



**COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles**

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Commissioners

Sean Rogan
Executive Director

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

October 24, 2017

#3

October 24, 2017

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012


LORI GLASGOW
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 Supervisors and Commissioners:

**APPROVE A SECTION 108 LOAN GUARANTEE TO THE CITY OF COVINA FOR
DEVELOPMENT OF THE CITY OF COVINA SENIOR AND COMMUNITY CENTER
(DISTRICT 5) (3 VOTE)**

SUBJECT

This letter recommends approval of a Section 108 Loan Guarantee from the U.S. Department of Housing and Urban Development (HUD) to the City of Covina for development of the Covina Senior and Community Center, to be located in Kelby Park, at 815 N. Barranca Avenue in the City of Covina (City).

IT IS RECOMMENDED THAT THE BOARD, AFTER THE PUBLIC HEARING:

1. Approve the submission of an application to HUD to fund the construction of a Senior and Community Center (Center), an approximately 16,000 square foot facility to be located at 815 N. Barranca Avenue, Covina, California, for a Section 108 Loan Guarantee of \$2,500,000 (Section 108 Loan) which would have an approximate annual repayment requirement of approximately \$204,000 per year for twenty (20) years for a total obligation of approximately \$4,000,000 and be funded with City of Covina Community Development Block Grant funds.
2. Designate the Community Development Commission of the County of Los

Angeles to act as the agent of the County for submission, execution, implementation and receipt of the Section 108 Loan Guarantee to HUD, and for any other HUD-required actions to complete the application for the Center.

3. Designate the Community Development Commission of the County of Los Angeles to act as the agent of the County for execution, implementation and receipt of the Section 108 Loan Agreement with the City of Covina and any related documents.
4. Find that these actions are not subject to the provisions of the California Environmental Quality Act (CEQA) because the activities are not defined as a project under CEQA.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

1. Authorize the Executive Director, or designee, following approval by HUD, to accept from HUD on behalf of the County, the Section 108 Loan Guarantee awarded by HUD for the development of the Center and to incorporate, as needed, \$2,500,000 in Section 108 Loan Guarantee funds into the Commission's approved Fiscal Year 2017-2018 budget, for the purposes described above.
2. Authorize the Executive Director, or designee, to execute and receive a Section 108 Contract for Guarantee Loan Assistance with HUD, and all related documents, and to take all HUD-required actions on behalf of the County, following approval as to form by County Counsel and execution by all parties.
3. Authorize the Executive Director, or designee, acting on behalf of the County, to execute the Section 108 Loan Agreement and all related documents between the County and the City of Covina, presented in substantially final form, and take all necessary actions to provide a 20-year loan of Section 108 Loan Guarantee funds to the City of Covina, in the amount of \$2,500,000 and for the purposes described above, to be effective following approval as to form by County Counsel and execution by all parties.
4. Authorize the Executive Director, or designee, acting on behalf of the County, to execute future amendments to the Section 108 Contract for Guarantee Loan Assistance with HUD and the Section 108 Loan Agreement with the City, and all related documents; to take all HUD-required actions to adjust loan conditions and interim and permanent financing; and to execute all related documents to participate in HUD's public offering of notes, for the purposes described above following approval as to form by County Counsel and execution by all parties.

5. Authorize the Executive Director, or designee, to prepare amendments to Community Development Block Grant (CDBG) Reimbursable Contract No. 70721 between the County and the City, to provide for repayment of the Section 108 Loan; and authorize the Executive Director to execute the amendments, following approval as to form by County Counsel and execution by all parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The proposed Section 108 Loan funds will enable the City to finance the construction of a senior and community center.

FISCAL IMPACT/FINANCING

There is no impact on the County general fund. Approval of the \$2,500,000 Section 108 Loan will enable the City of Covina to construct the portion of the Center designated exclusively for the use by elderly persons age 55 who are presumed to be principally low- and moderate-income persons. The total cost estimate for the Center is \$8,250,000, which is comprised by the following funding sources:

County of Los Angeles Grant (5 th District)	\$1,900,000
City of Covina	\$3,331,503
CDBG allocation	\$ 518,497
Section 108 Loan Guarantee	\$2,500,000
Total	<u>\$8,250,000</u>

The 20-year loan will be funded through HUD's Section 108 Loan Guarantee Program. Following approval by your Board of the Section 108 Loan Guarantee funds and the proposed security structure, the Commission will execute a binding Section 108 Loan Agreement, securing the Section 108 Loan with the City.

The loan will be drawn down using interim financing for the first year, followed by permanent financing for the remaining loan term. Interim financing is subject to a variable interest rate of London InterBank Offered Rate (3-month LIBOR rate), plus 20 basis points (0.20 percent), and requires quarterly interest payments. Permanent financing, which will provide a fixed market rate, is only available through HUD after it holds a public offering of notes, plus 20 basis points. After a public offering is conducted and permanent financing is available, the City will repay both principal and interest over a 20-year period.

The estimated annual loan repayment under permanent financing is approximately \$204,000. The City will use its current and future CDBG allocation as the principal source of repayment. The City's 2017-2018 CDBG allocation is \$319,609, of which approximately \$204,000 will be set aside for loan repayment. This Section 108 Loan will be fully collateralized with City unrestricted cash deposited in an escrow account held at U.S. Bank, N.A.

The Commission, on behalf of the County, will serve as administrator of the Section 108 Loan proceeds, which will be passed through to the City, as a subrecipient.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County can apply to HUD for loan guarantees to be secured by future CDBG allocations under Section 108 of the Housing and Community Development Act of 1974, as amended, with additional security as required by HUD. The Section 108 Loan Guarantee Program makes funds available for eligible activities, such as the proposed Center. Projects must benefit low- and moderate-income persons, or eliminate conditions of slum and blight. Projects to be funded under the Section 108 Loan Guarantee Program may be submitted to the Commission by cities participating in the Los Angeles Urban County CDBG Program, as well as by private, for-profit businesses. Each project is individually submitted to your Board for approval.

The City is proposing a Section 108 Loan to partially finance the design and construction of an eligible portion of the new Center. The Center will be approximately 16,000 square feet in total floor area of which 7,000 square feet will be for the exclusive use of elderly persons. The facility will replace a closed senior center which is vacant and scheduled for demolition by the beginning of 2018.

The new facility will house programs for active elderly residents, including daily nutrition, case management services, information and referrals, special events, seminars, clinics, and food pantry distribution. It is anticipated that 200 elderly persons will participate daily in the various programs and events offered. General recreation programming will take place in the portions of the new facility not designated for the exclusive use by seniors and financed with non-federal funds.

The Commission is requesting that your Board approve the loan to assist with financing the Center. It is also requesting that the Executive Director, or designee, be authorized to execute all necessary documents for this purpose, including amendments to the Section 108 Loan Agreement to adjust loan conditions, as well as interim and permanent financing as it is made available by HUD to the City.

On May 28, 2015, your Board approved Reimbursable Contract No. 70721, which allocated CDBG funds to the City of Covina. The CDBG Reimbursable Contract provides the City with its allocation of CDBG funds over a three-year period. The CDBG Reimbursable Contract will be amended to provide authority to the Commission to set aside a portion of the City's current and future allocation of CDBG funds for repayment of the Section 108 Loan. In the future, additional amendments to the CDBG Reimbursable Contract, the Loan Agreement and other related documents will be executed to adjust the amount of set aside funds as the City obtains interim or permanent financing. It is requested that the Executive Director, or his designee, be authorized to execute future

amendments to the Reimbursable Contract. The amendments will set aside the City of Covina's CDBG funds in order to repay the loan.

The proposed Section 108 Loan was approved by the City's City Council on May 2, 2017. The attachment is being submitted in substantially final form, to be effective upon approval by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION

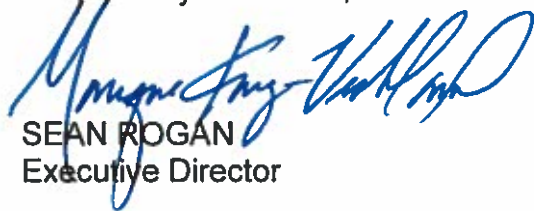
The approval of Section 108 Loan funds and other related actions are not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) and 15378 because they are not defined as a project under CEQA and do not have the potential for causing a significant effect on the environment. The City, as lead agency, will complete CEQA review of the construction project in conjunction with their entitlement process.

An Environmental Assessment (EA) has been prepared for the Covina Senior and Community Center Project pursuant to the requirements of the National Environmental Policy Act (NEPA). This document describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the EA, a Finding of No Significant Impact was approved by the Certifying Official of the Commission. Following the required public and agency comment periods, HUD issued a Release of Funds for the project on October 18, 2017.

IMPACT ON PROJECT

The proposed project will benefit senior residents of the City of Covina, and enable the County to meet its CDBG expenditure obligations.

Respectfully submitted,



SEAN ROGAN
Executive Director

Enclosures

LOAN AGREEMENT

by and between the

COUNTY OF LOS ANGELES

a public body corporate and politic

and the

CITY OF COVINA

a California municipal corporation

for a Section 108 loan in the initial principal amount of

\$ 2,500,000

October xx, 2017

LOAN AGREEMENT

(Section 108 Loan Guarantee – Covina Senior and Community Center)

THIS LOAN AGREEMENT (“Agreement”) is made as of the Xth day of October 2017, by and between the COUNTY OF LOS ANGELES, a public body corporate and politic (“COUNTY”), and the CITY OF COVINA, a California municipal corporation (“Borrower” or “City”). COUNTY and Borrower are sometimes referred to collectively herein as the “Parties” and each individually as a “Party”.

TRANSACTION SUMMARY

Project Name: Covina Senior and Community Center

Borrower Name: City of Covina

Limited Partnership LLC Nonprofit Public Benefit Corporation

Other : Municipal Corporation (city)

Loan Amount: Up To \$2,500,000 Interest Rate: 3-month LIBOR plus 20 basis points (or such higher rate as may be imposed by HUD) during interim financing period; then actual HUD public offering rate equal to the interest rate on the bonds, as provided in the HUD Note.

Amortization: Interest only, payable quarterly during interim financing period; then semi-annual principal and interest payments (level amortization over a 20-year term).

Repayment term: 20 years.

Project Type: Construction of public improvements to develop the eligible portion of the new Covina Senior and Community Center to be utilized exclusively by elderly persons in the City of Covina and will consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements.

Use of Loan Proceeds: Net proceeds of the loan will be used by the City to pay for the design and construction of the public improvement, construction management, loan underwriting and issuance fees.

Security provided for Loan by Borrower: Borrower will deposit and maintain cash in the amount equal to the principal amount of the loan with U.S. Bank (Custodial Agent) and enter into an Escrow Agreement between the Community Development Commission (CDC) authorized to administer this agreement on behalf of the COUNTY, City, and the Custodial Agent.

The foregoing Transaction Summary is provided for the convenience of the parties. In case of any conflict, the detailed terms below and/or in the attachments to this Loan Agreement shall control.

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **Two Million Five Hundred Thousand (\$2,500,000)** (the "Loan") from COUNTY for the design and construction of public improvements to develop the eligible portion of the new Covina Senior and Community Center to be utilized exclusively by elderly persons which will consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements ("Project") located in the City of Covina. COUNTY's source of funding for the Loan is the United States Department of Housing and Urban Development ("HUD") pursuant to HUD's Section 108 loan guarantee program. The Project will be constructed on a site ("Development Site") in Kelby Park at 815 N. Barranca Avenue, Covina, California generally depicted on Exhibit E attached hereto. A detailed Project description is attached hereto as Exhibit D, and reduced site plans for the Project are attached as Exhibit E.

B. WHEREAS, other sources of financing for the Project are anticipated to include, in addition to the Loan hereunder, Community Development Block Grant (CDBG) Funds, City of Covina General Funds, and grant funding from Los Angeles County Regional Park and Open Space District for Fifth Supervisorial District Competitive Excess Funding, and Los Angeles County Safe Neighborhood Parks Proposition of 1996 ("Other Financing"). The Loan will be secured by a cash deposit in the amount equal to the principal amount of the loan held in an escrow account, as described below.

C. WHEREAS, as more particularly provided below, Borrower will, among other items, deliver to COUNTY the "Note" and the "CC&Rs", and other "Loan Documents" (as those terms are defined below) to secure repayment of the Loan as provided herein and to ensure that the Project is completed and provides a Senior and Community Center at Kelby Park in accordance with the terms of those instruments and this Agreement.

D. WHEREAS, COUNTY desires to make the Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1.0 COUNTY LOAN.

COUNTY 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 make the Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTE; LOAN REPAYMENT.

2.1 NOTE.

As one of the conditions to disbursement of the Loan to Borrower under Section 6 below, Borrower shall execute a Promissory Note (the "Note") in the form of Exhibit B attached hereto or as otherwise required by HUD, which Note sets forth terms and conditions for the repayment of the Loan. The Note shall be secured by cash held in an escrow account in amount equal to the principal amount of the Loan, as further described in Section 5 below.

2.2 INTEREST.

The parties contemplate that COUNTY will initially use proceeds of an interim financing facility to fund the Loan, and will subsequently replace (as an accounting matter) the interim funds with proceeds of a public offering by

HUD. The disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which Loan proceeds are first disbursed for the account of Borrower and continuing through the period of the interim financing at a rate per annum equal to the London InterBank Offered Rate (LIBOR – 3 month) on the date of this Agreement plus twenty (20) basis points (or such higher rate as may be imposed by HUD pursuant to the Variable/Fixed Rate Note #B-94-UC-06-0505-A to be executed by COUNTY in favor of HUD (“HUD Note”) in connection with the HUD Loan). From and after the date (“Conversion Date”) of funding of the public bond offering, the interest rate applicable to the Loan shall be equal to the interest rate on the bonds, as provided in the HUD Note. The interest rate charged to Borrower under the Note (Exhibit “D”) to be executed hereunder shall be the COUNTY’s actual interest rate under the HUD Note and shall not be augmented or surcharged by COUNTY. The foregoing rates of interest in effect from time to time are hereinafter sometimes referred to as the “Base Rate”. Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, any amounts not paid when due under this Agreement or the Note shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum (“Default Rate”).

