COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
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ADOPTED
Community Development Commission

May 6, 2008

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SACHI A. HAMAI
EXECUTIVE OFFICER

Honorable Board of Commissioners
Community Development Commission
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

APPROVE A COMMUNITY DEVELOPMENT BLOCK GRANT FLOAT LOAN TO QUAL-PRO CORPORATION/SHANE 4 LLC FOR ELECTRONICS MANUFACTURING BUSINESS LOCATED IN THE CITY OF CARSON (ALL DISTRICTS) (3 Vote)

SUBJECT:

This letter requests that your Board approve a Community Development Block Grant Float Loan to Qual-Pro Corporation/Shane 4 LLC using $4,000,000 in Countywide CDBG funds to provide working capital and inventory to retain 115 permanent, full-time equivalent jobs.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that the Community Development Block Grant (CDBG) Float Loan to the Qual-Pro Corporation/Shane 4 LLC (Qual-Pro) is exempt from the provisions of the California Environmental Quality Act (CEQA), as described herein, because it involves activities that will not have the potential for causing a significant effect on the environment.

2. Approve a 30-month CDBG Float Loan with Qual-Pro for $4,000,000 in Countywide CDBG funds to provide working capital to retain 115 permanent full-time equivalent jobs at Qual-Pro, located at 18510 South Figueroa Street in the City of Carson; and authorize the Executive Director to incorporate these funds into the Commission's approved Fiscal Year 2007-2008 budget.

3. Authorize the Executive Director, acting on behalf of the County of Los Angeles (County), to execute the CDBG Float Loan Agreement and all related documents, submitted in substantially final form, and to take all actions required to implement the project described above, to be effective following approval as to form by County Counsel and execution by all parties.

4. Authorize the Executive Director to execute future amendments to the CDBG Float Loan Agreement and all related documents to modify loan terms and security structure, without increasing the loan amount, following approval as to form by County Counsel.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The loan will enable Qual-Pro to remain in the City of Carson and expand from a 21,000 square foot building to a 55,000 square foot building in lieu of relocating out of State.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. Countywide CDBG funds, in the amount of $4,000,000, will be used to provide the loan at a fixed interest rate of three percent (3%) per annum, with interest only payable monthly and a balloon payment of the outstanding principal balance at maturity. Based on a 30-month term and a total draw of the loan, the Commission will earn $300,000 in interest which will be returned to the Los Angeles Urban County CDBG program, as required by the U.S. Department of Housing and Urban Development (HUD). The Commission, on behalf of the County, will serve as administrator of the Float Loan proceeds.

The loan will be secured by an A grade, irrevocable, direct pay, callable upon demand letter of credit. Such security ensures the repayment of the Float Loan and satisfies HUD requirements for collateral.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

This loan will be made to Qual-Pro under the County Float Loan Program, which finances activities that benefit low-and moderate-income persons in the County. Funding is made from the Commission's available Letter of Credit with HUD. The program is administered in accordance with federal guidelines, specifically, Section 24 Code of Federal Regulations 24 CFR 570.301 (b).

The Float Loan program provides interim financing of CDBG-eligible activities, using undisbursed CDBG funds in the County's line of credit. The premise of the program is that the original activities do not require the funds immediately and that the line of credit contains a balance or "float" that can be used on a temporary basis. Activities financed with float money are subject to all CDBG regulations. Float-funded activities are also

expected to generate program income during the term of the loan. Once the float funds are repaid, the principal float amount is returned to the line of credit, and the interest earned and the administrative fee (otherwise known as program income) are considered CDBG funds and are available to fund eligible CDBG activities.

During the past 15 years, the Float Loan program has provided over $54 million in funds to stimulate economic growth and community development in Los Angeles County. The Commission's loan programs are marketed through various marketing materials, chamber of commerce presentations, banks, and cities.

Qual-Pro was informed of the Float Loan program by the City of Carson, and met with Commission's loan consultant, the National Development Council (NDC). NDC pre-qualified the business and referred the business to the Commission. The Commission reviews the application for public benefit and applicable HUD regulations before submitting it to the Loan Committee for approval. The Loan Committee consists of two CDC staff members and five outside experts.

Qual-Pro, founded in 1971 by Gerald and Sally Shane, is a privately held, family owned, second generation electronics manufacturing service provider of products for the aerospace, medical, automotive and industrial sectors nationwide. Qual-Pro builds advanced electronic products utilizing the latest surface mount technology with extremely efficient, low environmental impact equipment. Qual-Pro operates free from all corrosive materials and harmful chemicals, emitting no pollutants into the environment. Qual-Pro is also active in efforts to remove lead from electronic assemblies.

The company's growth over the past three years, combined with Qual-Pro's strategic plans for the next five years, has driven the requirement for more floor space and capacity. Qual-Pro plans on moving operations to a 55,000 square foot building in the City of Carson, in the former Nissan campus on the southeast corner of Figueroa and Victoria, approximately two blocks from its current facility.

Qual-Pro has informed the Commission that it will not be able to continue operations without this financing. The public benefit for this loan will be the retention of 115 permanent, full-time equivalent jobs, of which at least 51% are held by low- and moderate-income individuals. The loan proceeds will enable Qual-Pro to finance its growth by creating additional jobs now that it has the capacity at its larger facility. Qual-Pro will use the loan proceeds for working capital, and will finance payroll expenses and inventory.

The attached Promissory Note (Note) and Loan Agreement are submitted in substantially final form. They will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

The activities funded by this float loan are exempt from the provisions of the National Environmental Policy Act (NEPA) pursuant to Section 24 Code of Federal Regulations Part 58, Section 58.35 (b)(4) because they involve economic development activities that will not have a significant impact on or result in any physical changes to the environment. The activities are not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment.

The environmental review records for this project are available for public viewing during regular business hours at the Commission's main office, located at 2 Coral Circle in Monterey Park.

IMPACT ON CURRENT PROGRAM:

This loan is consistent with the goals of the County Float Loan Program to finance activities that provide benefits to low- and moderate-income persons in the County, including the creation or retention of jobs.

Respectfully submitted,

Bobbette V. Glover

for CARLOS JACKSON
Executive Director

Attachments: 2

LOAN AGREEMENT

THIS LOAN AGREEMENT is dated for identification purposes only as of the _____day of _____, 2008 (the "Agreement") by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic (the "CDC") and the **Qual-Pro Corporation, A California Corporation and Shane 4, LLC, A California Limited Liability Company**, the "Borrower." The CDC and the Borrower individually are sometimes hereinafter referred to as a "Party" and collectively as the "Parties".

RECITALS

A. WHEREAS, the County of Los Angeles, by and through the CDC has entered into an agreement with the United States of America through its Department of Housing and Urban Development ("HUD") to execute a Community Development Block Grant ("CDBG") program pursuant to the Housing and Community Development Act of 1974, as amended (the "Act");

B. WHEREAS, Borrower desires to borrow up to the maximum principal amount of Four Million Dollars ($4,000,000) (the "Loan") from the CDC for the purpose of providing a working capital loan to Borrower (the "Project"), as described in Exhibit "G". The Project is located at 18510 S. Figueroa Street, Gardena, California 90248 (the "Site");

C. WHEREAS, the CDC desires to make the Loan to Borrower, on the terms and conditions set forth herein;

D. WHEREAS, the CDC has made a determination that the Project, or portions thereof, to which the proceeds of the Loan are to be applied pursuant to this Agreement is a CDBG eligible special economic development activity benefiting low- and moderate-income persons and that the activity is necessary to further the purposes of the Act and that reasonable benefits will accrue to residents within the Urban County jurisdiction;

E. WHEREAS, the CDC has made a determination that the Loan is appropriate to carry out a special economic development project; and

F. WHEREAS, Borrower has agreed to obtain the irrevocable Letter of Credit, described below, to secure repayment of the Loan by Borrower as provided herein.

NOW, THEREFORE, the Parties agree as follows:

1. LOAN BY THE CDC

The CDC agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to loan to Borrower, in one or more disbursements, up to the maximum sum of Four Million Dollars ($4,000,000) to be used solely for the purposes described below and so long as such purposes constitute CDBG eligible special economic development activities pursuant to 24 CFR, Part 570.203(b).

