COMMUNITY DEVELOPMENT COMMISSION
of the County of Los Angeles
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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

March 15, 2005

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

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:

HOME COOPERATION AGREEMENT WITH THE CITY OF NORWALK AND LOAN AGREEMENTS WITH HOMES FOR LIFE FOUNDATION TO DEVELOP HOUSING FOR MENTALLY ILL IN THE CITY OF NORWALK (4)
(3 Vote)

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Acting in the role of Responsible Agency for the development of 36 units of multifamily housing, to be located at Metropolitan State Hospital, at 11401 South Bloomfield Avenue, in the City of Norwalk, certify that the County of Los Angeles has independently considered and reached its own conclusions regarding the environmental effects of the project and the Initial Study/Mitigated Negative Declaration (IS/MND) and Mitigation Monitoring and Reporting Program (MMP) adopted by the State of California Department of Mental Health, as Lead Agency, and determine that the IS/MND and MMP adequately address the environmental impacts of the project, and adopt by reference the environmental findings of the State of California Department of Mental Health in connection with approval of the project.

2. Authorize the Chair of the Board to enter into and execute the Home Investment Partnerships (HOME) Program Participating

Jurisdictions Cooperation Agreement (Cooperation Agreement), attached hereto as Exhibit C, between the County of Los Angeles and the City of Norwalk, granting full legal authority for the Community Development Commission to administer HOME funds to assist in the development of the above project.

3. Authorize the Executive Director of the Commission to administer, on behalf of the Commission, all terms and conditions of the Cooperation Agreement and up to $3,042,820 in countywide HOME funds, to provide funds for predevelopment, rehabilitation and permanent financing of 34 HOME-assisted units of Single Room Occupancy (SRO) housing for very low-income individuals with mental illness, to be located at the above site, consisting of up to $1,889,905 for development of 20 HOME-assisted units known as Birch Grove Homes, and up to $1,152,915 for development of 14 HOME-assisted units known as Elm Street Homes.

4. Authorize the Executive Director of the Commission to administer, on behalf of the Commission, a 20 percent contingency of up to $230,583 in HOME funds, for unforeseen costs related to the predevelopment, rehabilitation and permanent financing of Elm Street Homes.

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

1. Accept authorization from the Board of Supervisors for the Executive Director of the Community Development Commission to administer, on behalf of the Commission, all terms and conditions of the Home Investment Partnerships (HOME) Program Participating Jurisdictions Cooperation Agreement (Cooperation Agreement), provided as Attachment C, between the County of Los Angeles and the City of Norwalk, granting full legal authority for the Commission to use HOME funds to assist in the development of 34 units of multifamily housing, to be located at Metropolitan State Hospital, at 11401 South Bloomfield Avenue, in the City of Norwalk.

2. Approve two 55-year Loan Agreements, presented in substantially final form, between the Commission and Homes for Life Foundation (Developer), using up to $3,042,820 in countywide HOME funds, to provide funds for predevelopment,

rehabilitation and permanent financing of 34 HOME-assisted units of Single Room Occupancy (SRO) housing for very low-income individuals with mental illness, to be located at the above site, consisting of up to $1,889,905 for development of 20 HOME-assisted units known as Birch Grove Homes, provided as Attachment D, and up to $1,152,915 for development of 14 HOME-assisted units known as Elm Street Homes, provided as Attachment E.

3. Authorize the Executive Director to execute the Loan Agreements, and all related documents, including those to subordinate the Commission's loan to permitted construction and permanent financing, to be effective following approval as to form by County Counsel and execution by all parties.

4. Authorize the Executive Director to incorporate up to $3,042,820 in HOME funds into the Commission's approved Fiscal Year 2004-2005 budget, for the purposes described above.

5. Authorize the Executive Director to use up to $230,583 in HOME funds for unforeseen costs related to predevelopment, rehabilitation and permanent financing of Elm Street Homes, and to incorporate the funds into the Commission's approved Fiscal Year 2004-2005 budget.

PURPOSE /JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to enter into and execute a Cooperation Agreement between the County and the City of Norwalk, and to approve two Loan Agreements between the Commission and the Developer for predevelopment, rehabilitation and permanent financing of 34 units of multifamily rental housing for very low-income individuals with mental illness.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

Under the terms of the Birch Grove Homes Loan Agreement, up to $1,889,905 in HOME funds will be provided as a 55-year, three percent simple interest loan, evidenced by a Promissory Note and secured by a subordinated leasehold Deed of Trust. The loan will be used for predevelopment and rehabilitation financing, converting to permanent financing, and will be repaid from residual rental receipts generated from the property.

Birch Grove Homes also was awarded a loan of $1,437,335 in City of Industry Redevelopment Housing Set-Aside Funds, approved by the Board of Commissioners of the Housing Authority of the County of Los Angeles on April 4, 2000, which will also be used for pre-development, rehabilitation and permanent financing.

Other Birch Grove Homes permanent financing sources include a State of California Multifamily Housing Program (MHP) permanent loan of $1,619,569, a $400,000 grant from the Supportive Housing Program (SHP) of the U.S. Department of Housing and Urban Development (HUD), and $553,894 in Deferred Costs, which include the developer fee and capitalized reserves.

Under the terms of the Elm Street Homes Loan Agreement, up to $1,152,915 in HOME funds will be provided as a 55-year, three percent simple interest loan, evidenced by a Promissory Note and secured by a subordinated leasehold Deed of Trust. The loan will be used for predevelopment and rehabilitation financing, converting to permanent financing, and will be repaid from residual rental receipts generated from the project. In addition, a 20 percent contingency, in the amount of $230,583 in HOME funds is being set aside for unforeseen costs related to predevelopment, rehabilitation and permanent financing of Elm Street Homes.

Elm Street Homes has also received a loan of $675,232 in City of Industry Redevelopment Housing Set-Aside Funds, approved by the Board of Commissioners of the Housing Authority on February 3, 2004, also to be used for acquisition, predevelopment, rehabilitation and permanent financing.

Other Elm Street Homes permanent financing sources include a State of California MHP permanent loan of $1,147,760, a HUD SHP grant of $400,000 and $242,855 in Deferred Costs, which include the developer fee and capitalized reserves.

The estimated total costs are $4,281,134 for Birch Grove Homes, and $2,471,002 for Elm Street Homes.

Financial Analyses for the projects are provided as Attachments A and B.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Execution of the Cooperation Agreement will allow the use of HOME program funds for the two projects. Although Norwalk does not participate in the County HOME program, Norwalk and the County have agreed that the two projects are located within the city limits of Norwalk and are eligible to receive Los Angeles County HOME funds, as permitted by the United States Department of Housing and Urban Development (HUD) HOME regulations, upon full execution of the HOME Cooperation Agreement by both Norwalk and the County.

The proposed loans will be used to assist in the development of 34 units of permanent housing for very low-income individuals with mental illness, to be constructed at 11401 South Bloomfield Avenue, at Metropolitan State Hospital in the City of Norwalk, consisting of 20 units known as Birch Grove Homes, to be located in Building 303 and 14 units known as Elm Street Homes, to be located in the Old Administration Building. Two additional non-HOME-assisted, one-bedroom units will serve as managers' units.

The 34 assisted units will be reserved for very low-income households, defined as households whose incomes do not exceed 50 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), adjusted for household size, as determined by HUD. The affordability periods will run for 55 years, effective from the date of the Loan Agreements.

The Developer, a nonprofit agency whose purpose is to provide affordable, permanent, service-enriched housing to adults with chronic mental illness, will also operate and own both projects. The Developer will provide case management and mental health treatment to residents, employ the staff and provide the majority of the program services, including outreach, basic needs, mental health care, psychosocial and vocational services, advocacy/education, support systems and crisis intervention. In addition, the Developer will coordinate with other community-based service providers for the provision of job training, skills development and other services to improve the residents' quality of life.

The project is being federally funded, and is not subject to the requirements of the Greater Avenues for Independence (GAIN) Program implemented by the County of Los Angeles. Instead, the Developer must comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

ENVIRONMENTAL DOCUMENTATION:

Pursuant to 24 Code of Federal Regulations Part 58, Section 58.35 (a)(3)(ii) this project is excluded from the provisions of the National Environmental Policy Act (NEPA) of 1969 because it involves activities that will not alter existing environmental conditions, provided that the stipulations agreed to in the attached Memorandum of Agreement between HUD and the California State Historic Preservation Officer are carried out.

Pursuant to the requirements of the California Environmental Quality Act (CEQA), and consistent with CEQA Guidelines, an IS/MND was prepared for these projects by the State of California Department of Mental Health. The adoption by the State of California Department of Mental Health of the IS/MND and MMP, and the filing of a

Notice of Determination, along with the County's findings as responsible agency, meet the requirements of CEQA.

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

IMPACT ON CURRENT PROGRAM:

The proposed action will provide affordable rental housing to very low-income individuals with mental illness.

CONCLUSION:

Please instruct the Executive Officer to return two original copies of the executed Cooperation Agreement to the Commission.

Respectfully submitted,

Bobbette A. Glover
for CARLOS JACKSON
Executive Director

Attachments: 5

Attachment A

HOUSING FINANCIAL ANALYSIS
Birch Grove Homes

The project consists of 21 apartments to be located at Metropolitan State Hospital, 11401 South Bloomfield Avenue, Building 303, in the City of Norwalk. Twenty units will be developed using a Commission HOME loan and will be reserved for very low-income persons and families, defined as households whose incomes do not exceed 50 percent of the Area Median Income for the Los Angeles/Long Beach Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development (HUD). The remaining unit will serve as a manager's unit. The following is a financial analysis of the project.

	TOTAL	**PER UNIT**
Construction Phase		
Uses		
Total Development Cost	**$4,281,134**	**$203,864**
Sources		
Commission HOME loan	$1,889,905	$89,996
City of Industry Fund	$1,437,335	$68,445
HUD/LAHSA.SHP permanent loan	$400,000	$19,048
Deferred Costs	$553,894	$26,375
Total	**$4,281,134**	**$203,864**
Permanent Phase		
Uses		
Total Development Cost	**$4,281,134**	**$203,864**
Sources		
Commission HOME loan	$824,230	$39,249
City of Industry Fund	$1,437,335	$68,445
HUD/LAHSA SHP permanent loan.	$400,000	$19,048
Multifamily Housing Program	$1,619,569	$77,122
Total	**$4,281,134.00**	**$203,864**

Attachment B

HOUSING FINANCIAL ANALYSIS
Elm Street Homes

The project consists of 15 units to be located at Metropolitan State Hospital 11401 S. Bloomfield Ave., Building 303, Norwalk, CA 90650. Fourteen units will be developed using a Commission HOME loan. All units will be reserved for low- and very low-income persons and families, defined as those whose incomes do not exceed 50 percent of the Area Median Income for the Los Angeles/Long Beach Metropolitan Statistical Area (MSA), as determined by the U.S. Department of Housing and Urban Development (HUD). The following is a financial analysis of the project.

	TOTAL	**PER UNIT**
Construction Phase		
Uses		
Total Development Cost	**$2,471,002**	**$164,733**
Sources		
Commission HOME Loan	$1,152,915	$76,861
City of Industry Fund	$675,232	$45,015
HUD/LAHSA.	$400,000	$26,667
Deferred Costs	$242,855	$16,190
Total	**$2,471,002**	**$164,733**
Permanent Phase		
Uses		
Total Development Cost	**$2,471,002**	**$164,733**
Sources		
Commission HOME Loan	$248,010	$16,534
City of Industry Fund	$675,232	$45,015
HUD/LAHSA.	$400,000	$26,667
Multifamily Housing Program	$1,147,760	$76,517
Total	**$2,471,002**	**$164,733**

Total development cost does not include $230,583 in contingency.

COUNTY OF LOS ANGELES

HOME INVESTMENT PARTNERSHIPS PROGRAM

PARTICIPATING JURISDICTIONS

COOPERATION AGREEMENT

THIS Agreement is made and entered into this ___ day of _____, 200_, by and between the City of Norwalk, hereinafter referred to as "City," and the County of Los Angeles, hereinafter referred to as the "County."