Disbursement of Loan proceeds: COUNTY shall disburse \$2,410,250 in Loan proceeds, which is the net amount of Loan proceeds after deducting fees set forth under Section 6.1, to Borrower within two (2) business days after COUNTY draws the funds down from HUD on the HUD Loan subject to Borrower’s compliance with Sections 6.3 and 6.4 below,

2.3 PAYMENT DATES AND AMOUNTS.

Subject to approval by HUD in accordance with the HUD Commitment Letter (as defined below), the schedule for repaying the Loan shall be as set forth in this Section 2.3. Absent any default or acceleration, Borrower shall initially make quarterly payments to COUNTY of interest only, payable at least eleven working days in advance of the first day of each calendar quarter. From and after the Conversion Date, Borrower shall make semi-annual payments of principal and interest in an amount necessary to amortize the Loan in 20 years as reasonably calculated by the COUNTY. The timing of the semi-annual payments shall be at least eleven (11) working days in advance of each August 1 and February 1 or as reasonably determined by the COUNTY based on coordination with the timing of debt service payments by COUNTY under the HUD Note. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the 20th anniversary of the date of the Close of Escrow for the Loan (“Maturity Date”). Any of the foregoing or other payment terms of the Note are subject to modification by the COUNTY as necessary to meet payment terms under the COUNTY loan from HUD (“HUD Loan”) that is the COUNTY’s source of funds for the Loan.

3.0 ACCELERATION.

Notwithstanding the payment terms set forth in Section 2 above, upon the occurrence of any “Event of Default” as set forth in Section 15 below, the entire outstanding principal balance of the Note, together with any outstanding interest and other amounts payable thereunder or under the HUD Loan, shall, at the election of COUNTY and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

Prior to the Conversion Date, prepayment of the Loan shall be available, with HUD approval, subject to any limitation, restriction, cost, penalty, fee or expense imposed by HUD in connection with prepayment of the HUD Loan.

After the Conversion Date, and pursuant to terms of the HUD Loan, and the HUD Note, and following the tenth (10th) anniversary of the Conversion Date, Borrower may request to prepay the unpaid principal amount of the Loan and interest thereon. Prepayment, if approved, would be available only through a prepayment account involving additional fees, costs, and pre-funded interest expenses that the Borrower would be required to pay. Borrower acknowledges that

prepayment of the Loan is subject to approvals from COUNTY and HUD. Borrower agrees to pay all prepayment premiums, fees and penalties incurred in connection with the prepayment of the Loan. Since the term of the Loan is twenty (20) years, this prepayment option may be available to the Borrower.

After the Conversion Date, and pursuant to terms of the HUD Loan and the HUD Note, Borrower may request to defease the unpaid principal amount of the Loan and interest, subject to approval by COUNTY and HUD. Defeasance, if approved, would be available only through a defeasance account involving additional fees, costs and pre-funded interest expenses that the Borrower would be required to pay. Borrower agrees to pay any defeasance costs incurred in connection with defeasance of the HUD Loan.

Borrower hereby agrees and understands that the prepayment or defeasance of the Note shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under the Note or this Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Base Rate, if any, and then finally toward the remaining principal balance of the Loan.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the Loan and any associated interest and other amounts payable under this Agreement or the Note shall, at all times during which any amount remains outstanding, be secured by cash in an escrow account equivalent to the principal amount of the Loan. The escrow account will be held by U.S. Bank as an Escrow Agent ("Escrow Agent") of the COUNTY pursuant to an escrow agreement ("Escrow Agreement") in the form of Exhibit G hereto. The escrow account will be pledged to the COUNTY pursuant to a pledge agreement ("Pledge and Security Agreement") in the form of Exhibit F hereto.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loan, the Loan is a limited recourse obligation of Borrower, and in the event of the occurrence of an Event of Default, COUNTY's only recourse shall be against the collateral provided for the Loan.

Notwithstanding the foregoing, COUNTY shall have recourse against any assets of Borrower with respect to all Borrower's obligation under this Agreement imposed by HUD, including to pay any prepayment premium, costs, fees, or reimbursement to HUD, or other defeasance cost incurred in connection with prepayment, acceleration, or defeasance of the HUD Loan, or change in use or disposition of the Covina Senior and Community Center regardless of whether the prepayment, acceleration, defeasance or change in use or disposition of the Covina Senior and Community Center is triggered involuntarily by default or voluntarily. The preceding sentence is not intended to make the Loan full recourse as to the basic principal and interest thereof, but only as to the premiums, penalties, costs, fees, or reimbursement attributable to prepayment, acceleration defeasance of the HUD Loan and change in use or disposition of the Covina Senior and Community Center.

Borrower shall use its Los Angeles Urban County allocated Community Development Block Grant (CDBG) funds as the primary source of repayment for the Loan. Borrower may use any other eligible funding source available to Borrower, subject to COUNTY's approval, to make timely payments. In the event the Borrower's primary source of repayment using CDBG from its annual allocation is insufficient to meet any and all annual repayment obligations, the Borrower pledges provide funds from another non-restricted funding source in the amount equal to the annual interest obligation directly to the Community Development Commission of the County of Los Angeles (CDC) on or before July 10th of each fiscal year to make available sufficient funds for the CDC to process the annual loan repayments on behalf of the COUNTY and the Borrower.

6.0 ESCROW; CONDITIONS TO FUNDING THE LOAN.

6.1 ESCROW.

Except to the extent COUNTY elects to accomplish such items outside of escrow, disbursement of the Loan proceeds in accordance with this Agreement, delivery of the executed Note to COUNTY, and recordation and delivery of other Loan Documents to be recorded and delivered shall be carried out through an escrow account (“Escrow”) to be established by the Parties with U.S Bank or another title or escrow company specifically approved in writing for this transaction by COUNTY (“Escrow Holder”). The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by COUNTY or Borrower in connection with Loan, the HUD Loan, the Escrow, or any of the Loan Documents shall be paid exclusively by Borrower and shall not be paid from Loan proceeds (except a COUNTY Loan fee of \$25,000 and HUD fees of approximately \$64,750 which shall be deducted from Loan proceeds). Borrower agrees to pay all fees, expenses, and charges in respect to the Loan, or its making or transfer to the Lender in any way connected therewith including, but not limited to escrow fees, wire fees, recording and filing fees, notary fees, fees and out-of-pocket expenses of legal counsel employed by the Lender, title insurance and survey costs, and any other taxes, fees, and expenses, payable in connection with closing this Loan.

6.2 RESERVED.

6.3 CLOSING CONDITIONS.

COUNTY shall have no obligation to make any disbursements of Loan proceeds under this Agreement unless the Close of Escrow occurs on or before the date (“Closing Deadline”) that is October XX, 2017, and this obligation shall in any event be subject to satisfaction of all of the following conditions (the “Closing Conditions”):

- (a) The execution of this Agreement by COUNTY and Borrower, and delivery of a fully executed copy to Escrow Holder;
- (b) Borrower’s due execution and deposit into Escrow of the Note;
- (c) Borrower’s deposit of cash in the amount of \$2,500,000 with U.S. Bank (Custodial Agent) and execution of an Escrow Agreement between the CDC, City, and the Custodial Agent. The cash will be invested per the City’s investment policy as approved by the CDC. Investment maturities cannot exceed one year. In the event that CDBG funds become unavailable as the primary source of repayment, the Escrow Agreement will be binding and valid under applicable State and local law; allowing a valid and perfected security interest in the pledged security to be made available to the CDC and HUD.
- (d) Borrower’s due execution (with notary acknowledgment) and deposit into Escrow of the covenants, conditions and restrictions (“CC&Rs”) in the form attached hereto as Exhibit C;
- (e) COUNTY shall have approved final construction plans and drawings for the Project, together with a detailed line item budget showing a prorating schedule of eligible Project costs for each funding source for the Project. The Borrower shall have furnished to the COUNTY a written certification that it has obtained approved final construction plans and drawings for the Project.
- (f) Borrower shall have awarded and entered into a design-build contract for the Project, and COUNTY shall have reviewed and reasonably approved the contract as to form and content; and the contractor shall have provided payment and performance bonds for the Project in form and amount, and from a surety, reasonably approved by COUNTY and naming Borrower, COUNTY and HUD as joint obligees under the bonds; and the Project shall be in all respects ready to commence construction upon the Closing for the Loan

and proceed thereafter without foreseeable obstacles to timely completion and opening;

(g) Receipt by COUNTY from Borrower and Borrower's counsel of such other documents, certifications, legal opinions and authorizations as are reasonably required by COUNTY, in form and substance satisfactory to COUNTY, evidencing that (i) this Agreement, the Note, the CC&Rs and all other documents given or executed in connection herewith (collectively, the "Loan Documents") are duly and validly executed by and on behalf of and constitute the valid and enforceable obligation of Borrower pursuant to the respective terms of each of such documents, and (ii) the execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation to which Borrower is subject nor constitute a breach of or default under any instrument or agreement to which Borrower may be a party;

(h) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to this Agreement, the Development Site, or the Project, and Borrower has demonstrated to the satisfaction of the COUNTY Executive Director (or his designee) that all financing sources for development and on-going operation of the Project, including but not limited to City funds, are or will be available in sufficient amounts to provide for full and timely completion and on-going operation of the Project;

(i) Borrower shall have obtained COUNTY's written approval of a supplemental instruction to Escrow Holder specifying the applicable payees and uses for the Loan proceeds when disbursed by Escrow Holder or by COUNTY's custodial agent for the account of Borrower pursuant to this Agreement.

(j) Borrower shall have furnished COUNTY with certificates of insurance evidencing the coverages required by Section 9.8 below.

(k) Borrower shall have furnished to COUNTY and obtained COUNTY's approval of all environmental assessments which exist or which COUNTY desires in its sole discretion to obtain with respect to the Development Site; nothing herein shall limit Borrower's obligation to obtain the necessary approvals of all regulatory agencies regarding soils or geological conditions; and

(l) Borrower shall have resolved all monitoring deficiencies identified for its CDBG Program prior to drawing down the Section 108 loan funds, including adherence to all reporting requirements, which shall be determined by COUNTY in its sole discretion.

(m) All HUD requirements applicable to funding of the HUD Loan pursuant to HUD's Section 108 loan guarantee program shall have been satisfied, including, without limitation, assignment of any collateral required by HUD and satisfaction of all the conditions and other requirements associated with the HUD Loan.

6.4 CLOSE OF ESCROW.

When, and only when, Escrow Holder has confirmed that the Closing Conditions independently verifiable by Escrow Holder, have been satisfied, and has received written certification on behalf of COUNTY from the Executive Director of the Community Development Commission of the County of Los Angeles ("COUNTY's Executive Director" or his designee) that all other Closing Conditions have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("Close of Escrow") by:

- (i) causing the CC&Rs to be recorded in the Official Records of Los Angeles County, California;
- (ii) delivering the executed original Loan Documents to COUNTY;
- (iii) disbursing the net Loan proceeds pursuant to this Agreement and Escrow instructions mutually approved by Borrower and COUNTY, which instructions shall provide, among

other things, for disbursement from Loan proceeds consistent with Section 8.0 below, of amounts including underwriting and issuance fees of \$64,750 to HUD and \$25,000 to COUNTY.

A conformed copy of the CC&R's is to be delivered to the City.

If COUNTY elects to have the foregoing recording, delivery and disbursement occur outside of Escrow, then the "Close of Escrow" shall be deemed to have occurred when COUNTY authorizes disbursement of the first Loan proceeds as described in Section 6.4(iii) above.

6.5 CLOSING DEADLINE.

If the Close of Escrow does not occur prior to the Closing Deadline, then the Escrow shall terminate, and Escrow Holder shall promptly return all funds and documents to the Party depositing them.

7.0 RESERVED.

8.0 USE OF LOAN PROCEEDS; SCHEDULE OF PERFORMANCE.

Proceeds of the Loan shall be used only for (i) loan origination fees and costs identified in Section 6.1 above; and (ii) Project development costs actually and reasonably incurred by Borrower and within the eligible line items and amounts included in the Project budget approved by COUNTY pursuant to Section 6.3(e) above. Borrower shall diligently monitor construction of the Project. Borrower shall cause the Covina Senior and Community Center improvements to be utilized exclusively by elderly persons in the City of Covina and consisting of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements to be completed within twenty-two (22) months following the date of this Agreement, and the Project shall be completed and opened for regular use not later than twenty-two (22) months following the date of this Agreement in accordance with Section 12.1 and 12.2 below.

9.0 COVENANTS OF BORROWER.

As additional consideration for the making of the Loan by COUNTY, Borrower covenants as follows:

9.1 COMPLIANCE WITH LAWS; COMPLIANCE WITH HUD LOAN.

Borrower shall comply with all applicable Governmental Restrictions. As used herein, "Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the Loan, performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act; the National Environmental Policy Act; applicable federal, state and local fair housing laws; and public bid and prevailing wage requirements. Borrower shall also maintain its CDBG Program in programmatic and financial compliance with HUD's CDBG program regulations.

All parties agree to be bound by all applicable Federal, State, and local laws, ordinances, regulations, and directives. This agreement is subject to and incorporates the terms of the Act; 24 CFR Part 570; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; Executive Order 12372; the County Auditor-Controller Contract Accounting and Administration Handbook; and all amendments or successor laws, regulations, or guidelines thereto (hereinafter called the "Laws, Regulations and Guidelines"). The Borrower has, and shall maintain, copies of the Laws, Regulations and Guidelines. Furthermore, the Borrower

acknowledges that it has read and understands the Laws, Regulations, and Guidelines.

Borrower acknowledges that prevailing wages must be paid in connection with development of the Project, and Borrower shall be solely responsible for implementing any and all prevailing wage requirements, which may apply, regardless of whether they may be obligations of the contractor or of the party awarding the contract. Prevailing wage laws include, among others, California Labor Code Section 1720 et seq., and the federal Davis-Bacon Act (40 U.S.C. §276a). If applicable, these requirements may include, among others, the requirement that prevailing wages be paid, that prevailing wage schedules be posted at the job site, and that detailed wage records be maintained. COUNTY has available on file prevailing wage schedules promulgated by the California State Department of Industrial Relations. Borrower shall indemnify, defend and hold COUNTY harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to construction of the Project.

Borrower specifically acknowledges that COUNTY's source of funds for making the Loan will be Section 108 Loan funds obtained through or from HUD pursuant to the HUD Loan, and Borrower shall comply in all respects with the contractual, statutory and regulatory requirements associated with the HUD Loan, including but not limited to provisions relating to repayment thereof. Borrower shall indemnify, defend, and hold harmless COUNTY for any costs, claims, liabilities or obligations arising out of or related to the HUD Loan, including but not limited to interest, late charges and penalties. Further, Borrower shall be liable to reimburse and compensate COUNTY for any and all fees, costs and penalties COUNTY shall incur as a result of any "Event of Default" by Borrower, as defined in Section 15.0 herein below.

9.2 PROJECT DISCLOSURES.

Borrower shall make available for inspection and audit to COUNTY's representatives, upon seventy-two (72) hours written request, at any reasonable time during the 20-year term ("Term") of the CC&Rs at Borrower's offices all of Borrower's books and records relating to the Loan the Project and this Agreement. All such books and records shall be maintained by Borrower until expiration of the Term of the CC&Rs; provided, however, that records relating to construction of the Project need not be maintained beyond the tenth (10th) anniversary of completion of the Project. In the event any litigation, claim or audit is started before the expiration of the Term, (or before such tenth anniversary, in the case of claims or litigation related to construction) said books and records shall be retained until all litigation, claims, or audit findings involving said books and records shall have been resolved.