2. NOTE; INTEREST

Prior to any disbursement of any Loan proceeds to Borrower hereunder, Borrower shall execute and deliver to the CDC a Promissory Note (the "Note") in the form of Exhibit "A" attached hereto, which Note sets forth the interest rate, the date and other terms and conditions of the Loan. The Note shall be dated by Borrower as of the date of its execution and, upon receipt of the Note, the CDC shall insert the Maturity Date (as defined below) therein. The disbursed and unpaid amount of the Loan shall accrue interest as of the date on which Loan proceeds are first disbursed to Borrower by the CDC as provided herein (the "Initial Disbursement"), and ending (except as to interest at the "Default Rate", as defined in the Note) on that date which is thirty (30) months after the date of the Note (the "Maturity Date"), at the lesser of (a) the rate of three percent (3%) or (b) the maximum rate of interest permitted to be paid to the CDC pursuant to any applicable usury law. Interest shall be computed on the basis of actual number of days and a 365-day year. Borrower shall pay interest in arrears commencing on the first day of the month following the Initial Disbursement and continuing thereafter on the first day of each month to and including that month during which the Maturity Date occurs. On the Maturity Date, the entire unpaid principal balance of the Loan, plus all accrued and unpaid interest thereon, and any other amounts payable by Borrower under the terms of this Agreement and the Note shall be due and payable. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 below, shall be applied first toward costs of collection and late charges, if any, then toward accrued and unpaid interest and then toward the unpaid principal balance under the Note. As used herein, "Term" shall mean the period of time commencing with the date of the Note and terminating on the date when Borrower has repaid the entire outstanding principal balance and accrued interest on the Loan.

If a payment of interest not timely made remains overdue for a period of ten (10) days by close of business at 5:00 p.m. after the same becomes due and payable, Borrower, without notice or demand by the CDC or any other holder of the Note, shall pay a late charge in an amount equal to five percent (5%) of the delinquent interest owing (the "Late Charge"). Borrower agrees that an amount equal to the Late Charge is a reasonable estimate of the damage to the CDC or other holder of the Note in the event of late payment of interest due hereunder.

3. ACCELERATION

The entire principal balance of the Loan and all accrued and unpaid interest thereon shall be due and payable on the Maturity Date; provided, however, that the entire principal balance of the Loan and all accrued and unpaid interest thereon shall, at the election of the CDC and upon notice to Borrower thereof (except no notice or election shall be required with respect to Non-Curable Defaults as defined in Sections 14(A)(1) through 14(A)(7) below), become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower, upon the occurrence of any Event of Default as set forth in Section 14.

4. LOAN REPAYMENT; VOLUNTARY PREPAYMENT; MANDATORY REPAYMENT

At any time after the disbursement of the Loan proceeds, Borrower may, subject to its compliance with the following procedure, voluntarily prepay all or a portion of the unpaid principal amount of the Loan and any or all accrued interest thereon without penalty. In the event Borrower wishes to voluntarily prepay (a "Voluntary Prepayment") all or any portion of the unpaid principal amount of the Loan and accrued interest thereon, Borrower shall deliver to the CDC at least ten (10) days prior written notice (the "Prepayment Notice") of such election which Prepayment Notice shall identify (i) the date such prepayment is to occur (the "Prepayment Date"), (ii) the total principal to be paid, and (iii) the total accrued interest to be paid.

It is acknowledged by the Parties that the CDC may require prepayment (a "Mandatory Prepayment") (either in whole or in part) of the Loan at any time by delivery of written notice (the "Notice of Mandatory Prepayment") to Borrower. The Notice of Mandatory Prepayment shall set forth (i) the date such prepayment is to occur (the "Required Prepayment Date"), (ii) the total principal to be paid, and (iii) the total accrued interest to be paid. The Notice of Mandatory Prepayment shall be delivered to Borrower at least ten (10) days prior to the Required Prepayment Date.

The amount of principal and accrued interest set forth in the Prepayment Notice to be prepaid and the amount of principal and accrued interest set forth in the Notice of Mandatory Prepayment to be prepaid shall constitute an amount owing by Borrower to the CDC under this Agreement as of the Prepayment Date and the Required Prepayment Date, respectively.

The CDC shall be permitted, upon (i) the Maturity Date of the Loan, or (ii) the occurrence of any Event of Default as set forth in Section 14 and Borrower's failure to timely cure such Default after delivery of notice to Borrower as specified therein (except with respect to Non-Curable Defaults as defined in Sections 14 (A) (1) through 14 (A) (7) below in which case no notice is required), to draw on the irrevocable Letter of Credit (as defined below) the total outstanding principal, accrued and unpaid interest and other

amounts owing under the Loan as of the date such draw plus, at the CDC's option, any interest, principal or other payments received directly from Borrower during the period commencing ninety-five (95) days prior to the earlier of the (i) date of such draw, or (ii) the date of any Act of Bankruptcy (as defined herein below) occurring with respect to Borrower. As used herein, the term "Act of Bankruptcy" means the filing of a voluntary petition in bankruptcy under the United States Bankruptcy Code or an adjudication pursuant to an involuntary proceeding under the United States Bankruptcy Code.

The CDC shall be permitted, upon (i) any Prepayment Date, and/or (ii) any Required Prepayment Date, to draw on the Letter of Credit the amount of any Voluntary Prepayment and/or any Mandatory Prepayment. In the event any such draw is for the entire outstanding principal and all accrued and unpaid interest due on the Loan as of the date of such draw, whether pursuant to a Voluntary Prepayment or a Mandatory Prepayment, the CDC shall be permitted to draw on the Letter of Credit the total outstanding principal, accrued and unpaid interest and other amounts owing under the Loan as of the date of such draw plus, at the CDC's option, any interest, principal or other payments received directly from Borrower during the period commencing ninety-five (95) days prior to the earlier of the (i) date of such draw, or (ii) the date of any Act of Bankruptcy occurring with respect to Borrower.

Provided that there are no other amounts owing the CDC after its draw on the Letter of Credit of the total outstanding principal, interest and other amounts owing under the Loan (and, if the CDC elects, any interest, principal or other payments received directly from Borrower during the period commencing ninety-five (95) days prior to the earlier of the (i) date of such draw, or (ii) the date of any Act of Bankruptcy occurring with respect to Borrower), the CDC shall return the Letter of Credit to the Bank (as defined below) after its receipt of all funds in accordance with such draw.

Borrower hereby agrees and understands that any partial or entire prepayment of the Note shall not relieve Borrower of the duty to comply with the terms and conditions set forth in the CDBG or the covenants described in Sections 9 and 10 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms.

5. SECURITY AND SOURCE OF PAYMENT

Payment of principal and interest on the Loan shall, at all times during the Term, be secured by a A rated direct pay, irrevocable, unconditional and callable upon demand letter of credit (the "Letter of Credit") provided by Union Bank of California (the "Bank") acceptable to the CDC in its sole discretion for the account of Borrower. The Letter of Credit shall at all times be (i) A rated, direct pay, irrevocable, unconditional and callable upon demand letter of credit in the amount no less than the then outstanding principal amount of the Loan plus the equivalent of three (3) months interest (computed at the rate in effect at the inception of the Loan) (hereinafter, the 'Required Amount"), (ii) in favor of the CDC, (iii) in the form attached hereto as Exhibit "B", and (iv) having an expiration date which is at least ninety (90) days after the Maturity Date of the Note;

provided, however, that Borrower shall be permitted to obtain a Letter of Credit with an earlier maturity provided that, no later than thirty (30) days prior to the expiration of such Letter of Credit, (i) such Letter of Credit is renewed to provide an expiration date which is at least ninety (90) days after the Maturity Date of the Note, or (ii) a replacement Letter of Credit, is subject to the same requirements listed above and having an expiration date which is at least ninety (90) days after the Maturity Date of the Note, is issued in favor of the CDC.

Notwithstanding the satisfaction of all other conditions applicable to a distribution of Loan proceeds to Borrower under this Agreement, Borrower shall not be entitled to receive Loan proceeds to the extent such receipt would cause the amount of the then issued Letter of Credit to be less than the Required Amount. To the extent Borrower wishes to receive such Loan proceeds, Borrower must have the then issued Letter of Credit amended to an amount or have a replacement Letter of Credit issued (otherwise in conformance with all the requirements hereunder) in the amount which is no less than the Required Amount. For example, if Borrower originally has a $4,000,000 Letter of Credit issued to the CDC and Borrower desires Loan proceeds which would bring the Required Amount to $6,000,000, then Borrower must, prior to the disbursement of additional Loan proceeds, have the then issued Letter of Credit amended to or have a replacement Letter of Credit issued in an amount not less than $6,000,000.