WITNESSETH THAT:

WHEREAS, City and County desire to cooperate to undertake, or assist in undertaking, the development of multi-family housing through the use of HOME Investment Partnership Funds ("HOME"), as authorized by the Housing and Community Development Act of 1992, as amended , hereinafter referred to as "Act;" and

WHEREAS, the City and the County are designated by the U.S. Department of Housing and Urban Development ("HUD") as Participating Jurisdictions under the HOME Program, and the Act, and HOME Regulation 24 CFR 92.201(a)(2) permits two contiguous local Participating Jurisdictions to enter into a cooperation agreement to conduct eligible activities which serve residents of both jurisdictions; and

WHEREAS, the terms and provisions of this Agreement are fully authorized under State and local law, and that this Agreement provides full legal authority for the County to assist in undertaking the development of the Projects (defined below) through provision of HOME funds within the boundaries of the City;

WHEREAS, the Community Development Commission of the County of Los Angeles ("Commission") administers the County's HOME Program on behalf of the County.

NOW, THEREFORE, the parties agree as follows:

1. The City and the County agree to cooperate to undertake, or assist in undertaking, the HOME Program including the rehabilitation of housing for low-income persons, and that such undertaking would mutually benefit and serve the residents of both jurisdictions.

2. The City hereby authorizes the County to perform, or cause to be performed, those acts necessary to implement the HOME Program for rehabilitation of housing for low income persons, which will be funded from the County's HOME Program funds. Said funds shall be used for the exclusive purpose of rehabilitation, preserving and/or

enhancing the residential real estate located in the City containing thirty-six (36) dwelling units for rent, located at the premises commonly known as Metropolitan State Hospital, 11401 S. Bloomfield Ave., Bldg 303 ("Birch Grove Homes") and Old Administration Building ("Elm Street Homes"), in Norwalk, California 90650 ("Projects").

3. The County shall ensure that any development which is assisted using HOME program funds in this Agreement must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, as set forth in 24 CFR part 5, subpart A: Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d); Title VIII of the Civil Rights Act of 1968, As Amended "the Fair Housing Act" (42 U.S.C. 3601); Equal Opportunity in Housing (Executive Order 11063, As Amended); Architectural Barriers Act of 1968, As Amended (42 U.S.C. 4151); Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101); Equal Employment Opportunity Programs, Executive Order 11246, As Amended; Section 504 of the Rehabilitation Act of 1973; Title II of the Americans With Disabilities Act; Section 3 of the Housing and Urban Development Act of 1968; Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4821 et seq.), 24 CFR part 35, and 24 CFR 982.401(j); Davis-Bacon Act (40 U.S.C. 276a); Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4201-4655) and 49 CFR part 24; HOME Affirmative Marketing requirements; HOME Conflict of Interest provisions; Executive Orders 11625, 12432, and 12138 (Community Business Enterprise); Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87; California Drug-Free Workplace Act of 1990.

4. City and County agree that County shall be the lead agency for the development of the Projects and shall ensure compliance with HOME requirements regarding environmental review, labor compliance, affordability restrictions and monitoring requirements. City shall not contribute any funds to the Projects.

5. The City and County acknowledge that the Projects are consistent with their respective most recent Housing and Community Development Consolidated Plans, as approved by HUD.

6. The County shall ensure that the Projects serve low-income residents from both the City and County jurisdictions. The County shall ensure that the Developer affirmatively markets the Projects and specifically conducts outreach to the residents of both jurisdictions who are eligible tenants for the Projects.

7. This Agreement shall be effective for the period of time required for the development of the Projects and expenditure of all HOME Program funds obligated for the Projects identified in paragraph 2, above. In no event shall this Agreement be terminated before January 1, 2010 except as a result of action by HUD.

8. The City and County agree that HOME Program funding is prohibited for any activities in or in support of any cooperating City that does not affirmatively further fair housing within its own jurisdiction, or that impedes the County action to comply with its fair housing certification.

9. In the performance of this Agreement, the County shall cause City to be named as an additional insured under any and all general liability policies obtained by County or the Developer(s) with respect to the Projects.

10. This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto and contains all the covenants and agreements between the parties with respect to the conditions of said services and funding in any manner whatsoever. Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied herein, and that no other agreement or amendment hereto shall be effective unless executed in writing and signed by both City and County.

11. This Agreement shall be governed by and construed in accordance with the laws of the State of California, all applicable federal statutes and regulations as amended, and all applicable local laws.

12. This Agreement may be terminated at any time by either party upon thirty (30) days prior notice in writing to the other party.

13. The Community Development Commission of the County of Los Angeles ("Commission") shall administer this Agreement on behalf of the County.

14. The County reserves the right to determine the disposition of any program income, including the County taking possession of said program income for further use for affordable housing.

15. In the event that the Projects terminate prior to completion, the County shall be responsible for obtaining any HOME funds under this Agreement to be repaid by the Developer, and any repayment to the County's HOME Treasury account or to the County's local account, as directed by HUD.

16. In the event that the Projects fail to meet the HOME affordability requirements or defaults for any other reason, the County shall be responsible for pursuing any and all remedies available to it, including but not limited to foreclosure.

17. The County shall be responsible for enforcing the affordability requirements of the Projects, including the tenant occupancy monitoring, lease requirements, inspection for maintenance of Housing Qualify Standards, and any other applicable HOME requirements. All project records shall be retained by the County, which shall

provide the City with copies of any project records, reports and monitoring information the City requests.

18. The County shall be responsible for dealing with any disputes that arise with the Developer regarding the Projects and the HOME funds under this Agreement, and any disputes between the City and the County shall be mediated by a third party acceptable to both. Mediation of any disputes between the City and the County by a third party shall be non-binding.

19. The invalidity in whole or in part of any provision of this Agreement shall not void or affect the validity of any other provisions of this Agreement.

20. In contemplation of the provisions of Section 895.2 of the California Government Code imposing certain tort liability jointly upon public entities solely by reason of such entities being parties to an agreement as defined by Section 895 of said Code, the parties hereto, as between themselves, pursuant to the authorization contained in Sections 895.4 and 895.6 of said Code, will each assume the full liability imposed upon it, or any of its officers, agents, or employees by law for injury caused by a negligent or wrongful act or omission occurring in the performance of this Agreement to the same extent that such liability would be imposed in the absence of said Section 895.2. To achieve the above-stated purpose, each party indemnifies and holds harmless the other party for any loss, cost, or expense that may be imposed upon such other party solely by virtue of said Section 895.2. The County and the City agree to indemnify, defend and hold harmless each other against any and all liability, expense and claims arising from their respective acts or omissions. The provisions of Section 2778 of the California Civil Code are made a part hereof as if fully set forth.

IN WITNESS WHEREOF, the governing bodies of the parties hereto have authorized this Agreement to be executed by their respective chief executive officers and attested by the executive officer-clerks thereof as of the day, month and year first above written.

CITY OF NORWALK

By _____
Ernie V. Garcia, City Manager

ATTEST:

City Clerk

By _____
Gail A. Vasquez, City Clerk

APPROVED AS TO FORM:

City Attorney

By _____

COUNTY OF LOS ANGELES

By _____
Chairman, Board of Supervisors

ATTEST:

_____,
Executive Officer –
Clerk of the Board of Supervisors

By _____
Deputy

APPROVED AS TO FORM:
RAYMOND G. FORTNER, JR.
County Counsel

By _____
Deputy

ATTACHMENT D

LOAN AGREEMENT

by and between the

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES

a public body corporate and politic

and

HOMES FOR LIFE FOUNDATION

a California non-profit corporation

Birch Grove Homes

for a loan in the initial principal amount of

$1,889,905 (HOME)

_____, 200__

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LOAN AGREEMENT
(HOME - PROJECT NO._____)

Transaction Summary

Project Name: Birch Grove Homes

Borrower Name: Homes for Life Foundation

[] Limited Partnership [ ] LLC [X] Nonprofit Public Benefit Corporation [ ] Other _____

State of Formation of Borrower Entity: [X] California; [ ] Delaware; [ ] Other _____ (specify)

HOME Loan Amount: $1,889,905 Interest Rate: [3%] ([10%] default)

Loan repayment term: 55 years. Repayment type: Pro-rate percentage share of 50% of residual receipts

Number of Units in Project: 21 Number of HOME-Assisted Units in Project: 20

Location (Jurisdiction): Norwalk [X] Incorporated [] Unincorporated Site Acreage: 39,750 SF
Bldg. Sq. Feet: 13,148 SF

Project Type: Rental units for income-qualified: [ ] emancipating foster youth; [] persons with developmental disabilities; [ ] persons suffering with HIV or AIDS; [X] persons with mental illness; [ ] victims of domestic violence

Use of HOME Funds: [] Acquisition; [X] Predevelopment; [X] Construction; [X] Permanent

Affordability (# assisted units, income levels): 20 HOME-Assisted Units and 1 Non-HOME Manager Unit.

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
50% Income*	20					20
Manager (Non-HOME)		1				1
Totals	20	1				21

* Area Median Income

Term of Affordability: 55 years.

Other Project Financing Sources / Priority Relative to HOME Loan:

(1) State of California Developmental Building Space Lease [X] senior [ ] junior [ ] NA
(2) Multifamily Housing Program $1,619,569 [X] senior [ ] junior] NA
(3) HACOLA Industry Loan $1,437,335 [X] senior [] junior [ ] NA
(4) HUD/LAHSA SHP $400,000 [ ] senior [X] junior [X] NA
(5) [ ] senior [ ] junior [X] NA

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.

THIS LOAN AGREEMENT ("**Agreement**") is made as of the ___ day of _____, 200_, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("**Commission**"), and HOMES FOR LIFE FOUNDATION (listed in the Transaction Summary above) ("**Borrower**"). COMMISSION and Borrower are sometimes referred to collectively herein as the "**Parties**" and each individually as a "**Party**."

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **One Million Eight Hundred and Eighty-Nine Thousand Nine Hundred and Five Dollars ($1,889,905)** (the "**HOME Loan**") from COMMISSION for the purpose of providing financing for the predevelopment financing, construction financing and permanent financing in connection with the Twenty (20) HOME assisted units ("HOME Units") in the housing development ("**Project**") described in the Transaction Summary above, and as more particularly described in this Agreement. The HOME Loan will be secured by the Deed of Trust ("Deed of Trust"). COMMISSION's source of funding for the Loan is provided from the HOME Investment Partnerships Program, 24 CFR Part 92 ("**HOME**"). Although the City of Norwalk does not participate in the Los Angeles County HOME program, Norwalk and Los Angeles County have agreed that this project is one of two projects located within the city limits of Norwalk that are eligible to receive Los Angeles County HOME funds, as permitted by the United States Department of Housing and Urban Development (HUD) HOME regulations. The Project will be developed on the leasehold interest in that certain site known as Building 303 Lease No.: L-1796 ("**Site**") as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 ("**Lease**"), lying over a portion of Metropolitan State Hospital ("**Hospital**") as legally described on Exhibit "B" to this Agreement. The Lease by and between Borrower, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 ("**Amendment No. 1 to Lease**") are attached hereto as Exhibit "P" to this Agreement. A detailed Project description is attached hereto as Exhibit "G", and reduced site plans and elevations for the Project are attached as Exhibit "H".

B. WHEREAS, other sources of financing for the Project are anticipated to include, but may not be limited to (i) senior lien financing listed in the Transaction Summary above, to which COMMISSION shall expressly subordinate the liens of COMMISSION's Deed of Trust ("**Senior Financing**"); (ii) financing junior in priority to the liens of Deed of Trust, as listed in the Transaction Summary above ("**Junior Financing**"); and (iii) other financing sources listed in the Transaction Summary above ("**Other Financing**").

C. WHEREAS, development and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of very low-income as described in the Transaction Summary above; and the Project will provide supportive services to the extent described in Section 7 below and in Exhibit "I".

D. WHEREAS, as more particularly provided below, Borrower will deliver to COMMISSION, among other items, the "Deed of Trust", and the "CC&Rs" (as those terms are defined below) to, respectively, secure repayment of the Loan by Borrower as provided herein and to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

E. WHEREAS, COMMISSION desires to make the HOME Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1.0 COMMISSION LOAN.

COMMISSION 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 HOME 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 HOME Loan to Borrower under Section 6 below, Borrower shall execute a HOME Leasehold Promissory Note (the **"HOME Note"**) in the form of Exhibit "C" attached hereto, which HOME Note sets forth terms and conditions for the repayment of the HOME Loan. The Note shall be secured by the "HOME Deed of Trust" in the form of Exhibit "D" attached hereto.

2.2 Interest.

The disbursed and unpaid principal balance of the HOME Loan shall bear interest commencing on the date on which such HOME Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**HOME Basic Rate**"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, and without limiting any other remedy of COMMISSION, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum, compounded monthly ("**HOME Default Rate**").

