly M. Perry, City Clerk

"PARTICIPANT"

FAMILIES FORWARD, a California nonprofit corporation

By: _____
Name: Gary Cohn
Title: Chairman

Signed in Counter-Parts

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

IN WITNESS WHEREOF, City and Participant have entered into this Regulatory Agreement as of the date first set forth above.

"CITY"

CITY OF IRVINE, a California municipal corporation

Signed in Counter-Parts

By: _____
Peter Carmichael, Director of
Community Development

ATTEST: Signed in Counter-Parts

_____
Molly M. Perry, City Clerk

"PARTICIPANT"

FAMILIES FORWARD, a California nonprofit corporation

Signed in Counter-Parts

By: _____
Name: Gary Cohn
Title: Chairman

By: _____
Name: Madelynn Hirneise
Title: Chief Executive Officer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On March 24, 2020, before me, Kim D. Radding, (insert name and title of the officer)
Notary Public, personally appeared Peter Carmichael,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature Kim D Radding (Seal)

KIM D. RADDING
Notary Public - California
Orange County
Commission # 2198896
My Comm. Expires Jun 22, 2021

882/048170-0698
14877223.2 a03/24/20

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE)

On March 26, 2020, before me, Jennifer Fortin, Notary Public
(insert name and title of the officer),
Notary Public, personally appeared Gary Cohn,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

Signature _____ (Seal)

JENNIFER FORTIN
Notary Public - California
Orange County
Commission # 2283496
My Comm. Expires Mar 29, 2023

882/048170-0698
14877223.2 a03/24/20

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of Orange)

On April 1, 2020, before me, D.J. Miller,
(insert name and title of the officer)
Notary Public, personally appeared Madelynn Hirneise,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.

D. J. MILLER
Notary Public - California
Orange County
Commission # 2291642
My Comm. Expires Jul 3, 2023

Signature D.J Miller (Seal)

882/048170-0698
14877223.2 a03/24/20

EXHIBIT "1"

LEGAL DESCRIPTION OF AFFORDABLE UNIT

That certain real property located in the City of Irvine, County of Orange, State of California legally described as follows:

A CONDOMINIUM COMPRISED OF:

PARCEL A:

LOT 2, TRACT 8902, IN THE CITY OF IRVINE, COUNTY OF ORANGE, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 440, PAGE 47 AND 48 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

A. UNITS 41 THRU 80 INCLUSIVE AS SHOWN UPON THE CONDOMINIUM PLAN RECORDED MAY 10, 1984 AS INSTRUMENT NO. 84-195898 OF OFFICIAL RECORDS OF SAID ORANGE COUNTY.

B. THE EXCLUSIVE RIGHT TO POSSESSION OF ALL THOSE AREAS DESIGNATED AS CARPORT, DECKS, (BALCONIES) PATIOS AND ENTRY WAYS AS SHOWN UPON THE CONDOMINIUM PLAN ABOVE REFERRED TO.

PARCEL B:

UNIT 63 AS SHOWN UPON THE CONDOMINIUM PLAN RECORDED MAY 10, 1984 AS INSTRUMENT NO. 84-195898 OF OFFICIAL RECORDS OF SAID ORANGE COUNTY.

PARCEL C:
THE EXCLUSIVE RIGHT TO POSSESSION AND OCCUPANCY OF THOSE PORTIONS OF PARCEL 2, DESCRIBED IN PARCEL A ABOVE, DESIGNATED AS CARPORTS, DECKS (BALCONIES) PATIOS AND ENTRY WAYS APPURTENANT TO PARCELS A AND B ABOVE AS SHOWN ON THE CONDOMINIUM PLAN REFERRED TO IN PARCEL B ABOVE.

ASSESSOR'S PARCEL NUMBER: 930-73-733

EXHIBIT "2"

INCOME COMPUTATION AND CERTIFICATION FORM

INCOME COMPUTATION AND CERTIFICATION FORM
(Affordable Housing Eligibility for Renter Occupied Unit

PART I. PROPERTY FINANCED WITH GOVERNMENT ASSISTANCE

Property Address: _____

PART II. TENANT HOUSEHOLD INFORMATION

		Date of Birth	Soc. Sec. #	Relationship

TOTAL NUMBER OF PERSONS IN HOUSEHOLD:_____ (Please list information on other household members below)

Mailing Address:_____ Telephone Numbers: Work(____) _____

_____ Home (____) _____

PART III. GROSS HOUSEHOLD INCOME Complete the following, attach copies of required verification as specified below. Attach a note explaining any significant changes in household income between the previous year and the current year. INFORMATION IS REQUIRED FOR ALL MEMBERS OF THE HOUSEHOLD AGE 18 OR OLDER REGARDLESS OF WHETHER THEY CONTRIBUTE TO THE COSTS OF THE HOUSEHOLD. If you are not required to file a tax return, please indicate this in Part V by your signature.

	ANN INCOME	**ANN INCOME**	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
A. Employment earnings			Copy of the most recent filed and signed Federal Income Tax Return with all schedules, attachments, W-2s, etc. Three (3) months consecutive paystubs.