9.3 OTHER REPORTS.

Upon seventy-two (72) hours written notice, at any reasonable time during the Term, Borrower shall prepare and submit to COUNTY, all additional reports and any financial, program progress, monitoring, evaluation or other reports reasonably required by COUNTY or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to COUNTY within such 72-hour period, then within a reasonable time thereafter. Borrower shall ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of COUNTY representatives, may be relevant to a question of compliance with this Agreement or the Loan Documents. In the event any litigation, claims or audit is started during the Term, said books and records shall be retained until all litigation, claims or audit findings involving said books and records have been resolved.

9.4 Indemnification. Subject to the provisions of Section 9.7 below, from and after the date hereof, Borrower agrees to indemnify, defend, and hold harmless the COUNTY, the CDC, the Housing Authority of the County of Los Angeles ("Housing Authority"), and each of their elected and appointed officers, officials, representatives, employees, and agents (hereinafter collectively referred to as "Public Agencies") from and against any and all liability, demands, damages, claims, causes of action, fees, (including reasonable attorneys' fees, expert witness' fees, defense costs), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), arising from, related to, or connected with the Borrower's acts, errors, or omissions. The Borrower shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the sole negligence or willful misconduct of the Public Agencies.

In the event that the Borrower provides services in relation to the design and construction of the Covina Senior and Community Center, with respect to those design and construction services, the Borrower agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all Liabilities that arise out of, pertain to, or relate to such project or the construction services of the Borrower. The Borrower shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the active negligence, sole negligence, or willful misconduct of the Public Agencies, Public Agencies' agents, servants, or independent contractors who are directly responsible to the Public Agencies.

In the event that the Borrower contracts with another entity (hereinafter "Design/Construction Entity") for design and construction services to be provided in relation to the construction of the Covina Senior and Community Center (hereinafter "Borrower-Design/Construction Entity Contract"), the Borrower agrees that language substantially equivalent to the following shall be incorporated in its contract with the Construction Entity in favor of the Public Agencies: The Design/Construction Entity agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all liabilities, demands, damages, claims, causes of action, fees (including reasonable attorneys' fees, expert witness fees, and defense costs), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), that arise out of, pertain to, or relate to the project or the construction services of the Construction Entity, its employees, representatives, consultants, subcontractors, agents, or any other entity for which the Design/Construction Entity is responsible. The Design/Construction Entity shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the active negligence, sole negligence, or willful misconduct of the Public Agencies, the Public Agencies' agents, servants, or independent contractors who are directly responsible to the Public Agencies. This indemnification clause shall remain in full force and effect following the expiration and/or termination of the Borrower-Design/Construction Entity Contract.

The Borrower further agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all Liabilities relating to the Borrower's acts or omissions, whether civil or criminal, intentional or unintentional, including, without limitation, allegations or acts of physical abuse, mental abuse, psychological abuse, senior abuse, sexual abuse, molestation, maltreatment, or mistreatment, related in any way to this Agreement or the services or work to be provided hereunder.

The above mentioned indemnification provisions shall remain in full force and effect and survive the cancellation, termination, and/or expiration of this Agreement. The Borrower further agrees to require any entities with which it contracts to agree to and abide by the above mentioned indemnification requirements in favor of the Public Agencies, as applicable to each of them.

In addition to the above indemnification provisions, Borrower shall also protect and hold the Federal government harmless from and against all liabilities that the Federal government may incur as a result of providing an Award to assist (directly or indirectly) in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. These protections apply to the extent that the Federal government may become potentially liable as a result of ground water, surface, soil or other natural or man-made conditions on the property caused by operations of the Borrower, predecessors or successors (see 13 C.F.R. § 307.10(c)).

9.5 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 (collectively, "Inspections"), it shall be responsible for complying with such Inspections and paying, on behalf of itself and COUNTY, the full amount of the liability to the funding agency resulting from such Inspections, unless such Inspections and any resulting liability arises solely from the gross negligence or willful misconduct of COUNTY.

9.6 Program Evaluation and Review. Borrower shall allow COUNTY authorized personnel to inspect and monitor the Project and program operations as they relate to the Project or this Agreement, including the interview of Borrower's staff and users of the Project facilities, as reasonably required by COUNTY during the Term.

9.7 Hazardous Materials. Borrower represents, warrants and covenants that it has not and shall not (i) deposit "Hazardous Materials" (as defined below) in, on or upon the Development Site or Project, or (ii) permit the deposit of Hazardous Materials in, on or upon the Project. Borrower further covenants and agrees to remove or remediate, at its expense (utilizing Loan proceeds only to the extent if at all expressly authorized by Section 8.0 above,

and subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Development Site or the Project as of the date hereof or which are deposited in, on or upon the Development Site or the Project from and after the date hereof, including any asbestos, lead-based paint and any other Hazardous Materials located in the Project, to the extent required by and in accordance with the requirements of the applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary and common to the normal course of business in the construction or operation of a well-designed Covina Senior and Community Center improvements 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 COUNTY and its members, directors, agents, officers and employees harmless from and against any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Development Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Development Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Development Site and the Project, as required above. Borrower hereby releases, waives and discharges COUNTY and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Development Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Development Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Development Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

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.

Borrower shall provide notice to COUNTY within 10 days of Borrower's receipt of any notice from another property owner or governmental agency regarding Hazardous Materials on the Development Site.

9.8 Insurance. Without limiting Borrower's indemnification of COUNTY provided above, Borrower shall procure and maintain at its own expense during the Term of the Loan the insurance described below. Such insurance shall be secured from a pooled-risk joint powers authority satisfactory to COUNTY for purposes of this Agreement, or from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, prior to the Close of Escrow for the Loan, deliver to COUNTY certificates of insurance with original endorsements evidencing the general liability coverage required by this Agreement. Borrower shall deliver the certificates of insurance evidencing issuance of "all risk" property insurance described in (b) below and worker's compensation insurance described in (c) below at such time that such exposures are at risk, but in no event later than the

Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. COUNTY reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COUNTY and may provide for such deductibles as may be acceptable to COUNTY. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect COUNTY, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that COUNTY is to be given at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

(a) Liability: General Liability Insurance (written on ISO policy form CG 00 01 or its equivalent) including coverage for personal injury, death, property damage and contractual liability with limits of not less than the following:

General Aggregate	\$2,000,000
Products/ Completed Operations Aggregate	\$2,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000

If the services provided in relation to this Agreement relate in any way to minors, then this policy shall also include an endorsement for abuse and sexual molestation. Public Agencies, and their agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower. Said insurance shall be primary insurance with respect to COUNTY. If required by COUNTY from time to time, Borrower shall increase the limits of the foregoing liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of COUNTY.

(b) Workers' Compensation: Borrower's employees shall be covered by Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California. This must include a waiver of subrogation in favor of the Public Agencies. In all cases, the above insurance shall include Employer's Liability coverage with limits of not less than the following:

Each Accident	\$1,000,000
Disease-Policy Limit	\$1,000,000
Disease-Each Employee	\$1,000,000

(c) Crime Coverage for Employee Theft; Fidelity Bond: Borrower shall maintain, at its sole cost and expense, a fidelity bond covering each employee of Borrower, whether or not they are compensated. The fidelity bond may be either a primary commercial blanket bond or a blanket position bond written by an insurer licensed by the California Insurance Commissioner. Borrower shall provide thirty (30) days notice to the CDC prior to cancellation of the fidelity bond. The fidelity bond shall provide a minimum coverage of one million dollars (\$1,000,000). The Borrower shall maintain the fidelity bond for the duration of this contract. The fidelity bond may contain a provision for a deductible amount from any loss which, except for such deductible provision, would be recoverable from the insurer. A deductible provision shall not be in excess of ten percent (10%) of the required minimum bond coverage. Any deviation from this fidelity bond section shall require specific written approval by the CDC.

(d) Automobile Liability Insurance: Borrower shall maintain Automobile Liability Insurance (written on ISO policy form CA 00 01 or its equivalent) with a limit of liability of not less than one million dollars (\$1,000,000) for each incident. Such insurance shall include coverage of all "owned", "hired", and "non-owned" vehicles, or coverage for "any auto." The Public Agencies shall be covered as additional insureds on such policy.

(e) Professional Liability Insurance: Borrower shall maintain Professional Liability Insurance including coverage for personal injury, death, property damage, and contractual liability in an amount not less than One Million Dollars (\$1,000,000) for each occurrence and Two Million Dollars (\$2,000,000) general aggregate.

Said insurance shall be maintained for the statutory period during which the professional maybe exposed to liability. The purpose of this insurance is to cover all claims for professional services being provided by Borrower and any entity with which Borrower contracts, which includes, but is not limited to, services provided by the following professionals: physicians, physician's assistants, nurses, psychiatrists, psychologists, pharmacists, social workers, architects, engineers, and financial counselors.

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. Borrower agrees it will require that, at a minimum, all of the above mentioned insurance requirements, with the exception of the Crime Coverage, are incorporated in its contract with any entity with which it contracts in relation to this Agreement, or in relation to the property or project that is the subject of this Agreement.

Failure on the part of Borrower to procure or maintain the insurance coverage required above shall constitute a material breach of this Agreement pursuant to which COUNTY may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of COUNTY, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COUNTY shall be repaid by the Borrower to COUNTY upon demand including interest thereon at the Default Rate.

9.9 Financial Statements. Borrower shall deliver to COUNTY a copy of Borrower's annual audited financial statements within six (6) months after the end of each fiscal year of Borrower occurring during the term of the Loan.

9.10 Other Loans. Borrower shall comply with all monetary and non-monetary covenants associated with any loan or grant, including but not limited to the Other Financing, utilized in development or operation of the Project or the Covina Senior and Community Center improvements. Borrower shall provide to COUNTY a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants, and Borrower shall promptly cure any such default and cooperate in permitting COUNTY, to the extent COUNTY in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COUNTY in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.11 Archeological Resources. In the event that archeological resources are exposed during Project construction, all earth disturbing work within the Development Site must be temporarily suspended or redirected until a professional archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume.

9.12 State Health and Safety Code. If human remains are unearthed during Project construction, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to the origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission.

10.0 USE OF THE DEVELOPMENT SITE.

10.1 Use of Project Exclusively for Covina Senior and Community Center. Throughout the 20-year term of the CC&Rs, Borrower shall use and operate the Project as a Center to be utilized exclusively by elderly persons and consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements where 100% of those who utilize the facility are at least 55 years of age and generally presumed to be principally low-and moderate-income persons as defined by HUD.

Borrower shall continuously and exclusively operate the Project in a manner that meets the National Objective under Section 570.208(a)(2)(i)(A) of HUD's Community Development Block Grant program regulations to provide activities that benefit low-and moderate income persons (as defined by HUD) where at least fifty-one percent (51%) of

those who utilize the facility are low-and moderate-income persons.

10.2 Reports and Records. Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by COUNTY to monitor compliance with the requirements described in Section 10.1 above.

10.3 RESERVED.

10.4 Operations and Maintenance. Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the Development Site and bind every successor or assign in interest of Borrower during the term of this Agreement, that during development of the Project pursuant to this Agreement and thereafter, neither the Development Site nor the Project, nor any portion thereof, shall be improved, used or occupied in violation of any applicable Governmental Restrictions or the restrictions contained in this Agreement or the Loan Documents. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Development Site or in the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Development Site or the Project, or any portion thereof.

11.0 BORROWER'S OBLIGATION TO REFRAIN FROM DISCRIMINATION.

There shall be no discrimination against or segregation of any person, or group of persons, on account of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project, nor shall Borrower 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 persons using the Project or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

11.1 Form of Nondiscrimination and Nonsegregation Clauses.

Borrower shall refrain from restricting the use of the Development Site or any portion thereof on the basis of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap of any person. All deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

(a) In deeds: "The grantee herein covenants by and for himself or herself, and 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 race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee 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 in the land herein conveyed. The foregoing covenants shall run with the land."

(b) In leases: "The lessee herein covenants by and for himself or herself, and 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 race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land 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 land herein leased."

(c) In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this

contract or any person claiming under or through them, 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 premises.”

12.0 BORROWER'S CONSTRUCTION COVENANTS.

Borrower shall complete construction of the Project, on or before the first anniversary of the date of this Agreement, as follows:

12.1 Completion of the Project. For the purposes hereof, “Completion” shall be deemed to have occurred when COUNTY has received satisfactory evidence that the public improvements at Covina Senior and Community Center which consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements have been completed in compliance with the plans and specifications (collectively, the “Plans”) referenced in the construction contract (the “Construction Contract”) which Borrower has entered into with a general contractor (the “Contractor”) with respect to the Project, and with this Agreement, and that all final permits and certificates necessary to the operation of the Project as contemplated herein have been obtained, including, without limitation, the following, each of which is subject to COUNTY's review and approval:

(a) A certificate of occupancy (the "Certificate of Occupancy") and any other final permits and licenses necessary to permit the use and occupancy of the Project for its intended purposes, which have been issued by proper governmental agencies.

(b) Certificates of insurance issued by Borrower's insurance agent evidencing compliance with all insurance requirements set forth in the Loan Documents.

(c) No stop notices or liens against the Project or the Development Site remain outstanding, and Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute from the Contractor, all subcontractors, and all other persons or entities providing services or furnishing material in connection with the Project.

12.2 Construction. Borrower shall cause the construction of the Project to be done in a good and workmanlike manner substantially according to the Plans and this Agreement. In constructing the Project, Borrower shall comply in all material respects with all applicable laws and regulations. Borrower shall cause Completion of the Project to occur no later than twenty-two (22) months following the date of this Agreement.

12.3 Barriers to the Disabled. Borrower shall cause the Project to be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

12.4 Lead-Based Paint. Borrower shall insure that its contractors and subcontractors shall not use lead-based paint in construction or maintenance of the Project. Borrower shall cause this provision to be incorporated in all contracts and subcontracts for work performed on the Development Site, which involve the application of paint.

13.0 INDEPENDENT CONTRACTOR.

In their performance of this Agreement, all parties hereto 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 causing its Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with the Project or this Agreement.

14.0 ASSIGNMENT OF THIS AGREEMENT.

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of COUNTY, which consent may be withheld by COUNTY in its sole discretion.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of COUNTY as provided herein, shall be null and void and shall constitute a material breach of this Agreement.