2.3 Payment Dates and Amounts; Term.

As set forth in greater detail in the HOME Note, Borrower shall repay the HOME Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("**HOME Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the HOME Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the HOME Loan by the sum of the outstanding principal balance of the HOME Loan and the outstanding principal balance of all other Residual Receipts Loans, including but not limited to the proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by

COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION. Notwithstanding any other provision of the HOME Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest and any other sums payable under the HOME Note shall be due and payable in full on the HOME Maturity Date.

The term of this Agreement (the "**Term**") shall be from the date of this Agreement through and including the HOME Maturity Date; provided, however, that the use restrictions in Section 10 and the nondiscrimination covenants in Section 11 shall extend beyond the Term as provided in those sections.

2.4 Payments Due on Transfer or Refinance. In addition to the payments provided in Section 2.3 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the HOME Loan, the "Applicable Percentage" of "Net Proceeds" of an "Assignment" and fifty percent (50%) of "Net Refinancing Proceeds" received from a "Refinancing", as such terms are defined in the HOME Note.

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 HOME Note together with any outstanding interest and other amounts payable thereunder, shall, at the election of COMMISSION 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.

At any time after the disbursement of the HOME Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amounts of the HOME Loan and accrued interest and any other sums outstanding without penalty. Borrower hereby agrees and understands that the prepayment of the HOME 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 HOME Loan principal or interest thereon) due under the HOME Note or this Agreement, then toward outstanding interest accrued at the "Default Rate" of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the HOME Basic Rate, if any, and finally toward the remaining principal balance under the HOME Note.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the HOME Loan and any associated interest and other amounts payable under this Agreement or the HOME Note shall, at all times during which any amount remains outstanding, be secured by the HOME Leasehold Deed of Trust ("**Deed of Trust**"), in the form of Exhibit "D" attached hereto, recorded against Borrower's leasehold interest in the Site and the Project (collectively, the "**Property**"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION.

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 HOME Loan, the HOME Loan is a nonrecourse obligation of Borrower, and in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Loan Documents shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the HOME Loan.

6.0 ESCROW; CONDITIONS TO FUNDING THE HOME LOAN.

6.1 Except to the extent COMMISSION's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the HOME Loan proceeds for the account of Borrower, delivery of the executed HOME Note to COMMISSION, and recordation of the Deed of Trust and other Loan Documents (as defined in Section 6.2(5) below) to be recorded shall be carried out through an escrow account ("**Escrow**") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by COMMISSION ("**Escrow Holder**"). Borrower shall obtain COMMISSION's approval of an Escrow Holder and open Escrow not later 90 days following execution of this Agreement. 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 Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties.

6.2 The obligation of COMMISSION to make disbursements of the HOME Loan proceeds under this Agreement shall be expressly subject to satisfaction of all of the following conditions (collectively, the "**Closing Conditions**") on or before the date ("**Closing Deadline**") which is one year following the date of this Agreement:

(1) Execution of this Agreement by COMMISSION and Borrower, and delivery of a fully-executed copy to Escrow Holder;

(2) Borrower's due execution and deposit into Escrow of certified copies of the HOME Note;

(3) 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 "E";

(4) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust;

(5) Receipt by COMMISSION from Borrower of such other documents, certifications and authorizations as are reasonably required by COMMISSION, in form and substance satisfactory to COMMISSION, evidencing that (i) this Agreement, the HOME Note, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (this Agreement, the HOME Note, the Deed of Trust and the CC&Rs are collectively known as the **"Loan Documents"**) are duly and validly executed by Borrower and constitute the valid and enforceable obligation of

Borrower pursuant to their respective terms, and (ii) execution and delivery of the Loan Documents, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation nor constitute a default under any instrument or agreement to which Borrower is a party;

(6) United Title, First American Title, North American Title, Chicago Title, Stewart Title or another title insurer approved by COMMISSION ("**Title Company**") shall have assured COMMISSION in writing that upon recordation of the Deed of Trust there will be provided to COMMISSION, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as COMMISSION shall reasonably require) issued by the Title Company in the amount of the HOME Loan, insuring COMMISSION's interest in the Property as beneficiary under the Deed of Trust, and specifically insuring that the Property is free from stop notices or mechanics liens, and that the lien of the Deed of Trust and the CC&R's against the Property are subject only to the Senior Financing and any exceptions to title applicable to the Property which were expressly approved in writing by COMMISSION (collectively with the Senior Financing, "**Permitted Senior Encumbrances**"). Standard lender's title insurance coverage (without the need for a survey) will be accepted by COMMISSION unless another Project lender requires extended coverage, in which case an ALTA extended coverage policy will also be provided to COMMISSION;

(7) Borrower, COMMISSION, and any lender, creditor or lienholder with respect to the Junior Financing and Other Financing which is of record in the Los Angeles County Recorder's office (if applicable) have each duly executed (with notary acknowledgment) and deposited into Escrow for recordation at the Close of Escrow a subordination agreement ("**Subordination Agreement**") in the form attached hereto as Exhibit "F", confirming the senior lien priority of COMMISSION's Deed of Trust, if applicable;

(8) Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of all soils, geologic reports and other development-related reports existing with respect to the Site. Borrower hereby acknowledges that COMMISSION's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.

(9) Borrower shall have provided to COMMISSION, in form satisfactory to COMMISSION, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws have not been amended or modified except as described in the certification, (ii) a good standing certificate or comparable certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing in California, and (iii) all other documents necessary to evidence to COMMISSION's satisfaction that the individuals and entities executing this Agreement and the other Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;

(10) If the Loan proceeds shall be used to provide financing for acquisition of the Site, COMMISSION loan proceeds disbursed to pay acquisition costs shall be adequately secured by a first lien deed of trust, which may be subsequently subordinated at COMMISSION's sole discretion.

The obligation of COMMISSION to make disbursements of Loan proceeds for construction and/or certain offsite infrastructure financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (10) above:

(11) Borrower has demonstrated to the satisfaction of the COMMISSION Executive Director (or his or her designee) that all construction and permanent financing sources for development and operation of the Project, including but not limited to Borrower's equity, are or will be available in sufficient amounts to provide for full and timely completion and ongoing operation of the Project.

(12) Borrower shall have commenced or be ready to commence Project construction, and shall have furnished COMMISSION with copies of (A) a contract for the Project development ("**Construction Contract**") entered into with a general contractor ("**General Contractor**") previously approved in writing by COMMISSION; (B) a payment bond with respect to the Project posted by the General Contractor which is in an amount not less than fifty percent (50%) of the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to COMMISSION, is in form and content reasonably approved by COMMISSION, has been recorded in the Official Records of Los Angeles, and names COMMISSION as an additional obligee; (C) a performance bond guaranteeing the completion of the Project development which is in form and content reasonably approved by COMMISSION, is issued by a surety reasonably acceptable to COMMISSION, and names COMMISSION as an additional obligee; and (D) any other plans, documents and approvals by COMMISSION required under Exhibit "L" to this Agreement, entitled "Construction Requirements".

(13) Borrower shall have obtained COMMISSION's written approval of a Multi-Party Construction Disbursement Agreement and supplemental instruction to Escrow Holder, if applicable, specifying the applicable payees and uses of Loan proceeds when disbursed by Escrow Holder for the account of Borrower pursuant to this Agreement.

(14) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing the coverages required by Section 9.8 below.

The obligation of COMMISSION to make disbursements of Loan proceeds for permanent financing and/or convert the Loan proceeds for construction financing to permanent financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (14) above:

(15) Borrower shall have provided COMMISSION, not later than 90 days prior to occupancy, with affirmative action and minority and women business enterprise plans in form satisfactory to COMMISSION.

(16) Borrower shall have furnished COMMISSION no later than 180 days prior to occupancy of the Project and obtained COMMISSION's approval of an operating

budget and management plan for the Project. The Management Plan shall include a preliminary Operating Budget, in a format mandated by COMMISSION, and approved by COMMISSION at its sole discretion. In the event the preliminary Operating Budget is proposed for revision, any such revision must be submitted to COMMISSION no later than 90 days prior to occupancy of the Project and shall be approved by COMMISSION at its sole discretion.

(17) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to the Senior Financing, Other Financing, or Junior Financing,

(18) Borrower shall have furnished COMMISSION with a certification from the holders of any of the Senior Financing , Other Financing, or Junior Financing certifying that such holders consent to the Loan and that Borrower is not in default under any loan comprised within the Senior Financing, Other Financing, or Junior Financing.

(19) Borrower shall have furnished COMMISSION with evidence satisfactory to COMMISSION evidencing that the Borrower has achieved "Completion of the Project" as required by Section 9.12 below.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained COMMISSION's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project including specifically the procedures to be employed by which the tenants of the "Assisted Units" (as defined in Section 10.1 below) in the Project shall be selected in the event that, at any given time, the number of Eligible Households applying to lease units at the Project exceeds the number of units available.

6.3 When, and only when, Escrow Holder has confirmed that Closing Conditions (1), (2), (3), (4), (6) and (7) of Section 6.2 above have been satisfied, and has received written certification from COMMISSION's Executive Director that all other Closing Conditions (1) – (10) have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("**Close of Escrow**") by:

(i) causing the Deed of Trust, the CC&Rs and the executed Subordination Agreements (if any) to be recorded in the Official Records of Los Angeles County, California;

(ii) delivering the executed original HOME Note to COMMISSION;

(iii) causing the Title Policy to be issued to COMMISSION in the form and amount specified above;

(iv) disbursing the Predevelopment portion of the Loan proceeds to the extent provided for pursuant to the supplemental instructions to Escrow Holder approved pursuant to Section 6.2(13) above; and

(v) promptly following recordation, delivering conformed copies of the recorded documents to COMMISSION and Borrower.

6.4 Subsequent disbursements of HOME Loan proceeds for construction, and permanent financing shall be made by COMMISSION upon satisfaction of applicable Closing

Conditions 11 through 14 and 15 through 19 as provided in Section 6.2 above. Subsequent disbursements shall not occur prior to satisfaction of all conditions precedent to the closings for the Senior Financing and the Junior Financing. Notwithstanding any other provision, Escrow Holder shall disburse proceeds of the HOME Loan prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from COMMISSION.

6.5 Time is of the essence with respect to the rights and obligations of the Parties under this Agreement and 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 SUPPORTIVE SERVICES

As an additional condition to obtaining the HOME Loan, Borrower shall execute and deliver to COMMISSION on or before the funding of the HOME Loan, a Supportive Services Agreement that identifies services as referenced in the approved City of Industry Fund Application and its amendments, as set forth in the form attached hereto as Exhibit "I". Borrower shall demonstrate to COMMISSION's reasonable satisfaction the availability of resources and its commitment to provide funding for supportive services in an annual amount equal to or greater than as represented in Borrower's approved Industry Fund Application.

As more particularly provided therein, Exhibit "I" sets forth Borrower's obligation to provide supportive services for residents of the Project. Failure to comply with the terms of Exhibit "I" prior to expiration of any applicable notice and cure period will be deemed to be a default under this Agreement.

8.0 PURPOSE OF HOME LOAN- CERTAIN PREDEVELOPMENT EXPENSES; CONSTRUCTION AND PERMANENT FINANCING.

The Loan proceeds shall be used by Borrower only to provide financing for certain predevelopment costs, construction financing and permanent financing in connection with the Project. In no event shall Borrower use or otherwise invest the proceeds of the HOME Loan except as expressly provided in this Agreement.

8.1 The HOME Loan proceeds shall be used by Borrower only to pay eligible predevelopment costs, and construction costs for the Project as represented in the approved HOME Fund application, and as further described in the Development Proforma (the "Development Proforma") in the form of Exhibit "M". In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement. Distribution of the loan funds for acquisition shall be in accordance with Section 6.2 (1) - (10).

8.2 To the extent otherwise permitted under this Agreement, Borrower (or an affiliate of Borrower previously approved by the COMMISSION) may receive, from the HOME Loan proceeds or other development funds available to Borrower, including equity, a fee ("Developer Fee") not to exceed $258,750 in connection with development of the Project; provided, however, that the Developer Fee shall not be received earlier than on the following schedule: (i) 25% upon the Close of Escrow for all Project Construction Financing Sources; (ii) 25% at 50% of construction completion; and, (iii) 50% upon 90% occupancy of the Project.

8.3 This schedule of Developer Fee payments excludes any portion of Developer Fee

that is deferred, if applicable, as described in Section 2.3 above. The deferred Developer Fee, if applicable, shall be paid from the Developer's 50% share of Residual Receipts up to the amount of deferred developer fee described in Section 2.3 above.