Draws on the Letter of Credit shall be conditioned upon the presentation to the Bank at its office designated in the Letter of Credit of a sight draft and certificate in accordance with the terms of the Letter of Credit. Neither the acceptance of the sight draft and certificate transfer, nor receipt of monies by the CDC under the Letter of Credit shall in any manner relieve Borrower of any obligation hereunder, under the Note or under the terms of any other document executed or given herewith, except to the extent of payment actually received by the CDC under the Letter of Credit and, to the extent the CDC receives actual payment under the Letter of Credit specifically with respect to an amount (the "Previously Paid Amount") previously received directly from Borrower, then the CDC shall promptly reimburse to Borrower or, if required by applicable law, to the trustee in any bankruptcy proceeding involving Borrower, the Previously Paid Amount.

6. CONDITIONS TO THE CDC FUNDING THE LOAN

The obligation of the CDC to make any disbursement of Loan proceeds under this Agreement shall be expressly subject to the following conditions:

A. The execution of this Agreement by the CDC and Borrower.

B. Receipt by the CDC of the Letter of Credit in form and substance as provided in Exhibit "B" hereto or otherwise satisfactory to the CDC, in its sole discretion, and from a bank reasonably acceptable to the CDC.

C. Receipt by the CDC of the executed Note.

D. Receipt by the CDC from the Borrower of such documents, certifications and opinions of counsel as are reasonably required by the CDC, in form and substance satisfactory to the CDC, evidencing (i) that this Agreement, the Note and all other documents given or executed in connection herewith are duly and validly executed by and on behalf of and constitute the valid and enforceable obligation of the Borrower thereunder, pursuant to the respective terms of each of such documents, and (ii) that the execution and delivery of the Agreement, the Note and all other documents executed, or given hereunder or in connection herewith and the performance by the Borrower thereunder will not breach or violate any articles of incorporation, any by-law restriction, or any law or governmental regulation nor, to the best knowledge of Borrower and Borrower's members and officers, constitute a breach of or default under any instrument or agreement to which Borrower may be a party, and (iii) such other matters as are reasonably required by the CDC.

E. The availability to the CDC of allocated but undrawn CDBG funds in an amount sufficient to fund the respective disbursements of the Loan.

F. If necessary, receipt of environmental clearance for the Project.

G. No uncured Event of Default shall have occurred.

H. Borrower shall have provided to the CDC a disbursement request, in the form and manner, with the accompanying documentation, as is specified by Section 15 of this Agreement.

I. Borrower shall have provided to the CDC, in form satisfactory to the CDC, copies of good standing certificates from the California Secretary of State, certifying that Borrower is duly qualified and in good standing.

J. Borrower shall have provided to the CDC, in form satisfactory to the CDC, (i) documents executed by Borrower in connection herewith, and (ii) a certificate of the Secretary or an Assistant Secretary of Borrower certifying the names and true signatures of the officers of Borrower authorized to sign this Agreement on behalf of Borrower, and the other documents to be delivered by it hereunder.

7. OBLIGATION OF BORROWER UNCONDITIONAL

The obligation of Borrower to repay the Loan and all accrued interest thereon shall be absolute and unconditional, and until such time as all of the outstanding principal of and interest on the Note shall have been fully paid, Borrower agrees that it:

A. Will use the Loan proceeds solely for the purposes set forth below in Section 8; and

B. Will not terminate or suspend any payments or obligations under this Agreement, the Note, or the Letter of Credit or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this Agreement or any document executed hereunder or in connection herewith.

8. PURPOSES OF LOAN

Borrower covenants to use the proceeds of the Loan solely for purposes of financing CDBG eligible activities pursuant to 24 CFR Part 570.203(b) and paying CDBG eligible costs incurred in connection with providing working capital (but only to the extent permitted by applicable CDBG regulations) necessary for the Project to be funded by the Loan. The Loan proceeds may not be used for, and Borrower hereby covenants that it shall not use such proceeds for, any ineligible purchases and expenditures as set forth in 24 CFR 570.207. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement. As of the execution hereof, Borrower intends to use the Loan proceeds solely to provide working capital and purchase of inventory. The purpose of the Loan is to assist in financing 115 permanent, full-time equivalent jobs. Borrower is to provide CDC with back-up documentation to support the $4,000,000 working capital and inventory purchases.

9. COVENANTS OF BORROWER

As additional consideration for the making of the Loan by the CDC, Borrower covenants and agrees that it shall comply with the following:

A. Compliance with Laws. Borrower shall, during the Term, comply with all applicable federal, state, and local laws, ordinances, regulations and directives as they pertain to the performance of this Agreement. This Agreement is subject to and incorporates the terms of the Act and 24 Code of Federal Regulations (CFR), Chapter V, Part 570, and all amendments or successor laws, regulations or guidelines thereto (collectively, the "Laws, Regulations and Guidelines"). Borrower understands that the Project, or that portion thereof funded by the Loan (in the event the entire Project is not funded by the Loan), must comply at all times during the Term with one or more of the three broad national objectives set forth in 24 CFR 570.208 and Borrower covenants that it will cooperate with the CDC and HUD, as necessary, to maintain compliance therewith.

Borrower further understands and agrees that unless HUD has determined that the Project has received appropriate environmental review and clearance, no Loan proceeds shall be disbursed hereunder until compliance with environmental review and clearance procedures set forth at 24 CFR Part 58.

B. Jobs. Borrower covenants that at least 115 permanent, full-time equivalent jobs will be retained, and that at least fifty-one percent (51%) of all permanent, full-time equivalent jobs retained shall be held by low- and moderate-income persons, and will provide training for any jobs requiring special skills or education. "Low and moderate income person" is defined by 24 CFR 570.3 (r) as a member of a family having a family income equal to or less than the Section 8 lower income limit established by HUD. In connection with and in furtherance of the foregoing, Borrower has prepared a listing by job title of the permanent jobs retained. Borrower has submitted Employee Questionnaires in the form attached hereto as Exhibit "C", certifying that at least 51% of the jobs retained are held by employees whose family income does not exceed the income limits applicable, as such limits may hereafter be established from time to time in accordance with 24 CFR 570.3 and set forth on such Questionnaires. Borrower covenants that an additional 29 permanent, full-time equivalent jobs retained or created will be held by residents of the Los Angeles Urban County and shall submit such questionnaires to the CDC for each of the 29 employees to comply with the Los Angeles Urban County requirement..

Borrower provides to local work source centers, a description of which is attached as Exhibit "E", a notice advising the work source centers of Borrower's commitment to make available opportunities for employment to residents of the Los Angeles County Urban County, a description of which is attached as Exhibit "F", on a first priority basis. Notices to work source centers shall be sent as employment opportunities as they become available, and shall set forth 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.

Borrower shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program who meets Borrower's minimum qualifications for the open position. Borrower shall contact the County's GAIN Division at (626) 927-5354 for a list of GAIN participants by job category.

Borrower shall send to each labor organization or representative of workers with which the Project has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Borrower's commitments to make available opportunities for employment to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing, 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 set forth 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.

C. Affirmative Action. During the Term, Borrower shall take affirmative action to ensure that the Project shall provide equal employment and career advancement opportunities for minorities and women and, to the greatest extent feasible, to provide opportunities for training and employment of low and moderate income persons when employed by Borrower. In connection therewith, Borrower, shall provide the CDC with data indicating the racial/ethnic and family income character of each business entity receiving a contract or subcontract of $25,000 or more paid, or to be paid, with CDBG funds, and the amount of the contract or subcontract. In satisfying the requirements of this Section 9 C, Borrower shall require that a Prospective Employee Questionnaire attached hereto as Exhibit "C", be submitted by each contractor or subcontractor certifying the racial/ethnic and income characteristics of its employees and business staff. In furtherance of the foregoing, Borrower shall deliver to the CDC a list, acceptable to the CDC, setting forth affirmative steps taken by Borrower, or to be taken by Borrower to assure that minority business and women's business enterprises are offered an equal opportunity to obtain or compete for contracts and subcontracts as sources of supplies, equipment, construction and services. Such affirmative steps may include, but are not limited to, technical assistance open to all businesses but designed to enhance opportunities for these enterprises and special outreach efforts to inform them of contract opportunities. Such steps shall not include preferring any business in the award of any contract or subcontract solely or in part on the basis of race or gender.