15.0 EVENTS OF DEFAULT AND REMEDIES.

15.1 Borrower Events of Default. The occurrence of any of the following shall, after the giving of any notice and the expiration of any applicable cure period described therein, constitute an event of default by Borrower hereunder ("Event of Default"):

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within ten (10) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower). Notwithstanding anything herein to the contrary, no notice requirement or cure period shall apply to a failure by Borrower to make timely payments of principal and interest in advance of payment dates on the HUD Loan as specified in Section 2.3 above;

(b) The failure of Borrower to perform any non-monetary covenant or obligation hereunder or under the terms of the Note or any of the Loan Documents, without curing such failure within thirty (30) days after receipt of written notice of such default from COUNTY (or from any party authorized by COUNTY to deliver such notice as identified by COUNTY in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 15.1 (c) through 15.1 (i) below;

(c) The falsity of any material representation or material warranty made by Borrower under the terms of this Agreement or any of the Loan Documents;

(d) Borrower shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (ii) fail to pay or admit in writing its inability to pay its debts generally as they become due, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated a bankrupt or insolvent or (v) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof 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;

(e) If 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 of 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 (i) result in the entry of an order for relief or any such adjudication or appointment, or (ii) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(f) Following completion of the construction of the Project, and during the term of the CC&R's, voluntary or involuntary cessation of the operation of the Project for a continuous period of more than ninety (90) days;

(g) Borrower shall suffer or attempt to effect a Transfer (as defined below) in violation of Section 14 above or Section 30 below;

(h) Borrower shall be in default under the terms of the Other Financing or any other secured or unsecured obligation to a third party relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

(i) Borrower shall obtain "entitlement" status under the HUD Community Development Block Grant Program and separates from the Los Angeles Urban County Program for purposes of receiving its Community Development Block Grant (CDBG) funds from the State and/or HUD. Borrower shall use its Los Angeles Urban County allocated CDBG funds as the primary source of repayment for the Loan. Borrower may use any other eligible funding source available to Borrower, subject to COUNTY's approval, to make timely payments. Borrower pledges to commit and deposit non-restrictive funds in the amount necessary to meet annual repayment obligations into the escrow account to be used as security and annual debt service in the event the primary source of repayment is not available for yearly interest payments.

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

(a) By notice to Borrower, except in the case of an Event of Default under Section 15.1 (a), 15.1 (c) or Section 15.1 (d), in which event no notice shall be required, declare the entire then unpaid balance of the Loan and any accrued interest and other amounts 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, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(b) Take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of COUNTY, 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, including but not limited to drawing on collateral pursuant to the Escrow Agreement and the Pledge and Security Agreement, if any;

(c) Upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or any other provision of the Loan Documents, COUNTY may, but shall not be obligated to, make such payment. If such payment is made by COUNTY, Borrower shall deposit with COUNTY, upon written demand therefore, 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 COUNTY 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;

(d) Upon the occurrence of an Event of Default described in Section 15.1(d) or 15.1(e) hereof, COUNTY 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 COUNTY and its counsel to protect the interests of COUNTY and to collect and receive any monies or other property in satisfaction of its claim.

15.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to COUNTY 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 COUNTY 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 COUNTY. In order to entitle COUNTY to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

15.4. COUNTY Default and Borrower Remedies. Upon fault or failure of COUNTY to meet any of its obligations under this Agreement without curing such failure within thirty (30) days after receipt of written notice of such failure from Borrower specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency, Borrower may, as its sole and exclusive remedies:

- (a) Demand and obtain payment from COUNTY of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;
- (b) Bring an action in equitable relief seeking the specific performance by COUNTY of the terms and conditions of this Agreement or seeking to enjoin any act by COUNTY which is prohibited hereunder; and
- (c) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Notwithstanding the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek consequential damages of any kind or nature from COUNTY arising out of or in connection with this Agreement, and in connection with such waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

16.0 RESERVED.

17.0 RESERVED.

18.0 RIGHT OF ACCESS AND INSPECTION.

Representatives of COUNTY shall have the right at any time during normal business hours and from time to time to enter upon the Project or the Development Site for purposes of inspection. All such representatives must comply with all safety rules on the Development Site. Inspection by COUNTY of the Project or the Development Site or any construction thereof is for the sole purpose of protecting COUNTY and is not to be construed as an acknowledgment, acceptance or representation by COUNTY that there has been compliance with any Plans approved pursuant to this Agreement, that the Plans are adequate, or that the Project or the Development Site or any of the construction thereof is or will be free of faulty materials or workmanship. The indemnification in Section 9.4 shall not apply to claims that result solely from the negligent entry upon the Development Site by COUNTY representatives.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

No official or employee of COUNTY or Borrower shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of COUNTY or Borrower 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 COUNTY or Borrower shall be personally liable in the event of a breach of this Agreement by COUNTY or Borrower.

20.0 AMENDMENTS, CHANGES AND MODIFICATIONS.

This Agreement may not be amended, changed, modified, altered or terminated without the prior written consent of the parties hereto. The parties agree to enter into any amendments to this Agreement to maintain the Covina Senior and Community Center improvement in compliance with HUD requirements, or as necessary to implement this Loan.

21.0 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.

22.0 NOTICES.

All notices, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, certified mail, return receipt requested, or overnight guaranteed delivery service and addressed as follows:

If to COUNTY: c/o Community Development Commission of the County of Los Angeles
700 W. Main Street
Alhambra, California 91801
Attn: Executive Director

With a copy to: Community Development Commission of the County of Los Angeles
700 W. Main Street
Alhambra, California 91801
Attn: Community Development Division – Grants Management Unit

If to Borrower: The City of Covina
125 E. College Street
Covina, California 91723
Attn: City Manager

With a copy to: The City of Covina
125 E. College Street
Covina, California 91723
Attention: City Attorney

Notices shall be effective upon receipt, if given by personal delivery, or notices shall be effective the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, or (iii) one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

23.0 SEVERABILITY.

The invalidity or unenforceability of any one or more provisions of this Agreement by a court of competent jurisdiction will in no way affect any other provision hereof.

24.0 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 by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable

legal limit. Attached hereto for the convenience of the Parties as Exhibit A is a directory indicating the location of definitions for certain defined terms used in this Agreement. In the event of any conflict between the body of this Agreement and Exhibit A, the body of this Agreement shall prevail and supersede. All references in the Loan Documents to the COUNTY's "Executive Director" shall be deemed to refer to the Executive Director of the Community Development Commission of the County of Los Angeles ("CDC"). Borrower acknowledges that the CDC and the CDC's officials and employees are agents of the COUNTY for purposes of Section 9.4 and the other release and indemnification provisions in the Loan Documents.

25.0 NO WAIVER; CONSENTS.

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

26.0 MISCELLANEOUS.

A. Governing Law.

This Agreement shall be governed by the laws of the State of California and applicable federal law.

B. Termination for Improper Consideration

COUNTY may, by written notice to Borrower, immediately terminate the right of Borrower to proceed under this Agreement if it is found that consideration, in any form, was offered or given by Borrower, either directly or through an intermediary, to any COUNTY officer, employee or agent with the intent of securing the Agreement or securing favorable treatment with respect to the award, amendment or extension of the Agreement or the making of any determinations with respect to the Borrower's performance pursuant to the Agreement. In the event of such termination, COUNTY shall be entitled to pursue the same remedies against the Borrower as it could pursue upon an Event of Default.

Borrower shall immediately report any attempt by a COUNTY officer or employee to solicit such improper consideration. The report shall be made either to the Commission's Executive Director or to the County Auditor-Controller's Employee Fraud Hotline at (800) 544-6861.

Among other items, such improper consideration may take the form of cash, discounts, service provision of travel or entertainment, or tangible gifts.

C. Commission's Quality Assurance Plan

COUNTY or its agent may evaluate Borrower's performance under this Agreement on an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which COUNTY determines are severe or continuing and that may place performance of the Agreement in jeopardy if not corrected will be reported to COUNTY's governing Board. The report will include improvement/corrective action measures to be taken by Borrower. If improvement does not occur consistent with the corrective action measures within the cure period set forth in Section 15.1 above, COUNTY may terminate this Agreement or pursue other remedies as specified in this Agreement.

D. Compliance with Laws

Borrower agrees to be bound by 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; 27 CFR Part 700; 24 CFR Part 570; 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles,

and Audit Requirements for Federal Awards; Executive Order 12372; the County Auditor-Controller Contract Accounting and Administration Handbook; and all amendments or successor laws, regulations, or guidelines thereto (hereinafter called the "Laws, Regulations and Guidelines"), including, but not limited to, Sections a-j below. This Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and 2 CFR, Part 200.

- a. Borrower shall comply with the Civil Rights Act of 1964 Title VI 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. Borrower shall comply with Section 109 of the Housing and Community Development Act of 1974 which states that no person in the United States shall, on the grounds of race, color, sex or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.
- c. Borrower shall comply with the Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, which require that no person in the United States shall be excluded from participating in, denied the benefits of, or be subjected to discrimination under this Contract on the basis of age or with respect to an otherwise qualified disability.
- d. Borrower shall comply with 24 CFR Part 5, including non-discrimination and equal opportunity requirements at 24 CFR 5.105(a). Furthermore, the Borrower shall comply with 24 CFR Parts 5 and 203, which prohibit discrimination in HUD-funded programs based upon sexual orientation or gender identity.
- e. Borrower shall ensure equal opportunity, in the award and performance of any contract, to all persons without regard to race, color, gender, sexual orientation, religion, national origin, ancestry, age, marital status, or disability.
- f. During the performance of this Agreement, the Borrower agrees as follows:
 - i. Borrower shall comply with Executive Order 11246 of September 24, 1965, titled, Equal Employment Opportunity, later amended by Executive Order 11375 on October 13, 1967 and supplemented in Department of Labor Guidelines (41 CFR Part 60), which require that during the performance of this Agreement, the Borrower will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to the following: employment, promotion, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.
 - ii. Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.
 - iii. Borrower will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be

provided by the agency of the Borrower's contracting officer, advising the labor union or worker's representative of the Borrower's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

- iv. Borrower will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- v. Borrower will furnish all information and reports required by the Executive Orders and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- vi. In the event that the Borrower fails to comply with the non-discrimination clauses of this Agreement or with any of such rules, regulations, or orders, this Agreement may be canceled, terminated, or suspended in whole or in part, and the Borrower may be declared ineligible for further Government contracts in accordance with procedures authorized in the Executive Orders and such other sanctions may be imposed and remedies invoked as provided in the Executive Orders or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- vii. Borrower will include the provisions of these paragraphs in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of the Executive Order No. 11246 of September 24, 1965, that such provisions shall be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as the COUNTY may direct as a means of enforcing such provisions including sanctions for noncompliance, provided however, that in the event the Borrower becomes involved in, or is threatened with litigation with a subcontractor or vendor as a result of such direction by the COUNTY, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.
- g. Borrower shall comply with Executive Order 13166, titled "Improving Access to Services by Persons with Limited English Proficiency." Executive Order 13166 requires that Federally-assisted agencies make reasonable efforts to provide language assistance to ensure meaningful access for Limited English Proficiency (LEP) persons to the agency's programs and activities. HUD guidelines on LEP were published in the Federal Register on January 22, 2007, and were effective February 21, 2007. These HUD guidelines should be applied to Federally-subsidized housing, programs, and other services which may be contracted out to other contractors.
- h. Borrower is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87, 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 Contract, and any extension, continuation, renewal, amendment, or modification of said documents.

Should the Borrower or persons/subcontractors acting on behalf of the Agreement fail to fully comply with the Federal Lobbyist Requirements civil penalties shall result.

- i. Borrower and each County lobbyist or County lobbyist firm, as defined in Los Angeles County Code Chapter 2.160 (County Ordinance 93-0031), retained by the Borrower, shall fully comply with the requirements as set forth in said County Code Chapter.
- j. Borrower and, where applicable, its contractor(s) and subcontractor(s) shall comply with Section 3 regulations as described in 24 CFR Part 135. Section 3 compliance activities of the Borrower and its contractor(s) and subcontractor(s) shall be governed by 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.

Section 3 covered assistance and thresholds apply to the following HUD assistance:

- (i) Housing and Community Development assistance – Section 3 applies to training, employment, contracting, and other economic opportunities arising in connection with the expenditure of housing assistance (including Section 8 assistance, including other housing assistance not administered by the U.S. Assistant Secretary of housing); community development assistance that is used for housing rehabilitation (including abatement of lead based paint hazards, but excluding routine maintenance, repair and replacement; and other public construction); housing construction; and other public construction.
- (ii) The threshold for Section 3 covered housing and community development assistance is \$200,000 or more. This threshold applies to recipients of housing and community development program assistance for Section 3 covered programs. The requirements of this section also apply to contractors and subcontractors performing work on Section 3 covered project(s) for which the amount of the assistance exceeds \$200,000, and the contract or subcontract exceeds \$100,000. If a recipient receives Section 3 covered housing or community development assistance in excess of \$200,000, but no contract exceeds \$100,000, then the Section 3 preference requirements apply only to the recipient.
- (iii) Applicability of Section 3 to an entire project or activity funded with Section 3 assistance. The requirements of this section apply to an entire project or activity that is funded with Section 3 covered assistance, regardless of whether the activity is fully or partially funded with Section 3 covered assistance.
- (iv) The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.
- (v) The Borrower agrees to send to each labor organization or representative of workers with which the Contractor has a collective bargaining contract or other understanding, if any, a notice advising the labor organization or workers' representative of the Borrower'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, the name and location of the person(s) taking applications for each of the positions, and the

anticipated date the work shall begin.

- (vi) The Borrower 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 Borrower will not subcontract with any subcontractor where the Borrower has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- (vii) The Borrower will certify that any vacant employment positions, including training positions, that are filled (1) after the Borrower 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 Borrower's obligations under 24 CFR Part 135.
- (viii) Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD-assisted contracts.

E. Borrower's Warranty Adherence to Child Support Compliance Program

Borrower acknowledges that COUNTY has established a goal of ensuring that all individuals who benefit financially from COUNTY through contract are in compliance with their court-ordered child, family and spousal obligations in order to mitigate the economic burden otherwise imposed upon COUNTY and the taxpayers of Los Angeles County.

As required by COUNTY'S Child Support 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 with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653 a) 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).

F. Consideration of GAIN Program Participants For Employment

Should the Borrower require additional or replacement personnel after the effective date of this Agreement, the 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 or General Relief Opportunity for Work (GROW) Program who meet the Contractor's minimum qualifications for the open position. The Borrower shall contact the COUNTY'S GAIN Program at (626) 927-2704 and the GROW Program at (562) 908-6858 for a list of GAIN/GROW participants by job category.

G. Post L.A.'S MOST WANTED PARENTS LIST

Borrower acknowledges that 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 policy to encourage all Borrowers to voluntarily post County's 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.