8.4 The Loan shall be considered Permanent Financing at such time as the Project is completed in accordance with this Agreement. The Project shall be "completed," which shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with the plans and specifications (collectively, "Plans") referenced in the construction contract ("Construction Contract") which Borrower has entered into with a general contractor ("General Contractor") with respect to the Project, and that all final permits and certificates necessary to the operation of the Project as contemplated herein, and releases, waivers and other instruments evidencing no claims, stop notices or mechanics liens existing with respect to the Project, have been obtained, including, without limitation, the following, each of which is subject to COMMISSION's review and approval:

(a) A signed certificate from the General Contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the Construction Contract, the Plans and this Agreement, and all other related on-site and off-site improvements have been completed;

(b) A certificate of occupancy (the "Certificate of Occupancy"), if applicable, and/or 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;

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project.

8.5 Borrower shall have furnished COMMISSION and obtained COMMISSION's approval of the compliance with the environmental mitigation measures specified in the "Environmental Special Conditions" referenced in Exhibit "N". Borrower hereby acknowledges that COMMISSION's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of COMMISSION, and should not be relied upon as any measurers or warranty of the correctness, adequacy or appropriateness of such matter.

9.0 COVENANTS OF BORROWER.

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

9.1 Compliance with Laws. Borrower shall comply with all Applicable Governmental Restrictions. As used herein, **"Applicable 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 laws specified in Article 12 below, fair housing laws, prevailing wage laws (e.g. Cal. Labor Code 1720 et seq. and the federal Davis-Bacon Act (40 U.S.C. 276a)), and any other applicable federal, state and local laws. Borrower shall indemnify, defend and hold COMMISSION harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract. Borrower is solely responsible for determining the applicability of laws, and should not rely on statements by COMMISSION.

9.2 Revenue Disclosures. Borrower shall make available for inspection and audit to COMMISSION's representatives, upon seventy-two (72) hours' written request, from time to time during the Term, at Borrower's offices, or, if requested by COMMISSION, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the end of the Term; provided that in the event any litigation, claim or audit is started before the expiration of the Term, 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, from time to time during the Term, Borrower shall prepare and submit to COMMISSION, any financial, program progress, monitoring, evaluation or other reports (including, but not limited to, documents related to construction and project financing) reasonably required by COMMISSION 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 COMMISSION within such seventy-two- (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 COMMISSION representatives, may be relevant to a question of compliance with this Agreement, the CC&Rs or the Deed of Trust. Borrower shall retain all existing records and data relating to the Project until expiration of the Term. 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. From and after the date hereof, Borrower shall indemnify, defend and save harmless COMMISSION and COMMISSION's board members, directors, agents, officers and employees from and against any and all claims, liability, demands, causes of action, losses and expense, including reasonable defense costs and legal fees of counsel acceptable to COMMISSION (collectively, **"Claims"**), including, but not limited to Claims for bodily injury, death, property damage, workers' compensation, or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement, and which Claims (i) are based on events which occur or are claimed to have occurred during Borrower's ownership of the Site or the Project, (ii) result directly or indirectly from Borrower's ownership of the Site or the Project, or (iii) result directly or indirectly from COMMISSION's entering into this Agreement and/or making the HOME Loan to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of COMMISSION.

9.5 Audit by State and Federal Agencies. In the event this Agreement or the HOME Loan are subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Borrower shall comply with such inspections and pay on behalf of itself and COMMISSION the full amount of the cost to the inspecting agency which results from such

inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of COMMISSION.

9.6 Program Evaluation and Review. Borrower shall allow COMMISSION-authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interviewing of Borrower's staff, tenants, and other program participants, as reasonably required by COMMISSION during the Term.

9.7 Hazardous Materials. Borrower represents and warrants that it has not deposited "Hazardous Materials" (as defined below) in, on or upon the Site and Borrower covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Site or the Project as of the date hereof or which are deposited in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, 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 all Applicable Governmental Restrictions, including, without limitation, all 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 to the normal course of business in the operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all Applicable Governmental Restrictions. Except with respect to any claims solely caused by COMMISSION, Borrower shall indemnify, defend and hold COMMISSION 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 Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the 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 Site and the Project, as required above. Except with respect to any claims solely caused by COMMISSION, Borrower hereby releases and forever discharges COMMISSION 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 Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the 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 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, 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.

In the event that archeological resources are exposed during Project construction, all earth disturbing work within the 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.

9.8 Insurance. Without limiting Borrower's indemnifications of COMMISSION provided in this Agreement, Borrower shall procure and maintain at its own expense during the Term the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to COMMISSION certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. Borrower shall deliver satisfactory evidence of issuance of "all risk" property insurance described in (2) below and worker's compensation insurance described in (3) 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. COMMISSION reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to COMMISSION and may provide for such deductibles as may be acceptable to COMMISSION. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect COMMISSION, 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 COMMISSION is to be given at least thirty (30) days' written notice in advance of any modification or cancellation of any policy of insurance. Borrower shall give COMMISSION immediate notice of any insurance claim or loss which may be covered by insurance.

(1) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars ($1,000,000) for each occurrence (Two Million Dollars ($2,000,000) General Aggregate), including products and completed operations coverage. COMMISSION and its 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, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to COMMISSION. If required by COMMISSION from time to time, Borrower shall increase the limits of Borrower's 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 COMMISSION.

(2) Property Insurance: "All Risk" ISO Special Form property insurance.

Coverage shall include protection for earthquake and flood if this protection is available from responsible carriers at reasonable cost. COMMISSION shall be the loss payee under the aforementioned policy(ies) under a standard lender's loss payable endorsement. The amount of the property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property and the insurer shall waive any coinsurance via an "agreement" endorsement.

(3) Worker's Compensation: Borrower's, employees, if any, of property management assigned to the Project, the general contractor constructing the Project and any affiliates or agents of Borrower shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of One Million Dollars ($1,000,000) per accident.

(4) Automobile Liability: Combined single limit automobile liability insurance of at least One Million Dollars ($1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

No modification or waiver of the insurance requirements set forth herein shall be made without the prior written approval of the Executive Director of COMMISSION.

Failure on the part of Borrower to procure or maintain the insurance coverage required in this Section 9.8 shall constitute a material breach of this Agreement pursuant to which COMMISSION 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 COMMISSION, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by COMMISSION shall be repaid by the Borrower to COMMISSION upon demand including interest thereon at the Default Rate. COMMISSION shall have the right, at its election, to participate in and control any insurance claim adjustment or dispute with the insurance carrier. Borrower's failure to assert or delay in asserting any claim shall not diminish or impair COMMISSION'S rights against the Borrower or the insurance carrier.

9.9 Financial Statements; Tax Returns. Borrower shall deliver to COMMISSION within one hundred twenty (120) days after the end of each fiscal year of Borrower occurring during the Term, a copy of Borrower's federal tax return and a financial statement for such preceding fiscal year. In addition, concurrent with Borrower's payment of the annual Residual Receipts installment payable to COMMISSION on each March 15th in accordance with Section 2.3 above, Borrower shall deliver to COMMISSION, on forms prepared and provided by COMMISSION from time to time, a statement certified by Borrower's accountant (the **"Annual Statement"**), separately setting forth (i) the aggregate Gross Rents (as defined in the Note) received during the previous calendar year, and (ii) the aggregate Operating Expenses (as defined in the Note) expended during the previous calendar year.

9.10 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the leasehold interest or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any reasonable cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be deemed

added to the outstanding principal amount of the Loan.

9.11 Relocation Requirements. If applicable, Borrower shall be responsible for assuring compliance with all relocation requirements as governed by state relocation laws and regulations for projects funded in whole or in part with Industry Funds, including the California Relocation Assistance Law (California Government Code Section 7260 et seq.), Section 33410 et seq. of the California Health and Safety Code, the State Department of Housing and Community Development's implementing regulations known as the California Relocation Assistance and Property acquisition Guidelines (Title 25, California Code of Regulations, Section 6000 et seq.) and the Los Angeles County Community Development COMMISSION's Relocation Policies and Procedures Manual. In circumstances where both federal and state funds are contributed to a program or Project, it is the policy of the COMMISSION to follow the requirements that provide the displaced person or household with the greatest benefit. For example, if in a mixed-funded project, the assistance or benefit under state law is more favorable to the displaced person or household, then the state law applies, and if the opposite is the case, then applicable federal laws and regulations (e.g., Section 4601 et seq. of Title 42 of the United States Code) shall apply. Any relocation assistance shall be provided through and in the manner directed by COMMISSION, provided, however, that Borrower shall indemnify, defend and hold harmless COMMISSION, the Housing Authority of the County of Los Angeles ("**COMMISSION**"), and the County of Los Angeles ("**County**") for relocation payments, consulting fees and expenses incurred in connection with the Project. At COMMISSION's election in COMMISSION's sole discretion, COMMISSION may hire a relocation consultant to coordinate the relocation. The fees and costs of the consultant shall be paid or reimbursed by Borrower.

9.12 Construction Requirements. Following the Close of Escrow, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and achieve "Completion of the Project" no later than [18] months following the Close of Escrow, subject to extension for up to an additional 12 months to the extent of force majeure delays beyond Borrower's reasonable control. "Completion of the Project" shall be deemed to have occurred when COMMISSION has received satisfactory evidence that the Project has been completed in compliance with this Agreement and as represented in Borrower's approved funding application to COMMISSION, 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 COMMISSION's review and approval: (1) a signed certificate from the general contractor, in a form reasonably acceptable to COMMISSION, certifying to COMMISSION that construction was completed substantially in accordance with the requirements of the plans and this Agreement, and all other related on-site and off-site improvements have been completed; (2) a certificate of occupancy, if applicable, and 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; and (3) evidence satisfactory to COMMISSION that the statutory period for the filing of mechanics' liens (60 days following filing of the statutory notice of completion) has expired or the lien filing period for subcontractors has expired and the general contractor has executed an unconditional lien waiver and the Property is free from such liens. Construction shall proceed in accordance with Exhibit "L", Construction Requirements, and shall conform to the layout and design represented in Borrower's approved application for the Industry Fund Program. Borrower shall comply with any CEQA mitigation measures or other environmental conditions imposed by COMMISSION or any other applicable governmental authority in connection with the Project.

10.0 USE OF PROPERTY; LEASING AND MANAGEMENT.

10.1 Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants

shall run with the land and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling units and, with respect to the designated units to be assisted as consideration for the HOME Loan ("**HOME-Assisted Units**"), the tenant income levels, to be as specified in the Transaction Summary above and in the CC&Rs. All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very Low-Income Households" with a chronic mental illness as specified in the Transaction Summary above, in the CC&Rs and hereinafter deflined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not Assisted Units. Subject to the reasonable approval of COMMISSION's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 10.1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty percent (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"Forty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted for family size, as defined by HUD.

"Forty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family size, as defined by HUD.

"Thirty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted for family size, as defined by HUD.

"Affordable Housing Cost" shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such "Area Median Income."

10.2 Tenant Selection Process; Reports and Records Concerning Tenancies. Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by COMMISSION to monitor compliance with the tenanting requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to COMMISSION commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by COMMISSION to certify such tenant's qualification for occupancy of the Project. Borrower's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.3 Management of Project. Subject to the terms and conditions contained hereinbelow, Borrower shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions (**"Manager"**) with respect to the operation of the Project including day-to-day administration, maintenance and repair. Borrower shall, before execution or any subsequent amendment or replacement thereof, submit and obtain COMMISSION's reasonable written approval, which shall not be unreasonably withheld, conditioned or delayed, of a management contract (**"Management Contract"**) entered into between Borrower and an entity (**"Management Entity"**) reasonably acceptable to COMMISSION. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of COMMISSION. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and COMMISSION. Borrower shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or COMMISSION. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.4 Operations and Maintenance. Borrower 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 Borrower, that Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the CC&Rs and the Deed of Trust.

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Borrower, that during development of the Site pursuant to this Agreement and thereafter, neither the 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 Deed of Trust. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or commission on the 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 Site or the Project, or any portion thereof.

Borrower shall, at its expense, (i) maintain all improvements and landscaping on the Site in good working order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project (which must be approved by COMMISSION before being incorporated into the Construction Contract) (such approved plans, the "Plans") and all Applicable 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 living environment for Project residents while maximizing Residual Receipts to the extent reasonably possible consistent with applicable rent and tenant requirements (including all recorded rent restrictions affecting the Project) and without compromising the safety and attractiveness of the living environment of the Project.