Borrower shall deliver to the CDC semiannually, prior to January 31 and July 31 of each fiscal year, a report summarizing the nature of the businesses with which Borrower has entered into contracts and subcontracts in connection with the Project during the preceding six (6) month period ending December 31 or June 30, as applicable. The obligation of Borrower to deliver the report specified in this Section 9 C shall expire upon delivery of the report summarizing the last contracts and subcontracts entered into by Borrower in connection with the Project and to be paid in whole or in part with Loan proceeds.

D. Covenant to Perform Services. Borrower shall, during the Term, perform services consistent with the goals and objectives set forth in the Los Angeles Urban County Community Development Block Grant Statement of Objectives and Projected Use of Funds, as adopted during the Term by the Board of Supervisors of the County of Los Angeles, which Statement is incorporated herein by this reference.

E. Revenue Disclosures. Borrower shall make available for inspection and audit to the CDC's representatives, upon seventy-two (72) hours written request, at any reasonable time during the Term and for a period of five (5) years thereafter, at Borrower's offices, or, if requested by the CDC, at another location within Los Angeles County, all of the books and records of Borrower relating to the operation of the Project or this Agreement. All such books and records shall be maintained by Borrower. In the event any litigation, claim or audit is started before the expiration of the 5-year period, said books and records shall be retained until all litigation, claims, or audit findings

involving said books and records shall have been resolved. The CDC agrees to maintain the confidentiality of all the information contained in the book and records of the Borrower, in accord with Agreement.

F. Other Reports. Upon seventy-two (72) hours written notice, at any reasonable time, Borrower shall prepare and submit to the CDC, in addition to the books and records described above, all additional reports and any financial, program progress, monitoring, evaluation or other reports required by HUD or the CDC or its representatives as they relate to the Project or this Agreement. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of CDC representatives, may be relevant to a question of compliance with this Agreement or HUD directives, or with the effectiveness, legality and achievements of the CDBG Program as they relate to the Project or this Agreement. Borrower shall retain all existing records and data relating to the Project for a five (5) year period after the expiration of the Term. In the event any litigation, claims or audit is started before the expiration of said 5-year period, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

G. Indemnification. Borrower agrees to and does hereby indemnify, defend and save harmless the CDC, the Housing Authority of the County of Los Angeles, the County of Los Angeles (the "County"), and their respective agents, officers and employees from and against any and all liability, expense, including defense costs and legal fees of counsel acceptable to the CDC, and claims (collectively, "Claims) for damages of any nature whatsoever, including, but not limited to, bodily injury, death, personal injury or property damage, arising from or connected with the Project (except to the extent caused by the gross negligence or willful misconduct of the CDC or the County or their employees), and including any workers' compensation suits, liability or expense arising from or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement.

H. Audit by State and Federal Agencies. Borrower agrees that in the event this Agreement or the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, it shall be responsible for complying with such inspections and paying, on behalf of itself and the CDC, the full amount of the liability to the funding agency resulting from such inspections in the event such liability results from a failure by Borrower to satisfy applicable law or its obligations under this Agreement.

I. Program Evaluation and Review. Borrower shall, during regular business hours, allow CDC authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interview of Borrower's staff and program participants, as reasonably required by the CDC during the Term.

J. Hazardous Materials. Borrower covenants and agrees that, during its ownership and/or occupancy of the Site, it shall not (i) knowingly deposit "Hazardous Materials" (as defined below) in, on or upon the Site, or (ii) knowingly permit the deposit of Hazardous Materials in, on or upon the Site, and Borrower hereby assumes any and all liability arising in connection with any such deposit of Hazardous Materials; provided, that this sentence shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Site so long as they are materials which are used in the normal course of business, and so long as such materials are used, stored and disposed of in accordance with all applicable governmental restrictions. Borrower agrees to indemnify, defend and hold the CDC harmless from and against any claims respecting the presence of Hazardous Materials in, on or upon the Site to the extent such Hazardous Materials are brought thereon by or on behalf of Borrower, its employees, agents or contractors.

For purposes of this Agreement, the term "Hazardous Materials" means, without limitation, gasoline, petroleum products, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, polychlorinated biphenyls or related or similar materials, asbestos or any other substance or material as may now or hereafter be defined as a hazardous or toxic substance by any federal, state or local environmental law, ordinance, rule or regulation, including, without limitation, (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act (42 U.S.C. Section 6901 et seq.), (ii) the Federal Water Pollution Control Act (33 U.S.C. Section 1251 et seq.), (iii) the Clean Air Act (42 U.S.C. Section 7401 et seq.), (iv) the Resource Conservation and Recovery Act, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6902 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2629), (vi) the Hazardous Materials Transportation Act (49 U.S.C. Section 1801 et seq.), (vii) the Carpenter-Presley-Tanner Hazardous Substance Account Act (CA Health & Safety Code Section 25300 et seq.), (viii) the Hazardous Waste Control Law (CA Health & Safety Code Section 25100, et seq.), (ix) the Porter-Cologne Water Quality Control Act (CA Water Code Section 13000 et seq.), (x) the Safe Drinking Water and Toxic Enforcement Act of 1986, (xi) the Hazardous Materials Release Response Plans and Inventory (CA Health & Safety Code Section 25500 et seq.), (xii) the Air Resources Law (CA Health & Safety Code Section 39000 et seq.), or (xiii) in any of the regulations adopted and publications promulgated pursuant to the foregoing.

K. Insurance. Borrower shall procure and maintain at Borrower's expense and until such time as Borrower has repaid the entire outstanding principal balance and accrued interest on the Loan, the following insurance, for which the CDC shall be named as additional named insured, against claims for injuries to persons or damages to property which may arise from or in connection with the development and operation of the Project by the Borrower, and their agents, representatives, employees or subcontractors.

(1) COMPREHENSIVE GENERAL LIABILITY: $1,000,000 combined single limit for each occurrence ($2,000,000 General Aggregate) for bodily

injury, personal injury and property damage, including products and completed operations coverage.

(2) AUTOMOBILE LIABILITY: $1,000,000 combined single limit per accident for bodily injury and property damage covering owned, non-owned and hired vehicles.

(3) WORKERS' COMPENSATION as required by the Labor Code of the State of California and Employers Liability limits of $1,000,000 per accident.

(4) "ALL RISK" property insurance covering the full replacement value of all buildings and equipment of the Borrower. The CDC shall be named as an insured under a standard loss payable endorsement.

Any self-insurance program by Borrower or any self-insured retention must be separately approved by CDC.

Each insurance policy shall be endorsed to state that coverage shall not be canceled by either Party, reduced in coverage or in limits except after (30) days prior written notice has been given to CDC. Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California which carriers shall have a rating of or equivalent to A: (VIII) by A.M. Best & Company. Any deviations from this rule shall require specific approval in writing.

Borrower shall furnish CDC with certificates of insurance and with original endorsements effecting coverage as required above. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf. Borrower shall be permitted to satisfy the insurance requirements set forth in this Section 9 (K) pursuant to a blanket policy of insurance maintained by Borrower so long as the coverage under such blanket policy satisfies the coverage requirements specified hereinabove.

Failure on the part of Borrower to procure or maintain the insurance coverage required above shall constitute a material breach of this Agreement by Borrower pursuant to which the CDC shall be entitled to all rights and remedies under this Agreement as specified in Sections 14 (B) and (C) below. No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the Executive Director of the CDC or any other officer or agent of CDC designated in writing by the Executive Director.

L. County Lobbyist Ordinance. Borrower and each County lobbyist or County lobbyist firm ("Lobbyist") (as defined in Los Angeles County Code Section 2.160.010) shall fully comply with the requirements (the "County Lobbyist Requirements") as set forth in Los Angeles County Code Chapter 2.160 (County Ordinance 93-0031).