27.0 REPRESENTATIONS AND WARRANTIES OF BORROWER.

Borrower hereby warrants and represents to COUNTY that:

A. Organization and Standing. Borrower is a legal entity as described in the Transaction Summary above, duly organized, 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 CC&Rs, and all other documents executed in connection herewith.

B. Enforceability. This Agreement, the Note, 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, articles and bylaws, charter, code and ordinances, as applicable, governing Borrower, and have been duly authorized by all necessary action of Borrower's council members, commissioners, partners, directors, officers, members 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 and maintain all material licenses, permits, consents and approvals required by all applicable governmental authorities to own and operate the Project.

F. Litigation and Compliance. To Borrower's current 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 COUNTY) 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.

G. Default. To Borrower's current actual knowledge, 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 15.

H. No Violations. The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder 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, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

28.0 APPROVALS.

Any review or approval of any matter by COUNTY or any COUNTY official or employee under this Agreement shall be solely for the benefit of COUNTY, and neither Borrower nor any other person shall rely upon such review or approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower, and not COUNTY, shall be solely responsible for assuring compliance with laws, the suitability of the Development Site for the Project, the adequacy of the Plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

29.0 GOOD FAITH AND FAIR DEALING.

COUNTY and Borrower agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

30.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT.

30.1 Without the prior written approval of COUNTY, which approval COUNTY may withhold in its sole and absolute discretion, Borrower shall not during the term of the CC&R's (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Development Site or the Project; (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis; or (iii) Transfer any of its rights or obligations under the Loan Documents. Borrower hereby agrees that any purported Transfer not approved by COUNTY as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

30.2 At any time Borrower desires to effect a Transfer hereunder, it shall notify COUNTY in writing (the "Transfer Notice") and shall submit to COUNTY for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Borrower and the proposed transferee to COUNTY sufficient to establish and insure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by COUNTY unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the Loan Documents. The Transfer Notice shall include a request that COUNTY consent to the proposed Transfer. COUNTY agrees to make its decision on Borrower's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after COUNTY receives the last of the items required by this Section 30. In the event COUNTY consents to a proposed Transfer, then such Transfer shall not be effective unless and until COUNTY receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to COUNTY.

30.3 Notwithstanding anything in this Agreement which may be or appear to be to the contrary, Borrower agrees that Borrower shall not be permitted to make any Transfer, whether or not COUNTY consent is required therefor and even if COUNTY has consented thereto, when there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to COUNTY or at any time thereafter until such Event of Default is cured.

30.4 The provisions of this Section 30 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

31.0 ADDITIONAL HUD REQUIREMENTS

31.1 Regulatory Compliance. In carrying out activities utilizing Loan proceeds, and in Project operations, the Borrower agrees to comply with Title I of the Housing and Community Development Act of 1974, as amended (the "Act") and 24 CFR Part 570. Borrower shall also maintain its CDBG Program in compliance with the Act and 24 CFR Part 570.

31.2 Investment of Loan Funds. Until used to pay contractors and other eligible Project costs, any Loan proceeds disbursed for the account of Borrower shall be invested within 72 hours of disbursement of Loan proceeds to Borrower, solely in U.S. Treasury notes, U.S. Treasury bonds, U.S. Treasury bills, or other qualifying federal agency issues that have a full faith credit guarantee from the U.S. Government. In no event shall Borrower invest Loan proceeds in any other investments, including but not limited to bonds and obligations issued by Fannie Mae or Freddy Mac. Borrower shall remit bank statements on the investment account containing Loan proceeds to COUNTY on a monthly basis, until the Loan funds have been fully expended and disbursed for Project costs. Interest earned by Borrower on Loan funds is Program Income, which must be returned to the COUNTY within 30 days such interest was earned in order to use it to repay the Loan.

31.3 Availability of Loan Funds. Notwithstanding any other provision of this Agreement, the availability of Loan proceeds to Borrower is contingent upon HUD's making corresponding funds available to COUNTY under the HUD Loan. COUNTY shall have no liability to the Borrower if HUD for any reason does not provide the HUD Loan

proceeds to COUNTY.

31.4 Program Income. Program Income for the purposes of the CDBG and Section 108 loan programs means gross income that is received by the Borrower and has been directly generated from the use of the John Anson Ford Park improvements. Borrower shall return to the COUNTY such program income received pursuant to CDBG Financial Manual located at http://www.lacdc.org/partners/Partners_Protected/login_form.asp. The program income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds. Borrower shall establish a separate cost center for Covina Senior and Community Center improvement expenditures and program income generated. Any program income generated from this Project shall be remitted to the COUNTY immediately in accordance with CDBG Financial Manual, for the term of the Section 108 loan. Program income generated from this Project shall be used to repay the Loan.

32.0 CONSTRUCTION RETENTION

To allow for the availability of funds to remedy monetary liabilities that may result from violation(s) of the Davis-Bacon and Related Acts (DBRA) and/or the Federal Labor Standards Provisions (FLSP) by the Borrower's construction contractor, the Borrower must withhold at least 5% from each construction contract payment. Borrower shall request a file review by the applicable Labor Compliance Officer at least thirty (30) calendar days prior to completion of the Project. Upon the completion of a CDC review of the Labor Standards Enforcement Files and issuance of the final clearance letter, the Borrower may release the withheld retention to the construction contractor.

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

COUNTY:

COUNTY OF LOS ANGELES

By: _____
Sean Rogan, Executive Director
Community Development Commission
of the County of Los Angeles

APPROVED AS TO FORM:
Office of the County Counsel

By: _____
Deputy

BORROWER:

CITY OF COVINA a California municipal corporation

By: _____
City Manager

APPROVED AS TO FORM:

By: _____
City Attorney

TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
EXHIBIT "B"	PROMISSORY NOTE TO BE EXECUTED BY CITY
EXHIBIT "C"	CC&RS
EXHIBIT "D"	PROJECT DESCRIPTION
EXHIBIT "E"	SITE PLANS
EXHIBIT "F"	PLEDGE AND SECURITY AGREEMENT
EXHIBIT "G"	ESCROW AGREEMENT

EXHIBIT “A” TO COUNTY LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

DIRECTORY OF DEFINED TERMS

Annual Audited Financial Statement: Yearly accounting statement showing the City's assets and liabilities, which have been audited by an independent certified public accountant.

Assignment: An "Assignment" is, generally, a transfer of property, rights, benefits, duties or obligations from one individual or entity to another.

Base Rate: Is defined in Section 2.2(c). The annual interest rate applicable to the Loan as specified in the Note, excluding any fees, penalties, or surcharges.

Borrower: Is defined on page 1 of the Loan Agreement. The City of Covina, a public agency.

CDBG: Community Development Block Grant program, created and administered by the U.S. Department of Housing and Urban Development.

Claims: Is defined in Section 9.4. "Claims" include all claims, demands, legal and administrative proceedings, liability and expense, including reasonable defense costs and legal fees of counsel, for damages of any nature whatsoever, which Claims arise directly or indirectly from or in connection with the Development Site or the Project, including, but not limited to Claims respecting bodily injury, death, property damage, workers' compensation, liability or expense arising from or in connection with services performed on behalf of Borrower pursuant to this Agreement.

Closing Conditions: Is defined in Section 6.3. Those conditions precedent, which must be fulfilled by the Borrower to the satisfaction of the COUNTY in order for escrow to close on the Loan. Refer to Section 6.2 of this Agreement.

Closing Deadline: Is defined in Section 6.3. The date in which the Loan Agreement terminates if the Loan Closing Conditions have not been previously satisfied or waived.

Completion of the Project: Is defined in Section 12.1. The condition in which the Project has been physically completed pursuant to the approved project description noted in the Loan Agreement, and ready for operation, as determined by the COUNTY.

Construction Contract: Is defined in Section 12.1. The contractual agreement between Borrower and the Contractor hired by Borrower to construct the Project, as defined herein.

Contractor: Is defined in Section 12.1. The general contractor retained, or to be retained, by Borrower in relation to the construction and development of the Project.

COUNTY: Is defined on page 1 of the Loan Agreement. The County of Los Angeles, a public body, corporate and politic.

Custodial Agent: A financial institution chosen by the COUNTY who will serve as trustee of the Escrow Account, as defined herein and in the Escrow Agreement. U.S. Bank shall serve as the Custodial Agent under this Agreement.

Default Rate: Is defined in Section 2.2(d). An annual interest rate of ten percent (10%), which is applied on the outstanding balance of the Section 108 loan, following an event, act, omission or consequence on behalf of the Borrower to perform its obligations or responsibilities in accordance with this Loan Agreement, the Note, the Pledge and Security Agreement if any or the Escrow Agreement if any.

Development Site: Is defined in A of Recitals. The specific property on which the Project will be developed on.

Escrow Account: Is defined in Section 6.1. An account, held by the Custodial Agent for the benefit of the Lender, which shall consist of funds deposited by Borrower in an amount specified within the Loan Agreement, to collateralize the Loan and to be available for loan repayment.

Escrow Agreement: Is defined in Section 5.0. The agreement between the Custodial Agent, the COUNTY, and the Borrower defining the rights and obligations of the parties with respect to the Escrow Account. See Exhibit G.

Event of Default: A breach by Borrower of its obligations as defined under Section 15.0 of the Agreement or any of the Loan Documents. Where applicable, Borrower shall have a limited opportunity to cure such breach, which failure to cure within the time prescribed shall result in the COUNTY's right to exercise against the Borrower any and all rights and remedies afforded to the COUNTY under this Agreement and/or by law. Refer to Section 15.0 of this Agreement.

Governmental Restrictions: Is defined in Section 9.1. Include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they apply or pertain to the Loan, performance of this Agreement, construction and development of the Site, or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located, the California Environmental Quality Act, National Environmental Policy Act, applicable federal, state, and local fair housing laws and public bid and prevailing wage requirements.

Hazardous Materials: Is defined in Section 9.7. Include, 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 of 1986 (42 U.S.C. Section 9601 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 of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984 (42 U.S.C. Section 6901 et seq.), (v) the Toxic Substances Control Act (15 U.S.C. Section 2601-2692), (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 13020 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.

HUD: The U.S. Department of Housing and Urban Development.

HUD Commitment Letter: The letter from HUD to the COUNTY providing an offer of commitment on the request for the HUD Loan.

HUD Loan: Is defined in Section 2.2(a). HUD's loan to the COUNTY of \$2,500,000, which amount shall be passed through to the Borrower subject to the Agreement and the Loan Documents.

HUD Note: Is defined in Section 2.2(a). The promissory note executed by the COUNTY, in favor of HUD, securing COUNTY's promise to repay the HUD Loan timely and in full.

Loan: Is defined in A of Recitals. COUNTY's loan to the Borrower of \$2,500,000, which is the subject of this Agreement and the Loan Documents.

Loan Documents: Is defined in Section 6.3(g). Include this Agreement, the Note, the Pledge and Security Agreement, and all other documents executed in connection therewith, attached thereto, or referenced therein.

Maturity Date: Is defined in Section 2.3. The outside date on which the Note is due; specifically, the outside date, absent acceleration, on which the Borrower must pay in full any remaining balance on the Loan, including interest, and other sums payable.

Note: Is defined in Section 2.1. The promissory note executed by Borrower in favor of the COUNTY, securing Borrower's promise to repay the Loan timely and in full.

Other Financing: Is defined in B of Recitals. Sources of funds other than the Loan funds, which have been committed towards funding the Project.

Plans: Is defined in Section 12.1. Drawings that have been reviewed by the COUNTY, which depict the project upon completion, including rendering, and elevations of the project.

Pledge & Security Agreement: Is defined in Section 5. The agreement between the Borrower and the COUNTY describing the rights and remedies of each party pertaining to Borrower's pledge of collateral and security for the Loan.

Project: Is defined in A of Recitals. The Covina Senior and Community Center improvement improvements approved for funding by the COUNTY using the Loan proceeds.

Schedule of Performance: Deadlines provided in the Loan Agreement for Borrower to carry out and complete the Project.

* These definitions are provided for convenience only. In the event of any conflict between this Exhibit and the main body of the Loan Agreement, the main body of the Loan Agreement shall supersede and control.

EXHIBIT "B" TO COUNTY LOAN AGREEMENT
PROMISSORY NOTE TO BE EXECUTED BY CITY

EXHIBIT "C" TO COUNTY LOAN AGREEMENT

CC&RS

OFFICIAL BUSINESS

Document entitled to free Recording
per Govt. Code Section 6103.

RECORDING REQUESTED BY AND
AFTER RECORDATION, MAIL TO:

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
700 W. Main Street, Alhambra, CA 91801
Attn.: Director of Community Development
Division

(Space Above Line for Recorder's use)

COVENANTS, CONDITIONS, AND RESTRICTIONS

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS (“**Agreement**”) is executed as of the xx day of October 2017 by and between the COUNTY OF LOS ANGELES (“**COUNTY**”), and the CITY OF COVINA, a California municipal corporation (“**Owner**”), with reference to the following:

A. COUNTY and Owner are parties to a Loan Agreement (“**Loan Agreement**”) dated as of the XX day of October 2017, on the terms and conditions of which Owner shall borrow from COUNTY, and COUNTY shall lend to Owner, the original principal amount of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000) (the “**Loan**”) for design and construction of public improvements to develop the eligible portion of the new Covina Senior and Community Center to be utilized exclusively by elderly persons which will consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements at Kelby Park (“**Project**”) located in the City of Covina. The Project site is legally described on Exhibit “A” to this Agreement (the “**Development Site**”).

B. Unless otherwise expressly provided, all defined terms used in this Agreement shall have the defined meanings provided for in the Loan Agreement.

NOW THEREFORE, in consideration of the representations, covenants, and obligations of Owner contained in this Agreement, Owner, on behalf of itself and its successors and assigns, hereby covenants and agrees as follows:

(1) Covina Senior and Community Center.

a. On or before the second anniversary of the date of this Agreement, Owner shall cause to be constructed and opened on the Development Site a senior and community center at Kelby Park, (the “Covina Senior and Community Center” or “Project”). The eligible portion of the Project for which Section 108 loan proceeds will be used shall include a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements as more particularly described in the Loan Agreement and exhibits thereto.

b. Commencing upon completion of the Covina Senior and Community Center facility and continuously thereafter until the 20th anniversary of the date of this Agreement, Owner shall cause the Covina Senior and Community Center facility to be operated and maintained as a community facility offering recreational programs.

c. Throughout the 20-year term of the CC&Rs, Owner shall use and operate the Project as a Center to be utilized exclusively by elderly persons and consist of a multipurpose room, warming kitchen, restrooms, staff offices, and site improvements where 100% of those who utilize the facility are at least 55 years of age and generally presumed to be principally low-and moderate-income persons as defined by HUD.