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, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Borrower itself or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any 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 rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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 COMMISSION PROVISIONS.

Borrower shall comply with the provisions set forth on Exhibit "J" to this Agreement.

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 furnishing or causing the General Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to 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 COMMISSION (or COMMISSION's Executive Director), which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this Agreement, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit-worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's obligations under this Agreement and the HOME Note and all of the other Loan Documents.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of COMMISSION as provided herein, shall be null and

void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the Project, occurring without the written consent of COMMISSION, COMMISSION may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low-income housing tax credits, COMMISSION hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by COMMISSION, which approval shall not be unreasonably withheld.

15.0 EVENTS OF DEFAULT AND REMEDIES.

A. 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"**):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the HOME Loan at the Maturity Date of the HOME Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION 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 nonmonetary obligation is such that it cannot be cured within a thirty- (30-) day period, it shall be deemed cured if Borrower commences the cure within said thirty- (30-) day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described cure periods shall not apply to any Event of Default described in Sections 15(A)(3) through 15(A)(8) below;

(3) The material falsity of any representation or warranty made by Borrower under the terms of this Agreement, the Note, or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner, or majority shareholder, 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 (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Agreement for a continuous period of more than sixty (60) days;

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

(8) Borrower shall be in default under the CC&Rs, the Senior Financing, the Junior Financing, the Other Financing, the Supportive Services Agreement (if applicable under Section 7 above) or any other secured or unsecured obligation 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.

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

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan 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 hereby expressly waived by Borrower. 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;

(2) Subject to the nonrecourse provisions of Section 5 above, 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 COMMISSION, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Note, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured

until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(4) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15(A)(4) or 15(A)(5) hereof, COMMISSION 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 COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to COMMISSION 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 or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION 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 COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

D. COMMISSION Default and Borrower Remedies. Upon fault or failure of COMMISSION 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:

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this Agreement or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of 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 COMMISSION 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 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Agreement or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Agreement or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this Agreement, the Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

18.0 RIGHT OF ACCESS AND INSPECTION.

COMMISSION shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If COMMISSION in its reasonable discretion determines that any work or materials are not in conformity with this Agreement or any Applicable Governmental Restrictions, or the Project is not being operated in conformity with this Agreement or any Applicable Governmental Restrictions, COMMISSION may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (or without notice in the case of an emergency) and the Borrower fails to cure the matter, itself cure the matter. In addition, during the course of construction, COMMISSION may immediately stop the work and order replacement or correction of any work or materials not in conformity with this Agreement or any Applicable Governmental Restrictions. Inspection by COMMISSION of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by COMMISSION or the County of Los Angeles that there has been compliance with any terms or provisions of this Agreement, or that the work will be free of faulty materials or workmanship.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

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

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.

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, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and addressed or faxed as follows:

If to COMMISSION: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: Homes for Life Foundation
8939 S. Sepulveda Blvd., Suite 460
Los Angeles, CA 90045
Attn: Executive Director
Fax No. (323) 337-7413

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); 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; and one (1) 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 or fax 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 will in no way affect any other provision.

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.

25.0 NO WAIVER; CONSENTS.

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

26.0 GOVERNING LAW.

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

27.0 REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER.

Borrower hereby represents, warrants and covenants to COMMISSION that:

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

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

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

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

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

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 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 will the same constitute a breach of or violate any law or governmental regulation.

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

28.0 APPROVALS.

Any consent to a transfer under Section 14 or 30 of this Agreement, and any other consent or approval by COMMISSION under this Agreement or any of the Loan Documents, may be given by COMMISSION's Executive Director without action of COMMISSION'S governing board unless the Executive Director in his or her sole discretion elects to refer the matter to COMMISSION's governing board.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this Agreement shall be solely for the benefit of COMMISSION, 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 COMMISSION shall be solely responsible for assuring compliance with laws, and the operation of the project.

29.0 GOOD FAITH AND FAIR DEALING.

COMMISSION 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 COMMISSION (or COMMISSION's Executive Director), which approval COMMISSION may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, **"Transfer"**) all or any portion of its interest in the Site or the Project (excluding tenant leases pursuant to the terms hereof); (ii) permit the Transfer of greater than forty-nine percent (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. Notwithstanding the foregoing, COMMISSION hereby consents to the events described in the third paragraph of Section 14.0 hereof without Borrower obtaining any further consent from COMMISSION. Borrower hereby agrees that any purported Transfer not approved by COMMISSION 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, Borrower shall notify COMMISSION in writing (the **"Transfer Notice"**) and shall submit to COMMISSION 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 COMMISSION sufficient to establish and ensure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by COMMISSION 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 COMMISSION consent to the proposed Transfer. COMMISSION agrees to make its decision on Borrower's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after COMMISSION receives the last of the items required by this Section 30. In the event COMMISSION consents to a proposed Transfer, then such Transfer shall not be effective unless and until COMMISSION receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to COMMISSION. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent to such effective date.

30.3 Notwithstanding anything in this Agreement to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not COMMISSION's consent is required therefor and even if COMMISSION has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to COMMISSION or at any time thereafter until such Event of Default has been 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 HOME PROGRAM AND FEDERAL REQUIREMENTS

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the HOME Program Requirements, a summary of which is included in Exhibit "K", attached hereto. 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 of 1990 and 24 CFR Part 85.

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

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES

By:_____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By:_____
Deputy

BORROWER:

HOMES FOR LIFE FOUNDATION,
a California non-profit corporation

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

TABLE OF EXHIBITS

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EXHIBIT "A" TO LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS
(HOME - PROJECT NO. HE_____)

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Affordable Housing Cost (Section 10.1)
Agreement (Preamble)
Annual Statement (Section 9.9)
Applicable Governmental Restrictions (Section 9.1)
Applicable Percentage (Section 2.4)
Area Medium Income (Section 10.1)
Assignment (Section 2.4)
Assisted Units (Section 10.1)
Basic Rate (Section 2.2)
Borrower (Preamble)
CC&Rs (Section 6.2(3))
CDBG (Recital B)
CDBG Loan (Recital B)
Certificate of Occupancy (Section 8.4(b))
Claims (Section 9.4)
Close of Escrow (Section 6.3)
Closing Conditions (Section 6.2)
Closing Deadline (Section 6.2)
COMMISSION (Preamble)
Completion of the Project (Section 9.12)
Construction Contract (Section 6.2(12))
County (Section 9.11)
Deed of Trust (Section 5)
Default Rate (Section 2.2)
Eligible Households (Section 10.1)
Escrow (Section 6.1)
Escrow Holder (Section 6.1)
Event of Default (Section 15A)
Forty Percent Households (Section 10.1)
General Contractor (Section 6.2(12))
Gross Rents (Section 9.9)
Hazardous Materials (Section 9.7)
HOME (Recital A)
HOME Loan (Recital A)

Junior Financing (Recital B)
HOME Loan (Section 1.0)

Loan Documents (Section 6.2(5))
Management Contract (Section 10.3)
Management Entity (Section 10.3)
Manager (Section 10.3)
Maturity Date (Section 2.3)
Net Proceeds (Section 2.4)
Net Refinancing Proceeds (Section 2.4)
Note (Section 2.1)
Operating Expenses (Section 9.9)
Other Financing (Recital B)
Parties (Preamble)
Party (Preamble)
Permitted Senior Encumbrances (Section 6.2(6))
Plans (Section 10.4)
Project (Recital A)
Property (Section 5)
Refinancing (Section 2.4)
Residual Receipts (Section 2.3)
Senior Financing (Recital B)
Site (Recital A)
Subordination Agreement (Section 6.2(7))
Term (Section 2.3)
Title Company (Section 6.2(6))
Transfer (Section 30.1)
Transfer Documents (Section 30.2)
Transfer Notice (Section 30.2)
Very Low Income Households (Section 10.1)
Very Very Low-Income Households (Section 10.1)

EXHIBIT "B" TO LOAN AGREEMENT

LEGAL DESCRIPTION OF THE SITE & HOSPITAL

(HOME - PROJECT NO. HE_____)

(Please See Attached)

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

The leasehold interest in that certain site known as the Building 303 Lease No.: L-1796 as depicted in exhibit "A" on that certain Developmental Building Space Lease dated October 10, 2002, lying over portion of the following described property:

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast 1/4 of the Northeast 1/4 and the South 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No. 2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89° 53' 10" West, 957.00 feet; thence parallel with said Bloomfield Avenue, North 0° 8' 31" East, 657.00 feet; thence parallel with Imperial Highway, South 89° 53' 10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8' 31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89° 53' 10" West, 957.00 feet to the **True point of beginning**, said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded July 21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08' 31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89° 53' 10" West, 359.87 feet, more or less, to the Easterly line of Tract 19426, as per map thereof on file in Map Book 537, Pages 39 and 40, Records of said County; thence along the Easterly line and its Southerly prolongation of said Tract 19426 South 0° 03' 43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53' 10" East, 358.95 feet, more or less, to the **True point of beginning.**

EXHIBIT "C" TO LOAN AGREEMENT

PROMISSORY NOTE

(HOME - PROJECT NO. HE_____)

(Please See Attached)

HOME LEASEHOLD PROMISSORY NOTE
(HOME - PROJECT NO.HE_____)

$1,889,905
_____,2005

For value received, the undersigned, HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("COMMISSION") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as COMMISSION may from time to time designate in writing), the principal sum of **One Million Eight Hundred Eighty Nine Thousand Nine Hundred and Five Dollars ($1,889,905)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, ___, 2005, entered into between Borrower and COMMISSION (the "Loan Agreement"), and the terms and conditions of this HOME Leasehold Promissory Note (this "HOME Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("HOME Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts. Except to the extent payable sooner pursuant to this HOME Note or Section 2.3 of the Loan Agreement, Borrower shall repay the Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("Maturity Date") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts shall be calculated by dividing the outstanding principal balance of the Loan by the sum of the outstanding principal balance of the Loan and the outstanding principal balances of all other residual receipts notes approved for the Project by COMMISSION. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION.

Notwithstanding any other provision of this Note:

(i) unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date;

(ii) fifty percent (50%) of any reserves described in Section 1.5.5 (and any interest thereon) which are remaining in a Reserve Account at the end of the applicable Reserve Period (as both terms are defined in Section 1.5.5) shall, at such time, be applied to the repayment of the Loan, and Borrower hereby authorizes the Escrow Agent to disburse such remaining funds directly to COMMISSION without the need for any further instruction or authorization from Borrower;

(iii) any reserves described in Section 1.5.5 (and any interest thereon) in a Reserve Account in excess of the Operating Reserve Cap, Replacement Reserve Cap, Transition Reserve Cap or the Monitoring Fee Reserve Cap (as these terms are defined in Section 1.5.5(c)) shall be applied to repayment of the Loan unless alternative uses of excess reserves are approved in writing by COMMISSION which approval shall be in COMMISSION's sole and absolute discretion.

Notwithstanding anything to the contrary in this Section 1.2, obligations of Borrower accruing or to be performed in any calendar year may be deemed to accrue or be performed in the Borrower's fiscal year, subject to the approval of COMMISSION's Executive Director, which approval may be withheld in the Executive Director's sole and absolute discretion.

1.3 Calculation of Residual Receipts. Borrower shall provide to COMMISSION for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by COMMISSION for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to COMMISSION any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this HOME Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or

subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project; (ee) funds received specifically and exclusively for the provision of supportive services to the residents, including but not limited to funds received from the Department of Mental Health and U.S. Department of Housing and Urban Development for operating of the housing and provision of mental health services and other supportive services; (ff) receipt by an affiliate of management fees or other bona fide arms-length payments for reasonable and necessary operating expenses associated with the project; and, (gg) tax deductible contributions made to the Borrower for any purpose.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed $110 per unit per month, as adjusted for inflation, from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to

COMMISSION, and shall be paid after the payment of all other Operating Expenses, and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed $10,000 in the aggregate in any year; and (v) deposits toward Eligible Reserves (as defined in Section 1.5.5 below).

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.5.5 Reserves.

(a) Definitions.

(i) "Eligible Reserves" shall mean, with respect to each calendar year or portion thereof, Operating Reserves ,Replacement Reserves,Transition Reserves, and Monitoring Fee Reserves, which meet the requirements set forth in Subpart (b) of this Section 1.5.5.