The Borrower shall certify in writing that it is familiar with the Los Angeles County Code Chapter 2.160 and that all persons acting on behalf of the Borrower will comply with the County Lobbyist Requirements.

Failure on the part of the Borrower and/or the Lobbyist to fully comply with the County Lobbyist Requirements shall constitute a material breach of this Agreement by the Borrower upon which the CDC may declare immediately due and payable all outstanding principal and all accrued and unpaid interest on the Loan. In addition, the Borrower may be subject to civil action.

M. Federal Lobbyist Requirements. The Borrower is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments and HUD's 24 Code of Federal Regulations (CFR) 87 (the "Federal Lobbyist Requirements"), from using federally appropriated funds for the purpose of 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, loan or cooperative agreement, and any extension, continuation, renewal, amendment or modification of said documents.

N. Borrower's Warranty Of Adherence To County's Child Support Compliance Program. Borrower acknowledges that the County of Los Angeles, hereinafter referred to as "County", has established a goal of ensuring that all individuals who benefit financially from County or CDC through contract are in compliance with their court-ordered child, family and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family code Section 5246(b).

O. Termination For Breach Of Warranty To Maintain Compliance With County's Child Support Compliance Program. Failure of Borrower to maintain compliance with the requirements set forth in Paragraph N, "Contractor's Warranty of Adherence to County's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to County or CDC under any other provision of this Agreement, failure to cure such default within ninety (90) days of notice by the Los Angeles County District Attorney shall be

grounds upon which the Board of Commissioners may terminate this Agreement as an event of default under Section 14 (A) (1).

P. Post Most Wanted Delinquent Parent List. Borrower acknowledges that the County places a high priority on the enforcement of child support laws and the apprehension of child support evaders. Borrower understands that it is County's and CDC's policy to voluntarily post a list entitled "L.A.'s Most Wanted: delinquent Parents" poster in a prominent position at Borrower's place of business. District Attorney will supply Borrower with the poster to be used.

Q. Notice To Employees Regarding The Federal Earned Income Credit. Borrower shall notify its employees, and shall require each subcontractor to notify its employees, that they may be eligible for the Federal Earned Income Credit under the federal income tax laws. Such notice shall be provided in accordance with the requirements set forth in Internal Revenue Service Notice 1015.

R. Use Of Recycled-Content Paper Products. Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, the Borrower agrees to use recycled-content paper to the maximum extent possible in relation to its provision of service hereunder.

S. Other Requirements. Borrower shall, during the Term, comply with any other applicable requirements of a subrecipient of CDBG funds including without limitation compliance with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831(b)), and any other applicable laws including any laws respecting relocation, displacement and federal labor standards requirements.

10. DISCRIMINATION

Borrower and the CDC agree that no person shall, on the grounds of race, sex, creed, color, religion, national origin, or age be excluded from participation in, be refused the benefits of, or otherwise be subjected to discrimination in any activities, programs, or employment supported by this Agreement. Borrower shall comply, with all applicable regulations set forth in 24 CFR 570.600-602, including without limitation, the requirement that Borrower comply with Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and regulations at 24 CFR Part 1; Section 109 of the Act and the Age Discrimination Act of 1975 (42 U.S.C. 6101-07) and Executive Order 11246 and the regulations issued pursuant thereto (41 CFR Chapter 60), if applicable; and the requirements of the Americans With Disabilities Act (42 U.S.C. 12101-12213).

11. INDEPENDENT CONTRACTOR

In their performance of this Agreement, the Parties will be acting in an independent capacity and not as agents, employees, partners, joint venturers, or associates of one another. The employees or agents of one Party shall not be deemed or construed

to be the agents or employees of the other Party for any purpose whatsoever, including workers' compensation liability. Borrower shall bear the sole responsibility and liability for furnishing workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to this Agreement.

12. ASSIGNMENT; ACCELERATION

So long as there is no Event of Default outstanding and provided Borrower obtains the prior express written consent of the CDC in each instance, such consent not to be unreasonably withheld, this Agreement and the rights and obligations of Borrower hereunder shall be assignable by Borrower. The refusal of the CDC to consent to any such proposed assignment shall be deemed to be reasonable if the CDC, in its sole but reasonable discretion, determines that the proposed assignee does not possess (i) adequate experience in operating a project of a nature similar to that of the Project contemplated by this Agreement, (ii) a high-quality reputation, or (iii) the financial capacity of assignee is inadequate to operate the Project. The CDC's consent to any such assignment of Borrower's rights and obligations under this Agreement shall be expressly conditioned upon and any such assignment shall not be effective unless and until (i) execution and delivery by the proposed assignee to the CDC of such documents as required by the CDC including, without limitation, any and all documents deemed necessary by the CDC to provide for said assignee's assumption of all of the obligations of Borrower hereunder, including without limitation all covenants of Borrower relating to the creation and retention of low and moderate income jobs in connection with the operation of the Project, (ii) the proposed assignee causes the issuance to the CDC of a Letter of Credit satisfying all of the requirements set forth in this Agreement including without limitation the requirement that the Letter of Credit be issued by a bank acceptable to the CDC in its sole discretion. No approved assignment by Borrower hereunder shall in any way amend or modify the terms of this Agreement including specifically but without limitation the right of the CDC to require prepayment of all or any portion of the Loan at any time on no less than ten (10) days written notice as provided in Section 4 above.

Notwithstanding the current execution of any assignment documentation between Borrower and Assignee, the assignment to Assignee of Borrower's rights and obligations under this Agreement shall not be effective (and not recognized by the CDC) unless and until Assignee executes and delivers to the CDC such documents as required by the CDC including, without limitation, any and all documents deemed necessary by the CDC to provide for the Assignee's assumption of all of the obligations of Borrower hereunder, including without limitation all covenants of Borrower relating to maintenance of the Letter of Credit (with Union Bank of California or a Bank acceptable to the CDC in its sole discretion) and the creation and retention of low and moderate income jobs in connection with the operation of the Project. The assignment by Borrower to Assignee hereunder shall in no way constitute an amendment or modification of the terms of this Agreement or an amendment, modification, release, limitation, extension, waiver or delay of the CDC's rights under this Agreement including specifically but without limitation the CDC's rights and remedies respecting any Event of Default outstanding at the time of the

effectiveness of such assignment and the right of the CDC to require prepayment of all or any portion of the Loan at any time or no less than ten (10) days written notice as provided in Section 4 above.

Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Agreement shall be effective if such assignment would violate the terms, conditions and restrictions of the CDBG or any other Laws, Regulations and Guidelines applicable to this Agreement or such assignment.

Except as otherwise expressly permitted as provided hereinabove in this Section 12, any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of the CDC as provided hereinabove, shall be null and void and shall constitute a material breach of this Agreement. In the event of a sale or transfer of Project (other than an encumbrance of the Site for security purposes) without an assignment of this Agreement approved in writing by the CDC, the CDC may, at its option, declare the entire principal balance of the Loan and all accrued and unpaid interest thereon immediately due and payable.

13. FISCAL LIMITATIONS

The United States of America through HUD, may in the future place programmatic or fiscal limitations on CDBG funds not presently anticipated. Accordingly, the CDC reserves the right to revise this Agreement in order to take account of actions affecting HUD program funding. In the event of funding reduction, the CDC may reduce or eliminate the Loan in its entirety.