Owner shall continuously and exclusively operate the Project in a manner that meets the National Objective under Section 570.208(a)(2)(i)(A) of HUD's Community Development Block Grant program regulations to provide activities that benefit low-and moderate income persons (as defined by HUD) where at least fifty-one percent (51%) of those who utilize the facility are low-and moderate-income persons.

(2) Management of Project. Subject to the terms and conditions contained herein below, Owner shall at all times during the operation of the Project pursuant to this Agreement assign a professional City staff manager, or retain a management company ("**Manager**") to perform the management and/or supervisory functions with respect to the operation of the Project including day-to-day administration, maintenance and repair. Owner shall obtain COUNTY's written approval of the Manager, which approval shall not be unreasonably withheld. The Manager shall be subject to termination or reassignment for failure to meet Project maintenance and operational standards set forth herein or in other agreements between Owner and COUNTY. Owner shall promptly terminate any Manager which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days (or longer if reasonably necessary for the cure and the cure is being diligently pursued) from Manager's receipt of notice of the failure from Owner or COUNTY. Owner's obligation to retain a Manager shall remain in force and effect throughout the 20-year term of this Agreement ("Term").

(3) RESERVED.

(4) Operations and Maintenance. Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the land and bind every successor and assign in interest of Owner for the duration specified in Paragraph (9) below, that Owner and such successors and assigns shall use the Project, in accordance with and of the quality prescribed by this Agreement and the Loan Agreement.

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the Covina Senior and Community Center, and bind every successor or assign in interest of Owner for the duration specified in Paragraph (9) below, that during development of the Development Site pursuant to this Agreement and thereafter, the Project, nor any portion thereof, shall be improved, used or occupied in violation of any applicable Governmental Restrictions (as defined below) or the restrictions contained in this Agreement. Furthermore, Owner and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the Project, or any portion thereof, of any nuisance, public or private, as now or hereafter defined by any statutory or decisional law applicable to the Project, or any portion thereof.

As used herein, "**Governmental Restrictions**" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the performance of this Agreement or development or operation of the Project, including specifically but without limitation all code and other requirements of the jurisdiction in which the Project is located; the California Environmental Quality Act, the National Environmental Policy Act (NEPA); and applicable federal, state and local laws.

Owner shall indemnify, defend and hold COUNTY harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of or relating to the Loan or this Agreement.

(5) Performance of Maintenance.

Owner shall, at its expense, (i) maintain all improvements and landscaping on Project and existing facilities at Covina Senior and Community Center in first-class order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project approved by COUNTY and all Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with applicable Governmental Restrictions so as to maintain a safe and attractive environment for users of the Covina Senior and Community Center. Specifically:

a. Owner shall maintain in accordance with COUNTY Standards, as hereinafter defined, the improvements and landscaping to the curblines on and abutting the Project and existing facilities at Covina Senior and Community Center. Said improvements shall include, but not be limited to, buildings, sidewalks and other paved areas, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Project and existing facilities at Covina Senior and Community Center and any and all other improvements on the Project and in the public right-of-way to the nearest curblines abutting the existing Covina Senior and Community Center.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire, or cause its tenants to contract with and hire, licensed (if required by applicable law) 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 Agreement.

c. COUNTY Standards: The following minimum standards (“**COUNTY Standards**”) shall be complied with by Owner and its maintenance staff, contractors or subcontractors:

(i) Ordinary Maintenance Standards - Owner shall maintain the Project and existing facilities at Covina Senior and Community Center in good repair, order and condition at all times in order to assure that the Project is kept in a decent, safe, and sanitary condition, and that the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition.

(ii) Annual Inspection Standards - Owner shall annually inspect the Project and existing facilities at Covina Senior and Community Center for compliance with the maintenance standards specified in this Agreement. The completed annual inspection will be documented and reported to COUNTY on an annual basis, and at the end of each year Owner shall submit to COUNTY a declaration certifying that the annual inspection was performed at the Project and existing facilities at Covina Senior and Community Center. Owner shall retain records of the inspection and make them available for review by COUNTY at the request of COUNTY. Owner shall perform any preventative maintenance and extraordinary repairs or replacements necessary in order to maintain the Project and existing facilities at Covina Senior and Community Center, in the condition required by this Agreement including extraordinary replacement of equipment, betterment, and additions. Extraordinary repairs or replacement consists of major repairs and rehabilitation involving substantial expenditures which usually are needed only at relatively long intervals of time, or are caused by such occurrences as earthquake, fire, obsolescence and, in some instances, neglect. Such items as replacement of roofs, replacement of corroded gas and heating lines, and rehabilitation of landscaping (ground-cover) would be considered in this category.

(iii) COUNTY may enter and inspect the premises at any time during hours of operation, with or without prior notice to Owner.

(6) Failure to Maintain Improvements. In the event Owner does not maintain the Project and existing facilities at Covina Senior and Community Center improvements to the curblin(e)s in the manner set forth herein and in accordance with COUNTY Standards, COUNTY shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after (i) written notice to Owner stating that the condition of said improvements does not meet with COUNTY Standards and specifying the deficiencies and the actions required to be taken by Owner to cure the deficiencies (“**Deficiency Notice**”); and (ii) the lapse of the applicable “Cure Period,” as hereinafter defined. Upon receipt of the Deficiency Notice, Owner shall have thirty (30) days within which to correct, remedy or cure the deficiency, unless such deficiency is not capable of being cured within such 30 day period, then such amount of time as is needed, to cure such deficiency provided owner is diligently pursuing cure; provided however, if the Deficiency Notice states the problem is urgent relating to public health and safety, then Owner shall have forty-eight (48) hours to rectify the problem (collectively the “**Cure Periods**”).

In the event Owner fails to correct, remedy, or cure such maintenance deficiency after the Deficiency Notice and after the applicable Cure Period has lapsed, then COUNTY shall have the right to maintain such improvements. Owner agrees to pay COUNTY such maintenance charges and costs. Until so paid, COUNTY shall have a lien on the Project and existing facilities at Covina Senior and Community Center for the amount of such maintenance charges or costs, which lien shall be perfected by the recordation of a “Notice of Claim of Lien” against the Project and existing facilities at Covina Senior and Community Center. Upon recordation of a Notice of a Claim of Lien against the Project and existing facilities at Covina Senior and Community Center, such lien shall constitute a lien on the fee estate in and to the Project and existing facilities at Covina Senior and Community Center prior and superior to all other monetary liens except: (i) all taxes, bonds, assessments, and other levies which by law would be superior thereto; (ii) the lien or charges of any mortgage, deed of trust, or other security interest then of record made in good faith and for value, it being understood that the priority for any such lien for costs incurred to comply with this Agreement shall date from the date of the recordation of the Notice of Claim of Lien. Owner acknowledges and agrees COUNTY may also pursue any and all other remedies available in law or equity. Owner shall be liable for any and all reasonable attorneys' fees, and other legal costs or fees incurred in collecting said maintenance costs.

(7) Owner’s Obligation to Refrain From Discrimination. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project and existing facilities at Covina Senior and Community Center, nor shall Owner 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 of the Project and existing facilities at Covina Senior and Community Center or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

Owner shall refrain from restricting the rental, sale or lease of the Project and existing facilities at Covina Senior and Community Center or any portion thereof on the basis of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

a. In deeds: “The grantee herein covenants by and for himself or herself, and 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 race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the land herein conveyed, nor shall the grantee 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 in the land herein conveyed. The foregoing covenants shall run with the land.”

b. In leases: "The lessee herein covenants by and for himself or herself, and 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 race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the land 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 land herein leased."

c. In contracts: "There shall be no discrimination against or segregation of any person or group of persons, on account of race, gender, sexual orientation, creed, color, religion, national origin, age, or physical handicap in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, 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 premises."

(8) Environmental Mitigation Measures. Prior to "completion" of the Project, as defined in the Loan Agreement, the Owner shall implement, or cause to be implemented, the environmental mitigation measures, if any, described on Exhibit "B," attached hereto.

(9) Covenants Run With the Land; Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the Covina Senior and Community Center, including the existing facilities at Covina Senior and Community Center and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Project and exist existing facilities at Covina Senior and Community Center, or any part thereof, for the benefit of and in favor of COUNTY and its successors and assigns. The covenants of this Agreement shall remain in effect through the twentieth (20th) anniversary of the date hereof ("Term") (unless a shorter duration is otherwise specified herein), notwithstanding the repayment of the Loan by Owner prior to the Maturity Date (as defined in the Loan Agreement). The covenants contained in Section (7) of this Agreement shall remain in effect in perpetuity.

The Improvements to the curblines and the maintenance thereof touch and concern the Project and existing facilities at Covina Senior and Community Center and inure to the benefit of any and all present or successive owners of the Project and existing facilities at Covina Senior and Community Center. Therefore, whenever the word "owner" is used herein, it shall include the owner as of date of execution of this Agreement, and any and all successor owners or assigns of the Project and existing facilities at Covina Senior and Community Center, and the provisions hereof are expressly binding upon all such successive owners and assigns and the parties agree all such provisions shall run with the Project and existing facilities at Covina Senior and Community Center. COUNTY shall cause a fully executed copy of this Agreement to be recorded in the Office of the Los Angeles COUNTY Recorder.

(10) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that COUNTY and any assignees of this Agreement (including, without limitation, the Community Development Commission of the County of Los Angeles ("CDC") and the U.S. Department of Housing and Urban Development ("HUD")) shall be deemed the beneficiary(ies) of the terms and provisions of this Agreement and of the restrictions and covenants running with the Project and existing facilities at Covina Senior and Community Center for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit the covenants running with the Project and existing facilities at Covina Senior and Community Center have been provided. Each covenant of Owner, shall, without regard to technical classification and designation, inure to the benefit of the successors, transferees and assigns of COUNTY for the entire period during which

such covenants shall be in force and effect, and shall be binding upon the successors, transferees and assigns of Owner, whether by merger, consolidation, sale, transfer, liquidation or otherwise. Each covenant in favor of COUNTY (and any assignee of the COUNTY) is for the benefit of the real property owned by COUNTY (or such assignee) in the area surrounding or otherwise in the vicinity of the Project and existing facilities at Covina Senior and Community Center. The covenants herein running with the Project and existing facilities at Covina Senior and Community Center shall also be equitable servitudes upon the Project and existing facilities at Covina Senior and Community Center and each part thereof and shall bind each and every person having any interest in the Project and existing facilities at Covina Senior and Community Center or part thereof, whether such interest is fee, easement, leasehold, beneficial or otherwise, and each successor or assign of such person having any such interest in the Project and existing facilities at Covina Senior and Community Center or part thereof. COUNTY (and any assignee of COUNTY) shall have the right if any of the covenants set forth in this Agreement which are provided for its benefit 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 breach to which it may be entitled. In the event that suit is brought for the enforcement of this Agreement or as the result of any alleged breach hereof, the prevailing party or parties in such suit shall be entitled to recover their reasonable attorneys' fees from the losing party or parties, and any judgment or decree rendered in such proceedings shall include an award thereof. Except for COUNTY (and any assignee of COUNTY), the covenants and restrictions contained in this Agreement shall not benefit nor be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property.

(11) Compliance with Law. Owner shall comply with all Governmental Restrictions relating to the uses of or condition of the Project and existing facilities at Covina Senior and Community Center private improvements and public improvements to the curblines. Local laws for the purposes of this section shall include only those ordinances which are nondiscriminatory in nature and applicable to the public welfare, health, safety and aesthetics. If any new local laws relating to the uses of or condition of the improvements create a condition or situation that constitutes a lawful nonconforming use as defined by local ordinance with respect to the Project and existing facilities at Covina Senior and Community Center or any portion thereof, then so long as the lawful nonconforming use status remains in effect (i.e., until such lawful status is properly terminated by amortization as provided for in the new local law or otherwise), Owner shall be entitled to enjoy the benefits of such lawful nonconforming use pursuant to the lawful nonconforming use ordinance.

(12) Indemnification and Insurance. From and after the execution of this Agreement, Owner hereby agrees to indemnify, defend, and hold harmless the COUNTY, the CDC, the Housing Authority of the County of Los Angeles ("Housing Authority"), and each of their elected and appointed officers, officials, representatives, employees, and agents (hereinafter collectively referred to as "Public Agencies") from and against any and all liability, demands, damages, claims, causes of action, fees, (including reasonable attorneys' fees, expert witness' fees, defense costs), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), arising from, related to, or connected with the Owner's acts, errors, or omissions. The Owner shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the sole negligence or willful misconduct of the Public Agencies.

In the event that the Owner provides services in relation to the design and construction of the Project and existing facilities at Covina Senior and Community Center or any portion thereof, with respect to those design and construction services, the Owner agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all Liabilities that arise out of, pertain to, or relate to such project or the construction services of the Owner. The Owner shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the active negligence, sole negligence, or willful misconduct of the Public Agencies, Public Agencies' agents, servants, or independent contractors who are directly responsible to the Public Agencies.

In the event that the Owner contracts with another entity (hereinafter "Design/Construction Entity") for design

and construction services to be provided in relation to the construction of the Project and existing facilities at Covina Senior and Community Center or any portion thereof, (hereinafter "Owner-Design/Construction Entity Contract"), the Owner agrees that language substantially equivalent to the following shall be incorporated in its contract with the Construction Entity in favor of the Public Agencies: The Design/Construction Entity agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all liabilities, demands, damages, claims, causes of action, fees (including reasonable attorneys' fees, expert witness fees, and defense costs), and expenses, including, but not limited to, claims for bodily injury, property damage, and death (hereinafter collectively referred to as "Liabilities"), that arise out of, pertain to, or relate to the project or the construction services of the Construction Entity, its employees, representatives, consultants, subcontractors, agents, or any other entity for which the Design/Construction Entity is responsible. The Design/Construction Entity shall not be required to indemnify, defend, and hold harmless the Public Agencies from any Liabilities that arise from the active negligence, sole negligence, or willful misconduct of the Public Agencies, the Public Agencies' agents, servants, or independent contractors who are directly responsible to the Public Agencies. This indemnification clause shall remain in full force and effect following the expiration and/or termination of the Owner-Design/Construction Entity Contract.

The Owner further agrees to indemnify, defend, and hold harmless the Public Agencies from and against any and all Liabilities relating to the Owner's acts or omissions, whether civil or criminal, intentional or unintentional, including, without limitation, allegations or acts of physical abuse, mental abuse, psychological abuse, senior abuse, sexual abuse, molestation, maltreatment, or mistreatment, related in any way to this Agreement or the services or work to be provided hereunder.