(ii) "Operating Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Operating Reserve Account (as hereinafter defined), subject to the Operating Reserve Cap (as hereinafter defined), and actually set aside for:

(A) taxes and assessments, as described in Section 1.5.3(ii);

(B) insurance premiums, as described in Section 1.5.3(iii);

(C) operation of the Project as may, for reasons other than those described in this Subpart (a)(ii) of this Section 1.5.5, be required in connection with Senior Financing; and

(D) any other purpose which itself constitutes an Operating Expense.

(iii) "Replacement Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Replacement Reserve Account (as hereinafter defined), and actually set aside for capital expenditures, which reserves shall be in an amount not more than the greater of (I) Three Hundred Fifty Dollars ($350) per unit, or (II) subject to the Replacement Reserve Cap (as defined in Subsection (c) of this Section 1.5.5), such higher amount per unit as may be required by a tax creditor investor or holder of Senior Financing.

(iv) "Transition Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan Advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Transition Reserve account (as hereinafter defined), and actually set aside for payment of expenses in the event of termination that operating subsidies for the project from the U.S. Department of Housing and Urban Development are not renewed.

(v) "Monitoring Fee Reserves" shall mean reserves funded out of Loan Advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Monitoring Reserve account (as hereinafter defined) and actually set aside for payment of monitoring fees to the State of California Department of Housing and Community Development under terms of a Senior Loan

(b) Eligible Reserve Expenditure Requirements. Reserves shall be considered Eligible Reserves only if:

(i) COMMISSION has approved a written request ("Reserve Request") submitted to COMMISSION by Borrower which identifies:

(A) the specific expenditure(s) sought to be reserved for;

(B) the reasons why it is necessary to provide a reserve for the expenditure(s); and

(C) each particular period, which shall in no event be for more than five (5) years from the date COMMISSION approves the Reserve Request (the "Reserve Period"), during which the funds sought to be reserved are to be expended; and

(ii) The Reserves are segregated in a special account for Operating Reserves ("Operating Reserve Account"), Replacement Reserves ("Replacement Reserve Account), Transition Reserves ("Transition Reserve Account"), and/or Monitoring Fee Reserves ("Monitoring Fee Reserve Account"), as the case may be (either sometimes referred to as a "Reserve Account"), established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties ("Escrow Agent").

(c) Reserve Caps. The Operating Reserves, which will include Multi-Family Housing Program required operating expense and non-contingent debt service reserves, together with operating reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $33,289 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Operating Reserve Cap"). The Replacement Reserves together with replacement reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $3,045 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Replacement Reserve Cap"). The Transition Reserves together with transition reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $187,924 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Transition Reserve Cap"). The Monitoring Fee Reserves together with monitoring fee reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $70,885 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Monitoring Fee Reserve Cap"). The Operating Reserve, Replacement Reserve, Transition Reserve, Monitor Fee Reserve are sometimes referred to collectively herein as the "Reserves". The Reserves will be established from time to time from any Project funding source other than the Loan.

(d) Release of Eligible Reserves. Operating Reserves, Replacement Reserves, Transition Reserves and Monitoring Fee Reserves shall not be released to Borrower out of the Operating Reserve Account, Replacement Reserve Account, Transition Reserves and Monitoring Fee Reserves, respectively, unless and until:

(i) the Borrower has submitted to COMMISSION:

(A) a written disbursement request ("Disbursement Request") seeking the release of funds out of the applicable Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by COMMISSION;

(B) supporting documentation establishing, in COMMISSION's sole determination, that but for the release of the funds requested in the Disbursement Request, sufficient funds would not otherwise be available to the Borrower for the designated expenditure(s); and

(ii) COMMISSION has, in its sole and absolute discretion, approved in writing the Disbursement Request.

(e) "Up Front" Reservation of Funds. In addition to funding Project reserves out of Residual Receipts, as provided for in Section 1.5.3(v), Project reserves may be funded directly from the proceeds of the Loan, provided (i) COMMISSION has approved a "Reserve Request" (as defined in Section 1.5.5(b)(i)) which approval may be granted in COMMISSION's sole and absolute discretion; (ii) the reserves are placed into the appropriate Reserve Account (as defined in Section 1.5.5(b)(ii)); and (iii) the reserves are not released except in accordance with Section 1.5.5(d).

(f) Investment of Reserve Account. Funds in any Reserve Account established pursuant to this Section 1.5.5 shall be deposited in a banking institution whose deposits are insured by an agency of the federal government. Borrower may invest funds in a Reserve Account in domestic bank certificates which are insured by an agency of the federal government; in direct obligations of the federal government; in federal government agencies with an AA rating or better; federally guaranteed agencies, or in repurchase agreements which are direct obligations of the federal government or federal agencies; or which are collateralized by federal government obligations; or in short-term commercial paper receiving the highest rating from Moody's or from Standard and Poors. Borrower shall select the investment vehicles and maturities (not to exceed five years) on such investments so as to yield the maximum return, consistent with good business practice, including the need for available cash in the Reserve Account.

1.6 Additional Payments upon Assignments, Refinancings. In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower's interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower's estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or

any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to COMMISSION), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

"Refinancing" shall mean creation or substantial modification of a loan ("Project Loan") secured by an encumbrance on the Site, the Project, or any portion thereof. The term "Refinancing" shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this HOME Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums

outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this HOME Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the HOME Note.

4. Security and Source of Payment.

Borrower's obligations under this HOME Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which COMMISSION is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION. 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 HOME Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the Loan.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this HOME Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this HOME Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this HOME Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

The Loan proceeds shall be used by Borrower only to provide financing for the housing development and those specific Project purposes described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this HOME Note and the Loan Agreement.

7. Covenants of Borrower.

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

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by

Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this HOME Note.

This HOME Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION, which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this HOME Note, no purported assignment of this HOME Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion, including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this HOME Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, COMMISSION has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. 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"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this HOME Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION 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 nonmonetary 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 with the cure completed in any event within 180 days after the notice.

Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or warranty by Borrower under the terms of this HOME Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder 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 (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this HOME Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation 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.

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

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan 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 hereby expressly waived by Borrower. 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;

(2) Subject to the nonrecourse provisions of Section 4 above, 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 COMMISSION, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this HOME Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this HOME Note or the Loan Agreement, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this HOME Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, COMMISSION 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 COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to COMMISSION 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 HOME Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION 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 COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this HOME Note, no notice shall be required except as expressly provided herein.

D. COMMISSION Default and Borrower Remedies. Upon fault or failure of COMMISSION to meet any of its obligations under this HOME Note 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:

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this HOME Note;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this HOME Note or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this HOME Note.

Without limiting the generality of 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 COMMISSION arising out of or in connection with this HOME Note, 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."

10. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this HOME Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this HOME Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this HOME Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this HOME Note, nor shall any official or employee of COMMISSION participate in any decision relating to this HOME Note 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 COMMISSION shall be personally liable in the event of a breach of this HOME Note by COMMISSION.

12. Amendments, Changes and Modifications.

This HOME Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

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

If to COMMISSION: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: Homes for Life Foundation
8939 S. Sepulveda Blvd., Suite 460
Los Angeles, CA 90045
Attn: Executive Director
Fax No. (323) 337-7413

With a copy to:

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); 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; and one (1) 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 HOME Note.

14. Severability.

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

15. 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 HOME Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this HOME Note by Borrower. Each Party has been represented by counsel in the negotiation of this HOME Note, 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 HOME Note, nothing herein or in this HOME 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 this HOME Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this HOME Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

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

17. Governing Law.

This HOME Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower.

Borrower hereby represents, warrants and covenants to COMMISSION that:

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

B. Enforceability. This HOME Note 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 HOME Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This HOME Note 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. 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 COMMISSION) which could impair its ability to perform its obligations under this HOME Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this HOME Note.

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this HOME Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and 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 will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this HOME Note shall be solely for the benefit of COMMISSION, 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 COMMISSION shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by COMMISSION under this HOME Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by COMMISSION's Executive Director without action by COMMISSION's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing.

COMMISSION 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.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this HOME Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of COMMISSION or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which COMMISSION may have.

IN WITNESS WHEREOF, Borrower has executed this HOME Note as of the date and year first above written

BORROWER:

BY: HOMES FOR LIFE FOUNDATION,
a California non-profit corporation,

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

EXHIBIT "D" TO LOAN AGREEMENT

DEED OF TRUST

(HOME - PROJECT NO. HE_____)

(Please See Attached)

OFFICIAL BUSINESS

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

Recording Requested by and
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION OF THE
COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Housing
Development and Preservation

Above Space For Recorder's Use Only

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

HOME LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

(HOME - PROJECT NO. HE_____)

THIS HOME LEASEHOLD DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of _____,2005,by and between HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Trustor") whose address is 8939 S. Sepulveda Blvd., Suite 460, Los Angeles, CA 90045; United Title Company ("Trustee"); and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

RECITALS

A. Beneficiary is making loan (collectively, the "Loan") to Trustor in the original principal amount of **One Million Eight Hundred Eighty Nine Thousand Nine Hundred and Five Dollars ($1,889,905)** of HOME program funds (the "HOME Loan") pursuant to that certain Loan Agreement (the "Loan Agreement") entered into by Trustor and Beneficiary and dated as of _____, 2005. The HOME Loan is evidenced by a HOME Leasehold Promissory Note of even date herewith executed by Trustor (the "HOME Note") in the principal amount of the HOME Loan.

B. Trustor intends to use the Loan proceeds for the purpose of providing financing for the housing development described in the Loan Agreement ("**Project**"). The Project will be developed on the leasehold interest in that certain site known as Building 303 Lease No.: L-1796 (**"Site"**) as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 (**"Lease"**), lying over a portion of Metropolitan State Hospital ("**Hospital**") as legally described on

Attachment "1" to this Agreement. The Lease by and between Trustor, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 (**"Amendment No. 1 to Lease"**) are attached hereto as Attachment "2" to this Agreement. Trustor's leasehold interest in the Site and the Project are hereinafter referred to collectively as the "**Property**." Trustor shall be the owner of the Project and all other improvements to be developed on the Property in accordance with the terms of the Lease.

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below all of its present and future estate, right, title and interest in and to the Property, together with all right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

(A) All development rights, air rights, water, water rights, and water stock relating to the Property.

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

(C) All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.

(D) All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.

(E) All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.

(F) All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause (B) above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(G) All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform

Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all names under which the Property is now or hereafter operated or known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (x) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xi) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xii) all supplements, modifications and amendments to the foregoing.

(H) All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

(I) All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

(J) All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

(1) performance of each agreement of Trustor herein contained or incorporated herein by reference;

(2) payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Notes, and any extension or renewal or modification thereof;

(3) performance of each agreement of Trustor contained in the Loan Agreement, or any of the other "Loan Documents" (as defined in the Loan Agreement), and any extension, renewal or modification of such Loan Agreement and other Loan Documents;

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Notes, (b) charges, fees and all other sums as provided in the Loan Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements described in the Loan Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Loan Agreement, the Notes, and the Covenants, Conditions and Restrictions recorded against the Property. In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is not then existing any material default (or such existing default will be cured by the proceeds of such insurance) in the observance or performance of any of the covenants and agreements contained herein or in the Notes or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may reasonably impose.

Trustor hereby fully assigns to Beneficiary all current and future claims it may have under any policy of insurance related to the Property or the Project, regardless of whether such insurance was required to be maintained under the Loan Documents. Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at the time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3 and of Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not then in material default hereunder (or such default will be cured with the proceeds from the foregoing), and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is then in material default hereunder (and such default will not be cured with the proceeds of the foregoing), (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Notes, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Loan Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Notes to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall thereafter bear interest at the Default Rate of interest per annum set forth in the Notes until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Notes and all documents evidencing expenditures secured hereby.