14. EVENTS OF DEFAULT AND REMEDIES

A. Events of Default. The occurrence of any of the following shall, after the giving of any notice described therein, constitute an event of default ("Event of Default") hereunder:

(1) The failure of Borrower to pay or perform any covenant or obligation hereunder or under the terms of this Agreement and/or the Note, without curing such failure within ten (10) days after receipt of written notice of such default from the CDC (or from any party authorized by the CDC to deliver such notice as identified by the CDC in writing to Borrower) or the failure of the Bank to honor any attempted draw on the Letter of Credit by the CDC in accordance with this Agreement. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 10-day period, it shall be deemed cured if Borrower commences the cure within said 10-day period and diligently prosecutes such cure to completion thereafter. Further provided, that the herein described notice requirements and

cure periods shall not apply to the following (hereinafter, "Non-Curable Defaults"): (i) a failure by the Bank to honor any attempted draw on the Letter of Credit by the CDC made in accordance with the terms of this Agreement, or (ii) any Event of Default described in Sections 14 (A) (2) through 14 (A) (7) below;

(2) Any attempted assignment or transfer by Borrower not in compliance with Section 12 above;

(3) The falsity of any material representation or breach of any material warranty made by Borrower under the terms of this Agreement, the Note or any other document executed in connection herewith;

(4) A determination by the CDC or HUD that use of the Loan proceeds by Borrower does not constitute an eligible activity under the Act, 24 CFR 570.200 et seq., or other applicable regulations;

(5) Unless a replacement Letter of Credit is issued within 24 hours of notification to the Borrower, any material provision of the Letter of Credit shall at any time for any reason cease to be valid and binding on the Bank, or the validity or enforceability thereof shall be contested by the Bank or any governmental agency or authority, or the Bank shall deny it has any further liability or obligation there under, or the then issued Letter of Credit is not renewed or a replacement Letter of Credit acceptable to the CDC is not issued at least thirty (30) days prior to expiration of the then issued Letter of Credit if such originally issued Letter of Credit has an expiration date which is prior to one hundred (100) days after the Maturity Date of the Note;

(5) Borrower shall either (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like for any of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent, or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding; or

(6) If without the application, approval or consent of Borrower a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of

Borrower for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like for Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days.

B. Remedies. Upon the occurrence of an Event of Default hereunder, the CDC may, in its sole discretion, take any one or more of the following actions:

(1) By notice to Borrower (unless an Event of Default is a Non-Curable Default as defined in Sections 14 (A) (1) through 14 (A) (7) above in which case no notice shall be required), declare the entire principal balance of the Loan then unpaid together with interest accrued thereon immediately due and payable, and the same shall become due and payable without further demand, protest or further notice of any kind, all of which are expressly waived. Upon such declaration and in the event of a failure by the Bank to honor any attempted draw on the Letter of Credit by the CDC made in accordance with the terms of this Agreement in connection with such declaration, outstanding principal and (to the extent permitted by law) interest shall thereafter bear interest ("Default Interest") at the annual rate of interest equal to the lesser of (i) four percent (4%) above the rate of interest announced from time to time by Wells Fargo Bank, Downtown Los Angeles Branch (or, in the event that said bank is acquired or ceases operations, then the successor bank or, if there is no successor bank, another established and financially secure institutional lender selected by the CDC), as its prime or reference rate, or (ii) the maximum rate of interest permitted to be paid to the CDC pursuant to any applicable usury law, payable from the date of such declaration until paid in full;

(2) Take any and all actions at law or in equity as may appear necessary or desirable, in the sole discretion of the CDC, in order to collect the amounts then due and thereafter to become due hereunder and under the Note, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(3) Take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute to enforce and collect upon the Note;

(4) Upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money under this Agreement, the CDC may, but shall not be obligated to, make such payment from Loan proceeds or other funds of the CDC. If such payment is made from proceeds of the Loan or other funds of the CDC, Borrower shall deposit with the CDC, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by the CDC shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note; and/or

(5) Upon the occurrence of an Event of Default described in Section 14 (A) (6) or 14 (A) (7) hereof, the CDC shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the CDC and its counsel to protect the interests of the CDC and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to the CDC is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as the CDC may determine in its sole discretion. No delay or omission to exercise any right or power upon the occurrence of any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient by the CDC. In order to entitle the CDC to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

15. DISBURSEMENT OF LOAN PROCEEDS

Loan proceeds shall be disbursed by wire transfer (pursuant to wiring instructions to be provided by Borrower) or check to Borrower, within fourteen (14) days after the CDC's receipt of Borrower's written request therefor, and receipt of the Letter of Credit, and at such time as the CDC receives an installment of the required CDBG funds from HUD and the County, and provided that (i) all the other conditions set forth in Section 6 above have been satisfied, (ii) Borrower has submitted to the CDC, (1) an Application (s) and Certificate(s) for Payment, in the form of Exhibit "D" attached hereto (the "Borrower's Certificate"), completed by the Borrower, at least fourteen (14) days prior to the proposed date of the disbursement, and (iii) the CDC has not disapproved any such item or the amount indicated therefor. The CDC may disapprove any request for an item which it determines, in its sole and absolute discretion, violates or may violate any of the terms and conditions of this Agreement or the Laws, Regulations and Guidelines. In such case the CDC shall disburse the remainder of the request, subject to the terms and conditions set forth herein. Failure of the CDC to disapprove of any item in any request for disbursement shall not be construed as a representation, warranty, agreement or admission of the CDC that such disbursement complies with this Agreement or the Laws, Regulations and Guidelines, and Borrower shall remain responsible for assuring such compliance as provided elsewhere in this Agreement. Unless the proceeds of the Loan are being used to reimburse Borrower for amounts expended for CDBG eligible costs, Borrower shall expend Loan proceeds immediately upon receipt and in no event later than seventy-two (72) hours after receipt thereof. Borrower must take the Initial Disbursement of Loan proceeds within ninety (90) days after the date of execution of this Agreement by the CDC.

16. AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES

Borrower agrees to pay or reimburse the CDC, upon demand by the CDC, for all reasonable out-of-pocket costs incurred by the CDC in connection with the enforcement of this Agreement, the Note, including without limitation, reasonable attorney's fees and costs (i) if the CDC shall determine to utilize an attorney to collect any sums due under this Agreement or any other documents executed in connection with this Agreement following any default by Borrower, or (ii) if the CDC becomes a party or otherwise appears in any legal proceeding relating to this Agreement or any documents issued hereunder or in connection herewith, or (iii) if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether the CDC is a creditor in such proceeding or otherwise.

17. CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY

No official or employee of the CDC shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of the CDC participate in any decision relating to this Agreement which affects such official's or employee's pecuniary interest in any corporation, partnership or association in which such official or employee is directly or indirectly interested. No official or employee of the CDC shall be personally liable in the event of a breach of this Agreement by the CDC.

18. RIGHT OF ACCESS AND INSPECTION

CDC shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If the CDC in its reasonable discretion determines that the Site is not being operated in conformity with this Agreement, or any Applicable Governmental Restrictions, the CDC may at its election, after notice to and consultation with the Borrower and affording the Borrower ten (10) days after such notice to cure the matter. Inspection by the CDC of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by the CDC or the County of Los Angeles that there has been compliance with any terms or provisions of this Agreement.

19. REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER.

Borrower hereby represents, warrants and covenants to the CDC that:

A. Organization and Standing. Borrower is a legal entity duly formed, qualified to operate in California and validly existing and in good standing in the State of California, and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the Deed of Trust, the CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Agreement, the Note, the Deed of Trust, the CC&Rs, and all other instruments to be executed by Borrower in connection with the Loan constitute the legal, valid and binding obligation of Borrower, without joinder of any other party.

C. Authorization and Consents. The execution, delivery and performance of this Agreement and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement, or articles and bylaws governing Borrower, and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This Agreement and all other instruments to be executed in connection herewith, will, as of the date of their execution, have been duly and validly executed by Borrower.

E. Licenses. Borrower will obtain maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. There are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the CDC)

which could impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could impair Borrower's ability to perform its obligations under this Agreement.

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 14.

H. No Violations. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances there under by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement to which Borrower may be a party nor will the same constitute a breach of or violate any law or governmental regulation.

I. No Affiliation with Lenders. Borrower is not under common ownership or is otherwise affiliated with any lender extending any Project Loan (as defined in the Note).

20. AMENDMENTS, CHANGES AND MODIFICATIONS

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the Parties.

21. EXECUTION OF COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same document.

22. NOTICES

All notices to be given under this Agreement shall be in writing and shall be delivered personally, by Federal Express or other like overnight courier or by certified or registered United States Mail, return receipt requested. Any notice shall be effective upon delivery or refusal to accept delivery, if delivered personally, one (1) day after deposit with the overnight courier, if delivered by Federal Express or other like overnight courier, and two (2) days after mailing, if delivered by certified or registered United States Mail. Notices to the Borrower shall be sent to the following address:

Qual-Pro Corporation/Shane 4 LLC
Attn: David Shane
18510 S. Figueroa St.
Gardena, CA 90248

Notices, reports and statements to the CDC shall be delivered or sent to the following address:

Corde Carrillo, Director

Economic/Redevelopment Division
Community Development Commission
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755-7425

With a copy to: Los Angeles County Counsel
Hall of Administration, Room 648
500 West Temple Street
Los Angeles, CA 90012

Attn: _____, Esq., Principal Deputy

Each Party shall promptly notify the other Party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

23. SEVERABILITY

The invalidity or unenforceability of any one or more provisions of this Agreement will in no way affect any other provision.