The above mentioned indemnification provisions shall remain in full force and effect and survive the cancellation, termination, and/or expiration of this Agreement. The Owner further agrees to require any entities with which it contracts to agree to and abide by the above mentioned indemnification requirements in favor of the Public Agencies, as applicable to each of them.

In addition to the above indemnification provisions, Owner shall also protect and hold the Federal government harmless from and against all liabilities that the Federal government may incur as a result of providing an Award to assist (directly or indirectly) in site preparation or construction, as well as the direct or indirect renovation or repair of any facility or site. These protections apply to the extent that the Federal government may become potentially liable as a result of ground water, surface, soil or other natural or man-made conditions on the property caused by operations of the Owner, predecessors or successors (see 13 C.F.R. § 307.10(c)).

Without limiting Owner's indemnification of COUNTY provided above, Owner shall procure and maintain at its own expense during the Term of the Loan the insurance described below. Such insurance shall be secured from a pooled-risk joint powers authority satisfactory to COUNTY for purposes of this Agreement, or from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Owner shall, prior to the Close of Escrow for the Loan, deliver to COUNTY certificates of insurance with original endorsements evidencing the general liability coverage required by this Agreement. Owner shall deliver the certificates of insurance evidencing issuance of "all risk" property insurance described in (b) below and worker's compensation insurance described in (c) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. COUNTY reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COUNTY and may provide for such deductibles as may be acceptable to COUNTY. In the event such insurance does not provide for deductibles or self-insurance, Owner agrees that it will protect COUNTY, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that COUNTY is to be given at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

(a) Liability: General Liability Insurance (written on ISO policy form CG 00 01 or its equivalent) including coverage for personal injury, death, property damage and contractual liability with limits of not less than the following:

General Aggregate	\$2,000,000
Products/ Completed Operations Aggregate	\$2,000,000
Personal and Advertising Injury	\$1,000,000
Each Occurrence	\$1,000,000

If the services provided in relation to this Agreement relate in any way to minors, then this policy shall also include an endorsement for abuse and sexual molestation. Public Agencies, and their agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Owner. Said insurance shall be primary insurance with respect to COUNTY. If required by COUNTY from time to time, Owner shall increase the limits of the foregoing liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of COUNTY.

(b) Workers' Compensation: Owner's employees shall be covered by Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California. This must include a waiver of subrogation in favor of the Public Agencies. In all cases, the above insurance shall include Employer's Liability coverage with limits of not less than the following:

Each Accident	\$1,000,000
Disease-Policy Limit	\$1,000,000
Disease-Each Employee	\$1,000,000

(c) Crime Coverage for Employee Theft; Fidelity Bond: Owner shall maintain, at its sole cost and expense, a fidelity bond covering each employee of Owner, whether or not they are compensated. The fidelity bond may be either a primary commercial blanket bond or a blanket position bond written by an insurer licensed by the California Insurance Commissioner. Owner shall provide thirty (30) days notice to the CDC prior to cancellation of the fidelity bond. The fidelity bond shall provide a minimum coverage of one million dollars (\$1,000,000). The Owner shall maintain the fidelity bond for the duration of this contract. The fidelity bond may contain a provision for a deductible amount from any loss which, except for such deductible provision, would be recoverable from the insurer. A deductible provision shall not be in excess of ten percent (10%) of the required minimum bond coverage. Any deviation from this fidelity bond section shall require specific written approval by the CDC.

(d) Automobile Liability Insurance: Owner shall maintain Automobile Liability Insurance (written on ISO policy form CA 00 01 or its equivalent) with a limit of liability of not less than one million dollars (\$1,000,000) for each incident. Such insurance shall include coverage of all "owned", "hired", and "non-owned" vehicles, or coverage for "any auto." The Public Agencies shall be covered as additional insureds on such policy.

(e) Professional Liability Insurance: Owner shall maintain Professional Liability Insurance including coverage for personal injury, death, property damage, and contractual liability in an amount not less than One Million Dollars (\$1,000,000) for each occurrence and Two Million Dollars (\$2,000,000) general aggregate. Said insurance shall be maintained for the statutory period during which the professional maybe exposed to liability. The purpose of this insurance is to cover all claims for professional services being provided by Owner and any entity with which Owner contracts, which includes, but is not limited to, services provided by the following

professionals: physicians, physician's assistants, nurses, psychiatrists, psychologists, pharmacists, social workers, architects, engineers, and financial counselors.

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. Owner agrees it will require that, at a minimum, all of the above mentioned insurance requirements, with the exception of the Crime Coverage, are incorporated in its contract with any entity with which it contracts in relation to this Agreement, or in relation to the property or project that is the subject of this Agreement.

Failure on the part of Owner to procure or maintain the insurance coverage required above shall constitute a material breach of this Agreement pursuant to which COUNTY may immediately terminate this Agreement and exercise all other rights and remedies set forth herein, at its sole discretion, and without waiving such default or limiting the rights or remedies of COUNTY, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COUNTY shall be repaid by the Owner to COUNTY upon demand including interest thereon at the Default Rate.

(13) Bodily Injury and Property Damage. Owner shall defend, assume all responsibility for and hold COUNTY, CDC and HUD and the Representatives harmless from all claims or suits for, and damages to, property and injuries to persons, including accidental death (including attorneys' fees and Court costs), which result from any of Owner's activities under this Agreement, whether such activities or performance thereof be by Owner or anyone directly or indirectly employed or contracted with by Owner and whether such damage shall accrue or be discovered before or after termination of this Agreement.

(14) Waiver. Failure or delay by either party to perform any term or provision of this Agreement constitutes a default under this Agreement. The aggrieved party shall give written notice of the default to the party in default as set forth in Section (17)(e) hereof. If the defaulting party within a reasonable time commences to cure, correct, or remedy such default, and shall complete such cure, correction or remedy with reasonable and due diligence, within a thirty (30) day period or such longer period as reasonably determined by COUNTY, if the default cannot be cured within thirty (30) days, then the defaulting party shall no longer be in default. The waiver by one party of the performance of any covenant, condition, or promise shall not invalidate this Agreement nor shall it be considered a waiver by such party of any other covenant, condition or promise hereunder. The exercise of any remedy shall not preclude the exercise of other remedies COUNTY or Owner may have at law or at equity.

(15) Modification. This Agreement may be modified only by subsequent mutual written agreement executed by Owner and COUNTY.

(16) Attorney's Fees. In the event of litigation arising out of any breach of this Agreement, the prevailing party shall be entitled to recover reasonable costs and attorney's fees.

(17) Miscellaneous Provisions.

a. Interpretation. The provisions of this document shall be liberally construed to effectuate its purpose. Time is of the essence of this Agreement.

b. Severability. Invalidation of any of the covenants, conditions, restrictions, or other provisions contained in this Agreement by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, which shall remain in full force and effect.

c. Headings. The caption headings of the various sections and paragraphs of this Agreement are for convenience and identification only, and shall not be deemed to limit or define the contents of their respective sections or paragraphs.

d. Effective Date. This Agreement shall take effect upon its execution.

e. Notices. Formal notices, demands, and communications between COUNTY and Owner shall be given either by personal service, by overnight courier, or by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the principal offices of COUNTY or Owner, as follows:

If to COUNTY: c/o Community Development Commission of the County of Los Angeles
700 W. Main Street
Alhambra, California 91801
Attn: Executive Director

With a copy to: Community Development Commission of the County of Los Angeles
700 W. Main Street
Alhambra, California 91801
Attn: Community Development Division – Grants Management Unit

If to Owner: The City of Covina
125 E. College Street
Covina, California 91723
Attn: City Manager

With a copy to: The City of Covina
125 E. College Street
Covina, California 91723
Attention: City Attorney

Notices shall be effective upon receipt, if given by personal delivery, the earlier of (i) three (3) business days after deposit with United States Mail, or (ii) the date of actual receipt as evidenced by the return receipt, if delivered by certified mail, or (iii) one (1) business day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

f. Exhibits. Each Exhibit mentioned in this Agreement is attached hereto and incorporated herein by this reference.

g. Execution in Counterparts. The parties may execute this document in two or more counterparts; each counterpart shall be deemed an original instrument as against any party who has executed it.

h. Estoppel Certificate. Upon the written request of Owner from time to time, the COUNTY shall provide a certificate, signed by an authorized representative of COUNTY, certifying to a lender, tenant or other interested person designated by Owner that there are no uncured defaults by Owner under this Agreement, or specifying any outstanding defaults. Each request shall be accompanied by payment of \$1,500 to COUNTY to defray the COUNTY's cost of investigating and processing the request.

i. Notice and Cure Right. Except where another procedure and/or cure period is specified in this Agreement, COUNTY shall provide Owner with notice specifying the default and 30 days following the notice to cure the default prior to exercising any remedy pursuant to this Agreement.

j. HUD Section 108 Financing. The Parties acknowledge that the funds used by COUNTY in making the Project Loan to Owner will come from HUD through HUD's Section 108 program, and Owner hereby agrees to abide by any and all regulatory restrictions and conditions imposed by HUD in connection with HUD's funding to the COUNTY for this Project.

IN WITNESS WHEREOF, COUNTY and Owner have caused this instrument to be executed on their behalf by their respective officers hereunto duly authorized as of date first written above.

City:

CITY OF COVINA,
a California municipal corporation

By: _____
City Manager

APPROVED AS TO FORM:

City Attorney

COUNTY:

COUNTY OF LOS ANGELES

By: _____
Sean Rogan, Executive Director
Community Development Commission
of the County of Los Angeles

APPROVED AS TO FORM:
Office of the County Counsel

By: _____
Deputy

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2017, 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.

Signature _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2017, 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.

Signature _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2017, 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.

Signature _____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 2017, 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.

Signature _____

EXHIBIT "A" TO CC&Rs

LEGAL DESCRIPTION OF DEVELOPMENT SITE

Kelby Park, Covina, California

That portion of the southeast quarter of the southwest quarter of Section 12, Township 1 South, Range 10 West, San Bernardino meridian, in the City of Covina, County of Los Angeles, State of California, according to the official plat of said land filed in the District Land Office April 21, 1877, described as follows:

Beginning at a point in the easterly line of said southeast quarter of the southwest quarter distant South 0° 41' East 188.00 feet from the northeast corner of said quarter quarter, thence parallel with the northerly line of said quarter quarter, South 89° 41' 10" West 429.81 feet to the easterly line of the land described in the deed to Mary Visosky recorded on July 3, 1948, as Instrument No. 1512, in book 27706 page 243, Official Records of said county; thence southerly along said easterly line 270.02 feet to the southeast corner of the land described in said deed; thence along the southerly line of the last mentioned deed South 89° 41' 10" West 386.00 feet to the westerly line of the land described as Parcel 2 of the deed to Henry Damerel and wife, recorded on January 31, 1928, as instrument No. 1126 in book 7787 page 217, Official Records of said county; thence along said westerly line South 0° 36' 40" East 201.98 feet to the southerly line of the northerly 660.00 feet of said quarter quarter; thence along the last mentioned southerly line, North 89° 49' 10" East 816.41 feet, more or less, to the easterly line of said quarter quarter; thence along said easterly line North 0° 41' West 472.00 feet to the point of beginning.

EXCEPT the most easterly 40 feet of said land.

SUBJECT TO: Conditions, restrictions and easements of record.

Also known as 815 N. Barranca Avenue, Covina, California
APN: 8430-015-900

EXHIBIT "B" TO CC&Rs

Environmental Special Conditions

Title: Covina Senior and Community Center Project
Project No.: 601927-17

The following special conditions/environmental mitigation measures must be included in the project contract and later implemented as part of the project scope to alleviate adverse environmental impacts. The NEPA environmental clearance is conditioned upon the implementation of all special conditions/mitigation measures:

1. **Archaeological Resources.** In the unexpected event that archaeological resources are exposed during project demolition, all earth-disturbing work within the Area of Potential Effect (APE) must be temporarily suspended until an archaeologist has evaluated the nature and significance of the find. After the find has been appropriately mitigated, work in the area may resume. A Gabrieleño/Tongva representative should monitor any archaeological field work associated with Native American materials.

2. **Human Remains.** If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the Los Angeles County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the coroner has 24 hours to notify the Native American Heritage Commission (NAHC).

3. **Nesting/Breeding Native Bird Protection.** Project grading and tree removals should occur between August 16 and January 31 and therefore outside of the bird nesting season to avoid impacts to breeding/nesting birds. If work cannot be scheduled outside the breeding/ nesting season, a qualified biologist shall survey all breeding/nesting habitat within the project site and adjacent to the project site for breeding/nesting non-game native birds prior to the initiation of vegetation clearance or grading. If an active bird nest is located, the nest site shall be fenced at a distance commensurate with the particular species as recommended by a qualified biologist and in consultation with the California Department of Fish and Wildlife (CDFW), until juveniles have fledged and when there is no evidence of a second attempt at nesting. Limits of construction to avoid a nest shall be established in the field with flagging and stakes or construction fencing. Construction personnel will be instructed on the sensitivity of the area. Community Development Commission of Los Angeles County will record the results of the recommended protective measures described above to document compliance with applicable state and federal laws pertaining to protection of native birds.

4. **Additional Modifications.** Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the CDC of Los Angeles County.

EXHIBIT “D” TO COUNTY LOAN AGREEMENT

PROJECT DESCRIPTION

[INSERT HERE]

EXHIBIT "E" TO COUNTY LOAN AGREEMENT

SITE PLANS

[INSERT HERE]

EXHIBIT "F" TO COUNTY LOAN AGREEMENT

PLEDGE AND SECURITY AGREEMENT

PLEDGE AND SECURITY AGREEMENT

This PLEDGE AND SECURITY AGREEMENT (“**Agreement**”) is dated as of October XX, 2017, and is made and entered into by the BORROWER OF COVINA, a California municipal corporation (“**Borrower**”) in favor of the COUNTY OF LOS ANGELES, a public entity corporate and politic (“**COUNTY**”).

RECITALS

A. The Borrower has prepared and submitted to the COUNTY a loan application for Two Million Five Hundred Thousand Dollars (\$2,500,000.00) in funds made available to the COUNTY by the U.S. Department of Housing and Urban Development (“**HUD**”) pursuant to the Section 108 Loan Guarantee Program established under the Housing and Community Development Act of 1974, as amended. Concurrently with the execution and delivery of this Agreement, the COUNTY is extending the COUNTY loan authority to the Borrower pursuant to the terms of a Loan Agreement of even date herewith between the COUNTY and the Borrower (“**Loan Agreement**”). In addition to the Loan Agreement, the loan is evidenced by a Promissory Note (“**Promissory Note**”) and certain other loan documents executed in connection therewith (the Loan Agreement, the Promissory Note and such other loan documents, collectively, the “**Loan Documents**”).

B. The Borrower will use the net proceeds of the loan for the purpose of financing the design and construction of a senior and community building at Kelby Park, 815 N. Barranca Avenue, Covina, California.