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

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Notes, not then repaid, with accrued interest at the Deferral Rate; second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may

procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the Deferral Rate. Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after any applicable notice and cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

(a) Audit by State and Federal Agencies. In the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Trustor shall comply with such inspections and pay, on behalf of itself and Beneficiary, the full amount of the cost to the inspecting agency of such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

(b) Program Evaluation and Review. Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or the Loan Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor shall be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Notes, the Loan Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days after the date such

payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Notes;

b. The failure of Trustor to perform any nonmonetary covenant or obligation hereunder or under the terms of the Loan Agreement, the Notes or any other documents executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) 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 nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor 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 18(c) through 18(h) below;

c. The material falsity of any representation or warranty made by Trustor under the terms of this Deed of Trust, the Notes, the Loan Agreement or any other document executed in connection therewith;

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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 without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, 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 Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

f. Trustor shall suffer or attempt to effect a "Transfer" (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 14 or 30 of the Loan Agreement);

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Loan Agreement), the Supportive Services Agreement (as defined in, and if applicable under, Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured or waived within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

h. Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Deed of Trust for a continuous period of more than sixty (60) days.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Notes shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Notes, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof (except in the case of default described in Section 18 (c) or (d) , in which case no notice shall be required), become immediately due and payable upon any Event of Default as set forth in the Notes, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property or making repairs or installations as it deems necessary to preserve the Property or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "Security Agreement"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform Commercial Code and other applicable law. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time,

place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

22. Assumption of Liability. Except as provided in Section 33 , the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from any liability Trustor has hereunder or under the other Loan Documents for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for, or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor (subject to the nonrecourse provisions of Section 27) for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Notes or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Notes secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Notes secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Notes, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor shall from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary, a certified statement in form reasonably satisfactory to Beneficiary confirming as of the date of the certificate the unpaid principal balance and accrued interest on the Notes and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Notes or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary at no expense to Trustor or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Nonrecourse. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Trustor in connection with the Loan, the Loan is a nonrecourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under the Loan Documents and this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and

making such collection, shall be deemed a portion of the expense of this trust. The entering upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

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

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any consent to a transfer under Section 33 of this Deed of Trust, and any other consent or approval by Beneficiary under this Deed of Trust or any of the other Loan Documents, may be given by Beneficiary's Executive Director without action of Beneficiary's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

a. Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property or the Project (excluding tenant leases pursuant to the terms of the Loan Agreement), (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. Notwithstanding the foregoing, Beneficiary consents to the events described in the last paragraph of Section 14.0 of the Loan Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Loan Agreement or this Deed of Trust.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low income housing tax credits, COMMISSION hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by COMMISSION, which approval shall not be unreasonably withheld.

b. At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary 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 Trustor and the proposed transferee to the Beneficiary sufficient to establish and ensure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. From and after the effective date of any such Transfer, Trustor shall be released from its obligations under this Deed of Trust and the other Loan Documents accruing subsequent to such effective date.

c. Notwithstanding anything in this Deed of Trust to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

d. The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.

IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

BY: HOMES FOR LIFE FOUNDATION, a California non-profit corporation

By: _____

Its: _____

By: _____

Its: _____

BENEFICIARY:

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic

By: _____
Carlos, Jackson, Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

ATTACHMENT 1

LEGAL DESCRIPTION OF PROPERTY
(HOME - PROJECT NO._____)

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

The leasehold interest in that certain site known as the Building 303 Lease No.: L-1796 as depicted in exhibit "A" on that certain Developmental Building Space Lease dated October 10, 2002, lying over portion of the following described property:

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast 1/4 of the Northeast 1/4 and the South 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No. 2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89° 53' 10" West, 957.00 feet; thence parallel with said Bloomfield Avenue, North 0° 8' 31" East, 657.00 feet; thence parallel with Imperial Highway, South 89° 53' 10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8' 31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89° 53' 10" West, 957.00 feet to the **True point of beginning**, said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded July 21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08' 31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89° 53' 10" West, 359.87 feet, more or less, to the Easterly line of Tract 19426, as per map thereof on file in Map Book 537, Pages 39 and 40, Records of said County; thence along the Easterly line and its Southerly prolongation of said Tract 19426 South 0° 03' 43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53' 10" East, 358.95 feet, more or less, to the **True point of beginning.**

EXHIBIT "E" TO LOAN AGREEMENT

CC&RS

(HOME - PROJECT NO. HE_____)

(Please See Attached)

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
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Housing
Development and Preservation

(Space Above Line for Recorder's use)

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

COVENANTS, CONDITIONS, AND RESTRICTIONS

(HOME – PROJECT NO. HE_____)

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS ("Agreement") is executed as of the ___ day of _____, 200__ by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("CDC"), and HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Owner"), with reference to the following:

A. CDC and Owner are parties to a Loan Agreement ("Loan Agreement") dated as of the ___ day of _____, 200__, on the terms and conditions of which Owner shall borrow from CDC, and CDC shall lend to Owner, the original principal amounts of **One Million Eight Hundred Eighty Nine Thousand Nine Hundred and Five Dollars ($1,889,905)** ((the "Loan") for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project").

B. Owner intends to use the Loan proceeds for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project"). The Project will be developed on the leasehold interest in that certain site known as Building 303 Lease No.: L-1796 (**"Site"**) as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 (**"Lease"**), lying over a portion of Metropolitan State Hospital (**"Hospital"**) as legally described on Exhibit "A" to this Agreement. The Lease by and between Owner, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 (**"Amendment No. 1 to Lease"**) are attached hereto as Exhibit "E" to this Agreement. Owner's leasehold interest in the Site and the Project are hereinafter referred to collectively as the "Property." Owner shall be the owner of the Project and all other improvements to be developed on the Property in accordance with the terms of the Lease.

C. 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) Use of the Property.

a. Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants shall run with the leasehold and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling units and, with respect to the designated units to be assisted as consideration for the Loan ("**HOME Assisted Units**"), the tenant income levels, to be as specified in the Loan Agreement and in the following table:

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
35% Income						
40% Income						
45% Income						
50% Income	20					20
Manager		1				1
Totals	20	1				21

All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very Low-Income Households," "Forty-Five Percent Income Households," "Forty Percent Income Households," and "Thirty-Five Percent Income Households" with a chronic mental illness as specified in the Transaction Summary above, in the CC&Rs and hereinafter defined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not HOME-Assisted Units. Subject to the reasonable approval of COMMISSION's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"Forty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted for family size, as defined by HUD.

"Forty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family size, as defined by HUD.

"Thirty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted for family size, as defined by HUD.

"Affordable Housing Cost" shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such "Area Median Income."

Owner shall specifically provide in each Assisted Unit lease and shall strictly enforce the requirement that each Assisted Unit be occupied at all times by the eligible household who has leased that Assisted Unit, and that any other occupant of the unit be another qualified member of the lessee's household. CDC shall be identified as a third party beneficiary of that covenant and shall have the right to directly enforce that restriction in the event Owner fails to do so. Prior to execution of any Assisted Unit lease with respect to the Project, Owner shall submit to CDC and obtain its written approval of a standard form occupancy lease and Owner shall thereafter use the approved form for all leases of Assisted Units in the Project, with only such further modifications thereto as are first submitted to and approved in writing by CDC.

The covenants described in this Agreement shall remain in effect through the 55-year Term of this Agreement, notwithstanding the earlier repayment of the Loan by Owner.

b. Tenant Selection Process; Reports and Records Concerning Tenancies. Owner shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by CDC to monitor compliance with the tenanting requirements described in Paragraph (1)a above, including without limitation the requirement that Owner deliver reports to CDC commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Owner shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by CDC to certify such tenant's qualification for occupancy of the Project. Owner's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in this Paragraph (1).

c. Owner shall provide, in accordance with the Supportive Services Agreement or description of services attached to this Agreement as Exhibit "I", certain supportive services for residents of the Project, as described in the Exhibit "I" throughout the Term of this Agreement.

(2) Management of Project. Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Manager") with respect to the operation of the Project, including day-to-day administration, maintenance and repair. Owner shall, before execution or any subsequent amendment or replacement thereof, submit and obtain CDC's written approval (which shall not be unreasonably withheld, conditioned or delayed) of a management contract ("Management Contract") entered into between Owner and an entity ("Management Entity") reasonably acceptable to CDC. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of CDC. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Owner and CDC. Owner shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days from Management Entity's receipt of notice of the failure from Owner or CDC. Owner's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Paragraph (1) of this Agreement.

(3) 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, that Owner and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the Loan Agreement and the Deed of Trust (as defined in the Loan Agreement).

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor 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 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 Site or the Project, or any portion thereof.

As used herein, "Applicable 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 laws specified in the Loan Agreement; fair housing laws; prevailing wage laws (e.g., Cal. Labor Code 1720 et seq., and the federal Davis Bacon Act (46 U.S.C. 276a)), and any other applicable federal, state and local laws. Owner shall indemnify, defend and hold CDC harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract.

Owner shall, at its expense, (i) maintain all improvements and landscaping on the Site 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 CDC in accordance with the Loan Agreement and all Applicable 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 living environment for Project residents.

(4) Performance of Maintenance.

a. Owner shall maintain in accordance with CDC Standards, as hereinafter defined, the private improvements, public improvements and landscaping to the curbline(s) on and abutting the Site. 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 Site and any and all other improvements on the Site and in the public right-of-way to the nearest curbline(s) abutting the Site.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Agreement.

c. CDC Standards: The following standards ("CDC Standards") shall be complied with by Owner and its maintenance staff, contractors or subcontractors

(i) Ordinary Maintenance Standards - Owner shall maintain the dwelling units and Site in good repair, order and condition at all times in order to assure that the housing on the Site 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. Owner shall perform any repairs or replacements

necessary in order to maintain the Site in accordance with the Ordinary Maintenance Standards, set forth on Exhibit "B" and incorporated herein by this reference.

(ii) Annual Inspection Standards - Owner shall annually inspect the Site in accordance with the Annual Inspection Standards, set forth on Exhibit "C" and incorporated herein by this reference. The completed annual inspection will be documented and reported to CDC on an annual basis, and at the end of each year Owner shall submit to CDC a declaration certifying that the annual inspection, as set forth in Exhibit "C", was performed at the Site. Owner shall retain records of the inspection and make them available for review by CDC at the request of CDC.

(iii) Preventive Maintenance Standards - Owner shall annually inspect the Site in accordance with the Preventive Maintenance Standards, set forth on Exhibit "D" and incorporated herein by this reference. The completed preventive maintenance work will be documented and reported to CDC on an annual basis, and at the end of each year Owner shall submit to CDC a declaration certifying that the preventive maintenance, as set forth in Exhibit "D", was performed at the Site. Owner shall retain records of the inspection and make them available for review by CDC at the request of CDC.

(iv) Extraordinary Maintenance. Owner shall perform any extraordinary repairs or replacements necessary in order to maintain the Site, 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.

(v) CDC may enter and inspect the premises at any time after notifying Owner 72 hours prior to the planned inspection, and said notice shall be delivered to Owner at the address indicated in paragraph 16(e) below.

(5) Failure to Maintain Improvements. In the event Owner does not maintain the Site improvements to the curbline(s) in the manner set forth herein and in accordance with CDC Standards, CDC 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 CDC 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 CDC shall have the right to maintain such improvements. Owner agrees to pay CDC, upon demand, charges and

costs incurred by CDC in connection with such maintenance. Until so paid, CDC shall have a lien on the Site for the amount of such maintenance charges and costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Upon recordation of a Notice of a Claim of Lien against the Site, such lien shall constitute a lien on the fee estate in and to the Site 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. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Owner in the Site or any portion thereof and to any easement affecting the Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of CDC created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, or record, to such lien. No lien in favor of CDC created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Site free of any lien imposed herein by CDC that has accrued up to the time of the foreclosure sale, and upon taking title to the Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Site. If the Site is ever legally divided with the written approval of CDC and leasehold title to various portions of the Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in the Agreement and the charges levied by CDC to reimburse CDC for the cost of undertaking such maintenance obligations of Owner and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Site under different ownerships proportionate to the square footage of the land contained in the respective portions of the Site owned by them. Upon apportionment, no separate owner of a portion of the Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Site owned in fee by the owner who is liable for the apportioned lien and against no other portion of the Site. Owner acknowledges and agrees CDC 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.

(6) [Reserved.]

(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, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, 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 Site 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 Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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."

Nothing in this Paragraph shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

(8) Covenants Run With the Leasehold; Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the leasehold and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Site, or any part thereof, for the benefit of and in favor of CDC and its successors and assigns. The covenants of this Agreement shall remain in effect through the Term, notwithstanding the repayment of the Loan by Owner prior to the Maturity Date. The covenants contained in Paragraph 7 of this Agreement shall remain in effect in perpetuity.

The Improvements to the curbline(s) and the maintenance thereof touch and concern the Site and inure to the benefit of any and all present or successive owners of the Site. 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 and occupants of the Site, 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 land. CDC shall cause a fully executed copy of this Agreement to be recorded in the Office of the Los Angeles County Recorder. Notwithstanding the foregoing, in the event Owner or its successors or assigns shall convey its fee interest in all or any portion of the Site, the conveying owner shall be free from and after the date of recording such conveyance of all liabilities, respecting the performance of the restrictions, covenants or conditions contained in this Agreement thereafter to be performed with respect to the Site, or any part thereof, it being intended that the restrictions, covenants and conditions shall be binding upon the record owners of the Site only during such time as that person is the owner of the Site, provided that the conveying owner shall remain liable for any actions prior to the date of the conveyance.