24. INTERPRETATION

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 paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement.

25. NO WAIVER; CONSENTS

Any waiver by the CDC must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by the CDC to take action on account of any default of Borrower. Consent by the CDC to any act or omission by Borrower will not be construed to be a consent to any other or subsequent act or omission or to waive the requirement for the CDC's consent to be obtained in any future or other instance.

26. GOVERNING LAW

This Agreement shall be governed by the laws of the State of California.

27. AUTHORITY AND ENFORCEABILITY

The Borrower warrants and represents that its execution hereof has been authorized by its organizational documents and the governing board(s) of its general partner(s), as appropriate, that the individual(s) executing this Agreement are authorized to do so, and this Agreement constitutes a legal, valid and binding obligation of Borrower. The Borrower further agrees to provide such documentation and an opinion of counsel, as requested by the CDC, with respect to such authority and enforceability.

28. LITIGATION AND COMPLIANCE

To Borrower's actual knowledge, there are no suits, other proceedings or investigations pending or threatened against, or affecting the business or the properties of Borrower (other than those as have been previously disclosed in writing to the CDC) which could materially impair its ability to perform its obligations under this Agreement, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this Agreement.

29. DEFAULT

To Borrower's actual knowledge, there are no facts now in existence which would, with the giving of notice of the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 14.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first above written.

"CDC" COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES By: _____ Carlos Jackson Title: Executive Director Date: _____	"BORROWER" QUAL-PRO CORPORATION, A CALIFORNIA CORPORATION By:_____ Gerald Shane, President By:_____ Gerald Shane, Secretary
APPROVED AS TO FORM: COUNTY COUNSEL By: _____ Principal Deputy	SHANE 4 LLC, A CALIFORNIA LIMITED LIABILITY COMPANY By:_____ David Shane, Individual By:_____ Brian Shane, Trustee of the Brian and Julie Shane Family Trust Dated November 25, 2002 Darrell Shane, Trustee of the Shane Family Trust Dated December 17, 2004 By:_____ Richard Shane, Trustee of the Shane Family Trust Dated June 28, 1999
APPROVED AS TO PROGRAM: By: _____ Cordé Carrillo Director, Economic/Redevelopment	

EXHIBIT A
PROMISSORY NOTE

For value received, the undersigned, **Qual-Pro Corporation, A California Corporation and Shane 4, LLC, A California Limited Liability Company(Qual-Pro)**, whose address is **18510 S Figueroa Street, Gardena, CA 90248** ("Borrower"), promises to pay to the order of the Community Development Commission of the County of Los Angeles ("CDC"), a public body corporate and politic, at 2 Coral Circle, Monterey Park, CA 91755, Attention: Director, Economic/Redevelopment Division (or at such other address as the CDC may direct), the principal sum of Four Million dollars ($4,000,000), or so much thereof as may be advanced hereunder from time to time, on or before _____, 2010 , (the "Maturity Date"), together with interest on the outstanding principal amount hereof at the rate of three percent (3%) per annum. Interest on the outstanding principal hereof shall be payable in arrears commencing on the first day of the calendar month immediately following the calendar month during which sums are first advanced hereunder and thereafter on the 1st day of each succeeding month. Interest shall be computed on the basis of actual number of days and a 365-day year.

If a payment of interest not timely made remains overdue for a period of ten (10) days after the same becomes due and payable, Borrower, without notice or demand by the CDC or any other holder, shall pay a late charge in an amount equal to five percent (5%) of the delinquent interest owing (the "Late Charge"). Borrower agrees that an amount equal to the Late Charge is a reasonable estimate of the damage to the CDC or other holder in the event of late payment of interest under this Promissory Note.

This Promissory Note is made pursuant to the terms of the Loan Agreement dated as of _____, (the "Agreement") entered into between Borrower and the CDC, and is secured by a direct pay, irrevocable, unconditional and callable upon demand letter of credit (the "Letter of Credit") issued by Union Bank of California (or another bank acceptable to the CDC in its sole discretion) for the account of Borrower in favor of the CDC.

Borrower shall, upon demand by the CDC, pay to the CDC, Mandatory Prepayments (as hereinafter defined) of principal and interest at such times and in such amounts as the CDC may determine from time to time in its sole discretion. As used herein, "Mandatory Prepayments" means a demand for prepayment by the CDC for the partial or total prepayment of the principal and/or interest due on the loan evidenced by this Promissory Note. In the event of any Mandatory Prepayment, the CDC shall give Borrower ten (10) days to make required payment to the CDC.

Borrower shall also have the right to make optional prepayments, at any time, without penalty, upon at least ten (10) days prior written notice to the CDC.

Borrower agrees that it will still be liable for repayment of this Promissory Note, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived.

In the event of a default in the timely payment of principal and/or interest on this Promissory Note, and/or upon the occurrence of an Even of Default (as defined in the Agreement), the CDC may, subject to any applicable notice requirements set forth in the Agreement and among other remedies, declare the unpaid balance hereof, together with accrued interest hereon, to be immediately due and payable. Upon such declaration, outstanding principal and (to the extent permitted by law) interest shall thereafter bear interest at the annual rate of interest (the "Default Rate") equal to the lesser of (i) four percent (4%) above the rate of interest announced from time to time by Wells Fargo Bank, Downtown Los Angeles Branch (or, in the even that said bank is acquired or ceases operations, then by a successor bank or, if there is no successor bank, another established and financially secure institutional lender selected by the CDC), as its prime or reference rate, or (ii) the maximum rate of interest permitted to be paid to the CDC pursuant to any applicable usury law payable from the date of such declaration until paid in full.

It is the intention of Borrower and CDC to conform strictly to the usury laws that are applicable to this Promissory Note. This Promissory Note and any other agreements between Borrower and the CDC are hereby expressly limited so that in no contingency or event whatsoever shall the amount paid or agreed to be paid to the CDC or the holder hereof exceed the maximum amount permissible under applicable usury laws. If under any circumstances fulfillment of any provision of this Promissory Note, the Agreement or any other agreement between Borrower and the CDC shall involve exceeding the limit of validity prescribed by the law, then the obligation to be fulfilled shall be reduced to the limit of such validity. All sums paid or agreed to be paid to the CDC or the holder, to the extent permitted by applicable law, and to the extent necessary to preclude exceeding the limit of validity prescribed by law, shall be amortized, prorated, and allocated and spread from the date of disbursement of the proceeds of this Promissory Note until payment in full of this Promissory Note so that the actual rate of interest on account of such indebtedness is uniform throughout the term hereof.

Borrower is responsible for reimbursement to the CDC for all costs incurred in connection with the enforcement of this Promissory Note, including attorneys' fees and costs, whether or not suit is filed, as is further provided in Section 16 of the Agreement.

This Promissory Note shall be construed in accordance with and governed by the laws of the State of California. Borrower hereby submits to personal jurisdiction in Los Angeles County, California, for the enforcement of Borrower's obligations hereunder, and waives any defense to such jurisdiction, including, without limitation, any defense based on venue or inconvenient forum. Failure of the CDC to exercise any right or remedies hereunder shall not constitute a waiver of any future or other default. Amendments to this Promissory Note shall be in writing signed by the party against whom such amendment is sought to be enforced.

DATED AS OF:_____, 2008 .

Qual-Pro Corporation,
A California Corporation

By:_____
Gerald Shane, President

By:_____
Gerald Shane, Secretary

Shane 4 LLC, A California Limited Liability Company

By:_____
David Shane, Individual

By:_____
Brian Shane, Trustee of the Brian and Julie Shane Family Trust Dated November 25, 2002

By:_____
Darrell Shane, Trustee of the Shane Family Trust Dated December 17, 2004

By:_____
Richard Shane, Trustee of the Shane Family Trust Dated June 28, 1999

EXHIBIT B

IRREVOCABLE LETTER OF CREDIT

DATE OF ISSUE: _____
DATE AND PLACE OF EXPIRY

_____

LETTER OF CREDIT NO.:

_____

BENEFICIARY:
Community Development Commission
of the County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755-7425

Dear Sirs:

At the request and for the account of _____ _____, we hereby establish in your favor our irrevocable letter of credit in the amount of _____ ($_____, United States Dollars) available with ourselves by payment of your draft(s) drawn on us at sight, each accompanied by your signed and dated statement in the form of the Annex attached hereto.