C. In order to induce the COUNTY to make the loan, the Borrower desires to enter into this Agreement to grant a security interest in and pledge certain assets to the COUNTY as additional security for the loan.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual promises, covenants and agreements set forth herein, the Borrower hereby agrees with the COUNTY as follows:

1. Pledge and Grant of a Security Interest. As collateral for the payment and performance in full when due by Borrower of the Obligations (as defined in Section 2 below), the Borrower hereby pledges and grants a security interest in, assigns and transfers to the COUNTY (and delivers to U.S. Bank, N.A. as “**Escrow Agent**,” pursuant to the terms and conditions of that certain Escrow Agreement entered into between the COUNTY, the Borrower and the Escrow Agent of even date herewith):

(i) Cash and/or cash equivalents in the total amount of Two Million Five Hundred Thousand Dollars (\$2,500,000) (the “**Initial Cash Collateral Amount**”), as deposited in that certain Account No. ## located at the branch of the Escrow Agent (the “**Cash Collateral Account**”), including all monies now or hereafter contained in the Cash Collateral Account, and all renewals and replacements thereof, whether or not any such renewal or replacement is evidenced by a certificate or other evidence of deposit;

(ii) After funding of the loan through a public bond offering, Borrower shall be liable for the full amount of interest due to meet the obligations due to the public offering investors through for the entire term, or in the amount established by HUD’s fiscal agent through the optional redemption of the loan if paid off prior to the end of the term.

(iii) In the event the Borrower's primary source of repayment using Community Development Block Grant from its annual allocation is insufficient to meet any and all annual repayment obligations, the Borrower pledges to provide funds from another non-restricted funding source in the amount equal to the annual interest obligation directly to the Community Development Commission of the County of Los Angeles (CDC) on or before July 10th of each fiscal year to make available sufficient funds for the CDC to process the annual loan repayments on behalf of the COUNTY and the Borrower.

All of the foregoing shall be collectively referred to herein as the "**Collateral.**"

2. Obligations Secured. This Agreement is made, and the pledge and grant of a security interest herein is given, to secure the Borrower's payment and performance in full of all of the Loan Documents (collectively, the "**Obligations**").

3. Reserved.

4. Covenants and Representations of Borrower. The Borrower hereby covenants, represents and agrees as follows:

(a) Covenants. Until the full and final satisfaction of all the Obligations, the Borrower shall:

(i) Make all payments required under the Loan Documents.

(ii) Not withdraw or attempt to withdraw any of the funds from the Cash Collateral Account without the prior written consent of the COUNTY, which consent the COUNTY may or may not give in its sole and absolute discretion except as otherwise provided in the Escrow Agreement. Withdrawal of funds from the collateral escrow account will be as established in that certain Escrow Agreement entered into between the COUNTY, the Borrower and the Escrow Agent as mutually agreed upon by the Borrower and the COUNTY. The amount of the collateral may be reduced annually to equal the outstanding principal.

(iii) In the event the COUNTY elects to receive payments of Collateral hereunder, pay all expenses incurred by the COUNTY in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto.

(iv) Provide any service and do any other acts which may be necessary to keep the Collateral free and clear of all defenses, rights of off-set and counterclaims.

(b) Representations. The Borrower represents and warrants that the Borrower is the lawful owner of all other rights and interest in the Collateral, and that the Collateral is and shall be free of all claims and liens other than the ownership and security interest granted hereunder to the COUNTY, and that the Borrower has the full right to assign, transfer and pledge the Collateral to the COUNTY. This Agreement and the delivery to the Escrow Agent, as the COUNTY's agent, of all funds to be deposited into the Cash Collateral Account creates a valid and perfected first security interest in the Collateral in favor of the COUNTY, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such first security interest and transfer have been duly taken. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required (i) for the grant by the Borrower of the security interest or transfer made hereby, (ii) for the execution, delivery or performance of this Agreement by the Borrower, or (iii) for the perfection of or the exercise by the COUNTY of its rights and remedies hereunder.

5. COUNTY's Rights.

(a) Attorney-In-Fact. Borrower irrevocably appoints the COUNTY as the Borrower's attorney-in-fact with full authority in the place and stead of the Borrower and in the name of the Borrower, with full power of substitution, from time to time in the COUNTY's sole discretion, to take any action and to execute any instrument which the COUNTY may deem necessary or advisable, in its sole discretion, to accomplish the purposes of this Agreement, including, without limitation: (i) to liquidate any deposit pledged to the COUNTY hereunder prior to its maturity date and apply the proceeds thereof to repayment of the Obligations, notwithstanding that such liquidation may give rise to penalties for early withdrawal of funds; (ii) to ask, demand, collect, sue for, recover, compromise, receive and give acquittance and receipts for monies due and to become due under or in respect of any of the Collateral; (iii) to receive, endorse and collect any drafts or other instruments, documents and chattel paper in connection therewith; (iv) to file any claims or take any action or institute any proceedings which the COUNTY may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce the rights of COUNTY with respect to any of the Collateral; and (v) to exercise all rights, powers and remedies that the Borrower would have, but for this Agreement, with respect to the Collateral. This appointment is coupled with an interest and is irrevocable. Notwithstanding the foregoing, the COUNTY shall have no duty, and shall not be liable for any failure, to realize upon the Collateral or for any failure to take any action whatsoever with regard to the Collateral.

(b) COUNTY May Perform. COUNTY, at any time, without notice to the Borrower, and at the Borrower's expense, either in its own name or in the name of its nominee, may, but shall not be obligated to, do and perform such acts as it may deem proper to preserve the Collateral and exercise such rights, powers and remedies with respect to the Collateral that an owner would possess. COUNTY shall notify the Borrower or cause the Escrow Agent to notify Borrower of such acts within a reasonable amount of time after they are taken by COUNTY.

(c) COUNTY's Duties. The rights and remedies of the COUNTY hereunder are solely to protect its interests in the Collateral and shall not impose any duty upon it to exercise any such powers. The COUNTY shall have no duty as to the Collateral or any portion thereof or to take any steps necessary to preserve rights against third parties or any other rights pertaining to the Collateral or any portion thereof whatsoever.

(d) Default. An “**Event of Default**” shall occur hereunder upon the occurrence of an “Event of Default” under the COUNTY Loan Documents.

(e) Rights of COUNTY Upon Default. Upon the occurrence and during the continuance of an Event of Default under this Agreement, or at any time thereafter, unless such Event of Default shall have been remedied to the COUNTY's satisfaction or expressly waived in writing by the COUNTY, the COUNTY shall have all of the rights and remedies available to it under the COUNTY Loan Documents, including, without limitation, this Agreement, or accorded to a secured party by law or in equity, all of which rights and remedies shall, to the fullest extent permitted by law, be cumulative. Without limiting the generality of the foregoing, upon the occurrence of an Event of Default, the COUNTY shall be entitled, at its option, and the Borrower hereby authorizes the COUNTY to take, whatever actions may be necessary to realize upon the Collateral, including, without limitation, to withdraw any or all funds from the Cash Collateral Account and to apply the proceeds of the Cash Collateral Account to the costs and expenses of the COUNTY in enforcing its remedies (including the reasonable attorney's fees and legal expenses incurred by the COUNTY in any bankruptcy or judicial or non-judicial foreclosure proceeding, whether or not suit has been filed, or otherwise) and then to the payment of the Obligations and the indebtedness secured hereby. The Borrower expressly authorizes such action by the COUNTY in advance of, and without regard to, any realization upon any other collateral (if any) securing any indebtedness of Borrower to COUNTY, and Borrower hereby waives any right of subrogation or marshalling of such collateral for indebtedness of the Borrower to the COUNTY. Any legal requirement of reasonable notice (to the extent not waived) shall be satisfied if the COUNTY provides written notice to the Borrower at least five (5) days prior to the event giving rise to the required notice.

6. COUNTY's Assignment. The COUNTY may assign or transfer the whole or any part of the Obligations secured hereby and may transfer the whole or any part of its interest in the Collateral. The transferee shall be vested with all rights and powers of the COUNTY hereunder with respect to said interest in the Collateral so transferred, and thereafter the COUNTY shall be fully discharged from all responsibility with respect thereto.

7. No Further Assignment by Borrower. The Borrower shall not pledge, assign, encumber, hypothecate or otherwise transfer all or any part of the Collateral or any of the Borrower's rights, benefits, obligation or duties hereunder, and shall not withdraw any portion of the Collateral without the COUNTY's prior written consent, which consent may be withheld in the COUNTY's sole discretion. Any purported transfer or assignment by the Borrower without such consent shall be void.

8. Indemnity. The Borrower agrees to protect, defend, indemnify and hold the COUNTY harmless from and against any liabilities, expenses, costs, penalties and fees paid or incurred by the COUNTY in protecting and enforcing the COUNTY's rights and remedies hereunder, including, without limitation, any attorney's fees and expenses and any penalties reasonably incurred that may arise by any realization upon the Collateral or in connection with bankruptcy, foreclosure or similar proceedings.

9. Further Acts and Assurances. The Borrower, upon request of the COUNTY, agrees to do such further acts, and execute, acknowledge, endorse and deliver such further instruments and agreements, that the COUNTY may at any time and from time to time reasonably request in connection with the administration or enforcement of this Agreement, or related to the Collateral or any part thereof, or in order to further assure and confirm unto the COUNTY the rights, powers and remedies hereunder.

10. Waivers. The Borrower unconditionally waives all of the following:

(a) Any right to require the COUNTY to proceed against the Borrower or any other person at any time or to proceed against or exhaust any security held by the COUNTY at any time or to pursue any other remedy whatsoever at any time;

(b) The defense of any statute of limitations affecting the liability of the Borrower hereunder;

(c) All presentments, demands for performance, or requirement for notice, including but not limited to notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Agreement;

(d) Any defense arising by reason of any invalidity or unenforceability of any of the documents evidencing or securing any of the Obligations or any disability of the Borrower; and

(e) Any defense based upon an election of remedies by the COUNTY.

11. Authorizations. The Borrower authorizes the COUNTY, without affecting the Borrower's liability hereunder, from time to time to:

(a) Take and hold security, other than the Collateral, for the payment of the Obligations secured hereby or any part thereof, and exchange, enforce, waive and release the Collateral or any part thereof or any such other security; and

(b) Apply such Collateral or other security and direct the order or manner or sale thereof as the COUNTY in its discretion may determine.

12. Termination of Pledge. The Collateral shall forthwith be transferred and delivered to the Borrower, and the COUNTY's rights hereunder shall be terminated, at such time as (a) the COUNTY (or its assignee) shall have received payment in full of all Obligations owing by the Borrower to the COUNTY under the COUNTY Loan Documents, and all other evidences of indebtedness and other instruments, documents and security instruments delivered to COUNTY in connection with the Obligations (as they may be extended, modified or supplemented) have been satisfied, and (b) the COUNTY shall have no further commitment to extend any loan or financial accommodation to the Borrower with respect to the Obligations secured hereby. Any such delivery shall be without recourse upon or warranty by the COUNTY and at the expense of the Borrower.

13. No Waiver. No forbearance, failure or delay on part of the COUNTY or Borrower to exercise any right or remedy hereunder shall operate as a waiver thereof and no single or partial exercise by the COUNTY or Borrower of any right of remedy shall preclude any other or further exercise thereof or the exercise of any other right or remedy. All rights, powers and privileges of the COUNTY or Borrower under this Agreement and the COUNTY Loan Documents shall be cumulative.

14. Notices. All notices hereunder shall be conclusively deemed to have been received and shall be effective on the day delivered (including delivery by commercial delivery services), or, if sent by registered mail, return receipt requested, then three (3) business days after mailing. All notices shall be addressed to the Borrower or the COUNTY, as the case may be, as follows:

- If to Borrower: City of Covina
125 E. College Street
Covina, CA 91723
Attn: Borrower Manager

- With a copy to: City of Covina
125 E. College Street
Covina, California 91723
Attention: Borrower Attorney

- If to COUNTY: Community Development Commission
of the County of Los Angeles
700 W. Main Street
Alhambra, CA 91801
Attn: Executive Director

- With a copy to: Community Development Commission
of the County of Los Angeles
700 W. Main Street
Alhambra, CA 91801
Attn: Community Development Division

15. Amendments. The provisions of this Agreement may not be waived, altered, amended or repealed in whole or in part except by the express written consent of the COUNTY.

16. Severability. Each term, covenant, condition or provision of this Agreement shall be viewed as separate and distinct, and in the event that any such term, covenant, condition or provision shall be held to be invalid, the remaining provisions shall continue in full force and effect.

17. Successors and Assigns. The provisions of this Agreement shall be binding on and shall inure to the benefit of the parties to it and their respective heirs, legal representatives, successors and assigns, except as otherwise provided herein.

18. Survival of Representations and Warranties. The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Agreement and the execution and delivery of the COUNTY Loan Documents. All statements contained in any certificate delivered by or on behalf of the Borrower pursuant hereto shall constitute representations and warranties hereunder.

19. Time of the Essence. Time is of the essence in the performance of the terms and provisions of this Agreement.

20. General Construction. As used in this Agreement, the masculine, feminine and neuter genders, and the plural and singular numbers shall be deemed to include the others in all cases where they would so apply. "Includes" and "including" are not limiting, and "or" is not exclusive. If more than one person has executed this Agreement as the Borrower, the obligations of all such persons shall be joint and several.

21. Headings and Captions. The headings and captions used herein are solely for the purpose of reference only and are not to be considered as construing or interpreting the provisions of this Agreement.

22. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, except as required by mandatory provision of law and except to the extent that the validity or perfection of the security interest hereunder, or remedies hereunder, in respect of any particular Collateral are governed by the laws of a jurisdiction other than the State of California. Unless otherwise defined herein, terms used in Article 9 of the Uniform Commercial Code in the State of California are used herein as therein defined. The COUNTY and Borrower each consent to the personal jurisdiction of the appropriate state or federal court located in Los Angeles, California.

23. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which, taken together, shall constitute one and the same agreement.

IN WITNESS WHEREOF, Borrower and COUNTY have caused this Pledge and Security Agreement to be executed as of the date first above written.

CITY OF COVINA
a California municipal corporation

By: _____
Brian Saeki, City Manager

Approved as to form:

By: _____
Candice K. Lee, City Attorney

COUNTY OF LOS ANGELES
a public entity corporate and politic

By: _____
Sean Rogan, Executive Director,
Community Development Commission
of the County of Los Angeles

APPROVED AS TO FORM:
Office of the COUNTY Counsel

By: _____
Deputy

EXHIBIT "G" TO COUNTY LOAN AGREEMENT

ESCROW AGREEMENT

[INSERT HERE]