	ANN INCOME	ANN INCOME	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
B. Self-employment earnings			Copies of the last two (2) most recent filed and signed Federal Income Tax Returns with all schedules, attachments, W-2s, etc. Three (3) months consecutive paystubs.
C. Social Security (OASDI)			A copy of the annual letter received from Social Security listing the gross monthly payment.
D. Supplemental Security Income (SSI)			A copy of the annual letter received from Social Security listing the gross monthly payment.
E. Public assistance (AFDC, general			A letter from the household's case worker indicating the amount of assistance provided and the nature of the assistance, including specific amounts designated for shelter or utilities.
assistance, unemployment, etc.)			A copy of the most recent three (3) months consecutive payment checks or statements indicating the gross amount of the payment.
F. Pension (s)			Annual award letter, year end stmt, W-2
G. Interest income			Three (3) months consecutive statements for all asset accounts.
H. Investment income (stocks, bonds, real estate, etc.)			Three (3) months consecutive statements for all asset accounts.
I. Room rental			Rental agreement, copies of checks, etc.
J. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.			A copy of the divorce decree / judgment listing the amount, period, and duration of alimony payments. A copy of the court order for child support payments, including the amount, period and duration of child support payments. A letter from the individual or organization outside of the household that provides a periodic payment. The letter should include the reason, amount, period and duration that the payments are expected to continue.
K. Other income (list type/source)			

	ANN INCOME	ANN INCOME	
INCOME SOURCES	**for tenant**	**others in hshld**	**VERIFICATIONS** (needed for file)
L. **TOTAL INCOME** (sum of A thru K)			/ 12 months = _____ mo. income

PART IV. PROPERTY STATUS

Will this property be your primary residence?_____

Will someone other than the individuals listed above be occupying this property?_____

If yes - Name of occupants: _____

Telephone Number: _____ Mailing Address: _____

_____

My/our housing expenses are as follows:

1. Monthly tenant rent _____
2. Average monthly utilities _____

PART V. TENANT CERTIFICATION

I/We understand that after the initial eligibility determination, completion of monitoring forms is required on an annual basis. I/We certify that I/we have disclosed all information pertaining to my/our application and that the information presented in the foregoing Sections I through IV is true and accurate to the best of my (our) knowledge.

_____ _____

Tenant Date Tenant Date

For more information regarding this application, please contact management staff at (949) _____.

FOR OFFICE USE ONLY

_____ Information verified
_____ Income category
_____ Maximum allowable annual income (_____% of median)
_____ Applicant's annual income_____ gross monthly_____ max housing costs

Comments: _____

_____

_____

_____

Management Staff Date

EXHIBIT "3"

INCOME RECERTIFICATION FORM
(Renter Occupied Unit)

PART I. GENERAL INFORMATION

1. Property Owner Name _____

2. Renter Name _____

3. Property Address _____
(Please include P.O. Box No. if applicable)

4. Has there been a change in ownership of this property during the preceding 12 month period?
Yes( ) No( )

(If yes, please explain) _____

PART II. UNIT INFORMATION

5. Number of Bedrooms _____
6. Number of Occupants _____
Names:

_____ _____

_____ _____

PART III. AFFIDAVIT OF RENTER

I, _____, and I, _____, as renters of units assisted pursuant to the Affordable Housing Program (the "Program"), do hereby represent and warrant that the following computation includes all income (I/we) **anticipate receiving for the 12-month period commencing on January 1, 20___** (including the renter(s) and all family members of the renters):

(a) amount of wages, salaries, overtime pay, commissions, fees, tips and bonuses, and payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (before payroll deduction) _____

(b) net income from business or profession or rental of property (without deduction for repayment of debts or expansion of business) ____

(c) interest and dividends _____

(d) periodic receipts such as social security, annuities, pensions, retirement funds, insurance policies, disability or death benefits, alimony, child support, regular contributions or gifts from persons not occupying unit _____

(e) public assistance allowance or grant plus excess of maximum allowable for shelter or utilities over the actual allowance for such purposes _____

(f) regular and special pay and allowances of a member of armed services (whether or not living in the dwelling) who is head of the family or spouse _____

Subtotal (a) through (f) _____

LESS: Portion of above items which are income of a family member who is less than 18 years old or a full-time student (_____)

TOTAL ELIGIBLE INCOME _____

NOTE: The following items are not considered income: casual or sporadic gifts; amounts specifically for or in reimbursement of medical expenses; lump sum payment such as inheritances, insurance payments, capital gains and settlement for personal or property losses; educational scholarships paid directly to the student or educational institution; government benefits to a veteran for education; special pay to a serviceman head of family away from home and under hostile fire; foster child care payments; value of coupon allotments for purpose of food under Food Stamp Act of 1964 which is in excess of amount actually charged the eligible household; relocation payments under Title II of Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; payments received pursuant to participation in the following programs: VISTA, Service Learning Programs, and Special Volunteer Programs, SCORE, ACE, Retired Senior Volunteer Program, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience.

2. This affidavit is made with the knowledge that it will be relied upon by the Landlord to determine maximum income for eligibility and (I/we) warrant that all information set forth in this Part III is true, correct and complete and based upon information (I/we) deem reliable and that the estimate contained in paragraph 1 is reasonable and based upon such investigation as the undersigned deemed necessary.

3. (I/We) will assist the Landlord in obtaining any information or documents required to verify the statements made in this Part III and have **attached hereto a copy of our federal income tax return for the last year (20___)**.

4. (I/We) acknowledge that (I/we) have been advised that the making of any misrepresentation or misstatement in this affidavit will constitute a material breach of (my/our) agreement with the Landlord to rent the unit and will additionally enable Landlord to initiate and pursue all applicable legal and equitable remedies with respect to the unit and to me/us.

B. (My/Our) monthly housing expenses are limited to the following:

1. Base rent _____
2. Average Monthly Utilities _____
3. Other (explain) _____

(I/We) understand that completion of monitoring forms is required on an annual basis and agree to notify the Landlord in writing of any change in ownership or rental of the unit.(I/We) do hereby swear under penalty of perjury that the foregoing statements are true and correct.

Date_____

_____

Renter(s)