Each draft must be marked "Drawn under _____ Bank, Letter of Credit No._____ dated _____, 2008".

Partial drawings under this letter of credit are permitted.

Each draft presented hereunder must also be accompanied by the original of this letter of credit upon which we may endorse the amount of our payment.

Each draft must be presented to us, on or before _____ _____, 2008, on which date this letter of credit expires, at our above office.

We hereby engage with you that each draft drawn and presented to us under and in compliance with the terms of this letter of credit will be duly honored by us at or before our close of business on the same banking day of our receipt of such draft provided such draft is presented at or prior to 12:00 noon; otherwise, any draft presented after 12:00 noon shall be honored at or before our close of business on the first banking day following receipt of such draft. Each payment made by us hereunder shall be made in immediately available United States Dollars.

This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500.

_____

By:_____

STATEMENT

I, an authorized officer of the Community Development Commission of the County of Los Angeles, hereby certify that the Community Development Commission of the County of Los Angeles (the "Commission") is making demand for payment under _____ Bank, Letter of Credit No. _____ in respect of amounts (i) owed as of the date of this Statement by _____ (the "Borrower") under that certain Loan Agreement dated _____by and between the Borrower and the Commission (the "Agreement"), and/or (ii) otherwise permitted to be drawn from said Letter of Credit as provided in the Agreement.

(Insert Date)

_____

Community Development Commission
of the County of Los Angeles

By: _____
CARLOS JACKSON, Executive Director

COMMUNITY DEVELOPMENT COMMISSION
Of the County of Los Angeles
2 Coral Circle • Monterey Park, California 91755
323.890.7001• www.lacdc.org

Exhibit C

EMPLOYEE QUESTIONNAIRE

Community Development Block Grant Program
Direct Benefit Income Self-Certification Form
For Economic Development Activities

BUSINESS NAME: _____

NAME: _____

ADDRESS: _____

DATE HIRED: _____

1. Household information (Check one): _____ A female heads the household where this client resides.

   _____ A male heads the household where this client resides.

2. Number of people in the household: _____

3. Please check your household size and household income level:

Household Size	Extremely Low-Income	Low-Income	Moderate-Income	Above Moderate Income
_____1	____15,950 or less	____15,951 – 26,550	____26,551 – 42,450	____over 42,450
_____2	____18,200 or less	____18,201 – 30,300	____30,301 – 48,500	____over 48,500
_____3	____20,500 or less	____20,501 – 34,100	____34,101 – 54,600	____over 54,600
_____4	____22,750 or less	____22,751 – 37,900	____37,901 – 60,650	____over 60,650
_____5	____24,550 or less	____24,551 – 40,950	____ 40,951 – 65,500	____over 65,500
_____6	____26,400 or less	____26,401 – 43,950	____43,951 – 70,350	____over 70,350
_____7	____28,200 or less	____28,201– 47,000	____47,001 – 75,200	____over 75,200
_____8	____30,050 or less	____30,051 – 50,050	____50,051 – 80,050	____over 80,050

4. Racial Background: (Mark **X** next to the category that best describes your origin.)

Single Categories

____ American Indian / Alaska Native

____ Asian

____ Black / African American

____ Native Hawaiian / Other Pacific Islander

____ White

Double Categories

____ American Indian or Alaska Native AND White

____ Asian AND White

____ Black or African American AND White

____ Amer. Indian or Alaska Native AND Black or African Amer.

____ **Other** – for individuals not identified above

5. Ethnic Background: (Mark **X** next to the category that best describes your ethnicity.)

____ No, not Spanish/Hispanic/Latino ____ Yes, Mexican, Mexican Am., Chicano

____ Yes, Puerto Rican ____ Yes, Cuban

____ Yes, other Spanish/Hispanic/Latino

I certify that the above information is true and accurate and that supporting documentation can be provided upon request. Additionally, I understand that this information is subject to verification by authorized government officials.

_____ _____

Employee's Signature Date

QUESTIONS BELOW TO BE COMPLETED BY THE EMPLOYER OR INTERVIEWER:

The person signing this certificate was interviewed for employment and not hired because:

_____

The person signing this certificate was hired for the following position:

_____

Please check one: _____This is a New Hire/Job Creation _____This is a Job Retention

Please check one: _____This is a Permanent Full Time Job _____This is a Permanent Part Time Job

Please check one: Employee was _____ unemployed or _____ employed prior to hiring.

He / She works _____ hours per week; permanent part-time jobs should be reported in equivalent full-time position.

Are healthcare benefits provided for this position? _____ Yes or _____ No

_____ _____

Interviewer / Employer Date

THIS CERTIFICATE MAY BE USED TO DOCUMENT BENEFIT TO LOW-OR-MODERATE-INCOME INDIVIDUALS FOR JOB CREATION OR RETENTION ACTIVITIES.

EXHIBIT D

APPLICATION AND CERTIFICATE FOR PROGRESS PAYMENT

Project:_____

Site Address:_____

Requisition No.:_____

Amount: $_____

SEE ATTACHED APPLICATION(S) AND CERTIFICATE(S) FOR PAYMENT

Request for Payment

I certify that the above requested draw/progress loan payment is consistent with and in accordance with the Loan Agreement dated _____, 2002, between the San Fernando Redevelopment Agency and the Community Development Commission of the County of Los Angeles.

Borrower Name: _____

By: _____ Date: _____

Its: _____

Authorization for Payment

Approved for payment in the amount of: $ _____

Community Development Commission of
the County of Los Angeles

By: _____ Date: _____

Exhibit E

WorkSource Centers

Carson/Lomita/Torrance Consortium
1 Civic Plaza, Suite 500
Carson, CA 90745
310.518.8100

South Bay Workforce Investment Board
11539 Hawthorne Blvd.
Hawthorne, Ca 90250
310.970.7700

Compton Career WorkSource Center
700 North Bullis Road
Compton, CA 90221
310.605.3050

Hub Cites One-Stop Center
2677 Zoe Ave., Second Floor
Huntington Park, CA 90255

South Central LA Urban League Worksource Center
2930 West Imperial Hwy., #515
Inglewood, CA 90303

Exhibit F

Los Angeles County Urban County

The Los Angeles Urban County includes all unincorporated communities in Los Angeles County and the following cities:

- City of Agoura Hills
- City of Arcadia
- City of Azusa
- City of Bell
- City of Bell Gardens
- City of Beverly Hills
- City of Bradbury
- City of Calabasas
- City of Cerritos
- City of Claremont
- City of Commerce
- City of Covina
- City of Cudahy
- City of Culver City
- City of Diamond Bar
- City of Duarte
- City of El Segundo
- City of Hawaiian Gardens
- City of Hermosa Beach
- City of Irwindale
- City of La Canada Flintridge
- City of La Habra Heights
- City of La Mirada
- City of La Puente
- City of La Verne
- City of Lawndale
- City of Lomita
- City of Malibu
- City of Manhattan Beach
- City of Maywood
- City of Monrovia
- City of Rancho Palos Verdes
- City of Rolling Hills
- City of Rolling Hills Estates
- City of San Dimas
- City of San Fernando
- City of San Gabriel
- City of San Marino
- City of Santa Fe Springs
- City of Sierra Madre
- City of Signal Hill
- City of South El Monte
- City of South Pasadena
- City of Temple City
- City of Walnut

- City of West Hollywood
- City of Westlake Village

Exhibit G

Project

Qual-Pro Corporation 18510 South Figueroa Street, Carson, CA 90248

The loan will enable Qual-Pro Corporation, to remain in the City of Carson and expand from a 21,000 sq. ft. building to a 55,000 sq. ft. building, in lieu of relocating out of state. Loan proceeds will be used by Qual-Pro Corporation for working capital and inventory purchases to retain 115 permanent, full-time equivalent jobs.