(9) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that CDC shall be deemed the beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the leasehold 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 land 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 CDC 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 CDC is for the benefit of the real property owned by CDC in the area surrounding the Site. The covenants herein running with the land shall also be equitable servitudes upon the Site and each part thereof and shall bind each and every person having any interest in the Site 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 Site or part thereof. CDC 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 CDC, the covenants and restrictions contained in this Agreement shall not benefit or be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property.

(10) Compliance with Law. Owner shall comply with all Applicable Governmental Restrictions (as defined in Section (3) above) relating to the uses of or condition of the Site, including but not limited to private improvements and public improvements to the curbline(s).

(11) Indemnification and Insurance. From and after the execution of this Agreement, Owner hereby agrees to indemnify and hold harmless CDC and all its members, directors, agents, officers and employees ("CDC Representatives"), and each of them, from and against all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to CDC, and claims ("Losses and Liabilities") related directly or indirectly to, or arising out of or in connection with (i) any breach or default by Owner hereunder, (ii) any of Owner's activities on

the Site (or the activities of Owner's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors or independent contractors on the Site), including without limitation the construction of any improvements on the Site or the use or condition of any such improvements, or (iii) any other fact, circumstance or event related to Owner's performance hereunder; provided, however, that the foregoing indemnity shall not extend to any Losses and Liabilities to the extent resulting from the negligence or misconduct of the CDC and/or any CDC Representatives.

Without limiting Owner's indemnification of the CDC as set forth above, upon Owner obtaining record title to the Site, Owner shall provide and maintain at its sole cost and expense for the periods stated below, the following insurance program from insurers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide:

a. Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of a least one million dollars ($1,000,000) for each occurrence ($2,000,000 General Aggregate), including products and completed operations coverage. CDC and all CDC Representatives shall be carried as additional insureds with respect to liability arising from activities performed by or on behalf of Owner, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to CDC. Said insurance shall be maintained continuously for as long as Owner shall own the Site, and shall be endorsed to require thirty (30) days prior written notice from insurer to CDC before cancellation or reduction in coverage. Owner shall require its contractor to include CDC and the CDC Representatives as additional insureds on all general liability insurance covering work at the Site. The policy shall contain a waiver of subrogation for the benefit of CDC.

b. "All Risk" ISO Special Form property insurance. Coverage shall include debris removal and shall provide protection for earthquake and flood if this protection is available from responsible carriers at reasonable costs. CDC shall be the loss payee under the aforementioned policy (ies) under a standard lender's loss payable endorsement. The amount of property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property, and the insurer shall waive any coinsurance via an "agreement" endorsement.

c. Worker's Compensation insurance as required by the Labor Code of the State of California and Employer Liability limits of $1,000,000 per accident.

d. Automobile Liability insurance with a combined single limit of at least One Million Dollars ($1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

Owner shall annually (or more frequently in the event of a change of insurer or policy) deliver to CDC certificates of insurance with original endorsements evidencing the coverage required by this Agreement. The certificates and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. CDC reserves the right to require complete certified copies of all policies at any time.

Said insurance may provide for such deductibles or self-insured retention as may be reasonably acceptable to CDC. In the event such insurance does provide for deductibles or self insurance, Owner agrees that it will protect CDC and CDC Representatives in the same manner as

these interests would have been protected had full commercial insurance been in effect. If required by CDC from time to time, Owner shall reasonably increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to those on the Site.

Failure on the part of Owner to procure or maintain required insurance shall constitute a material breach of this Agreement under which CDC may, at the discretion of CDC, procure or renew such insurance and pay any and all reasonable premiums in connection therewith, and all monies so paid by CDC shall be repaid by Owner to CDC upon demand.

(12) Bodily Injury and Site Damage Insurance Requirements. Owner shall indemnify, defend, assume all responsibility for and hold CDC and its officers, employees, and agents 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.

Owner shall furnish a certificate of insurance and endorsement countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate and endorsement shall name CDC, and if available, its officers, agents, and employees, as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligations on the part of the carrier to notify CDC of any material change, cancellation or termination. Coverage provided hereunder by Owner shall be primary insurance and not contributing with any insurance maintained by CDC, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of CDC.

(13) 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 in accordance with Paragraph (16)e hereof. The defaulting party shall no longer be in default if the defaulting party cures such default within thirty (30) days after receiving the Default Notice; provided, however, that if such default cannot be reasonably cured within such thirty (30) day period, the defaulting party shall be given such longer period as reasonably necessary (which in the case of a default by Owner shall be as reasonably determined by CDC) and the defaulting party shall no longer be in default if it commences to cure such default within such thirty (30) day period and completes such cure with reasonable and due diligence.

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 CDC or Owner may have at law or at equity.

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

(15) 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.

(16) 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 recording in the Office of Los Angeles County Recorder.

e. Notices. Formal notices, demands, and communications between CDC 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 CDC or Owner, as follows:

If to CDC:	Community Development Commission of the County of Los Angeles Two Coral Circle Monterey Park, California 91755-7425 Attn: Executive Director
With a copy to:	Community Development Commission of the County of Los Angeles Two Coral Circle Monterey Park, California 91755-7425 Attn: Director of Housing Development and Preservation
If to Owner:	Homes for Life Foundation 8939 S. Sepulveda Boulevard, Suite 460 Los Angeles, CA 90045 Attn: Asset Manager

With a copy to:

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, and one (1) 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.

IN WITNESS WHEREOF, CDC 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.

CDC:

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic

By:_____
Carlos Jackson
Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By: _____
Deputy

OWNER:

BY: HOMES FOR LIFE FOUNDATION,
a California non-profit corporation,

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 200__, 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 _____, 200__, 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 _____, 200__, 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 SITE

All that certain real property situated in the County of Los Angeles, State of California, described as follows:

The leasehold interest in that certain site known as the Building 303 Lease No.: L-1796 as depicted in exhibit "A" on that certain Developmental Building Space Lease dated October 10, 2002, lying over portion of the following described property:

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast 1/4 of the Northeast 1/4 and the South 1/2 of the Northeast 1/4 of the Northeast 1/4 of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No. 2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89° 53' 10" West, 957.00 feet; thence parallel with said Bloomfield Avenue, North 0° 8' 31" East, 657.00 feet; thence parallel with Imperial Highway, South 89° 53' 10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8' 31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89° 53' 10" West, 957.00 feet to the **True point of beginning**, said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded July 21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08' 31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89° 53' 10" West, 359.87 feet, more or less, to the Easterly line of Tract 19426, as per map thereof on file in Map Book 537, Pages 39 and 40, Records of said County; thence along the Easterly line and its Southerly prolongation of said Tract 19426 South 0° 03' 43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53' 10" East, 358.95 feet, more or less, to the **True point of beginning.**

EXHIBIT "B" TO CC&Rs

Community Development Commission of the County of Los Angeles
ORDINARY MAINTENANCE AND REPAIRS

Ordinary maintenance is the routine work of keeping the buildings, grounds, and equipment in such condition that they may be utilized continually at their original or designed capacities and efficiencies for their intended purposes. Minor repair is the restoration of the facility to a condition substantially equivalent to its original capacity. Minor replacement is the substitution of component parts of equipment to extend its useful life.

In order to assure that the housing on the Site is kept in a decent, safe, and sanitary condition, the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition. "Grounds" includes lawns, roads, walks and other paved areas, trees and plants, fences, play areas, drainage facilities, etc. "Buildings" includes roofs, attic spaces, gutters and downspouts, walls, porches, foundations, crawl spaces, windows, floors, doors, etc. "Equipment" covers all items such as utility lines and piping, heating and plumbing equipment, pumps and tanks, ranges and refrigerators, tools, etc.

Set forth below are the standards for the degree of maintenance, repair and cleaning necessary to qualify as "safe, decent and sanitary." The Standards describe the minimum level of cosmetic repair and degree of cleanliness necessary to effectively market the dwelling units and to satisfy the needs of prospective residents. In brief, rental units are to be free of all defects (as described herein) and have an appealing and desirable appearance.

EXTERIOR PROPERTY AREAS

A. Sanitation. Yards shall be clean and sanitary. All rubbish, garbage, trash, litter, debris, and abandoned personal property are to be removed from the grass, walks, steps, parking areas, and other grounds, as well as the roofs, gutters and window wells.

B. Lawn Maintenance. Grounds shall be examined for proper drainage and, if necessary, graded to prevent the accumulation of stagnant water and to prevent water from seeping into building structures. All soil areas shall be sodded or seeded, as necessary, to prevent erosion, except garden areas at scattered sites. Weeds, saplings and uncut grass along the foundations of the house and garage, the fences, the walks, the parking areas, the sidewalk expansion joints and the window wells are to be removed. All grounds are to be free of noxious weeds. Bushes, hedges and trees are to be trimmed, if necessary. Grass shall be cut as often as necessary so that it does not exceed five (5) inches in height. The yard will be raked, as necessary.

C. Walks and Steps. Cracks and Breakage. All front walks, sidewalks, rear walks, steps, driveways and parking pads shall be maintained in such a manner that there are no cracks or heaves large enough to create a safety hazard. Remove chipped and loose pieces of concrete and asphalt, as needed. Remove all graffiti.

EXTERIOR STRUCTURES -- DWELLING AND GARAGE

D. Foundation, Walls, and Roof. All exterior surfaces shall be maintained in good repair. They shall be free of holes, significant cracks, breaks and loose materials to provide a sufficient covering for the underlying structural surface and prevent any moisture from entering the dwelling. If the protective surface is paint, and if more than 25% of the area is blistered, cracked, flaked, scaled, or chalked away, it shall be repainted, weather permitting. All dirt, unsightly stains and graffiti are to be removed. Prime doors shall open and close smoothly. Each prime door shall have a properly working dead bolt lock with a newly changed cylinder.

E. Screens. Every window shall have a screen which fits tightly and securely to the frame. Each screen shall be free of holes large enough for insects to penetrate or tears longer than 1".

F. Gutters and Downspouts. If the structure has gutters and downspouts, they are to be secured to the structure and free of leaves and other debris.

G. Garage. Overhead and service doors are to open and close smoothly and lock. Remove all loose contents from the interior. Wipe up surface oil drippings and spills. Broom sweep the floor.

H. Faucets. Faucets and handles shall work properly.

I. Miscellaneous. Mailboxes, guardrails, railings, exterior lights, fences and clothes line poles shall be properly anchored. Doorbells shall operate properly.

J. Wall Graffiti. Wall graffiti and other unsightly markings on exterior walls are to be removed daily. If the graffiti is offensive in nature (profanity, gang slogans, etc.) it will be removed immediately.

Those deficiencies that are discovered during the winter that require warm weather to properly correct are to be noted for summer repair.

INTERIOR PROPERTY AREAS

K. Walls and Ceilings. All holes over one inch in diameter are to be filled. All cracks are to be filled or taped and plastered. All holes of one inch in diameter or less are to be filled if they are present in sufficient number to give the surface an undesirable appearance. All patches are to be sanded smooth. All wet plaster shall be neatly primed. In cases of extensive repair, the entire wall shall be primed.

L. Doors, Hardware, Room Trim, and Handrails. All surfaces shall be clean and free of splashed or spilled paint. Doors shall open, close and latch smoothly and properly. Door stops shall be installed for each door and be clean and intact. Handrails shall be secure.

M. Floors, Stairs, Baseboards, and Corners. Remove all rubbish, garbage, trash, litter, debris and abandoned personal property. All surfaces shall be swept or vacuumed.

Carpet, if installed, shall be vacuumed, and, if it smells badly, has paint spills, or is dirty or stained, shall be shampooed.

N. Window Areas. Tracks shall be free from dust, dirt and debris and lubricated so that windows slide smoothly and close tightly. Frames and sills shall be free of dust, dirt and mold. Curtain rods are to be securely installed over each window opening unless drapery rods are already in place. New, or "like new", window shades are to be installed over each bedroom window and non-opaque bathroom window. Dispose of and replace drapes and curtains in poor condition or that are dirty. Window panes shall be intact, i.e., without holes, chips, missing pieces or cracks, except for short corner cracks. Reputty the windows, if necessary. Window locks and other hardware shall function properly.

O. Electrical Fixtures, Outlets, Switch Plates, and Outlet Plates. Each light fixture socket shall have a working light bulb. Each light fixture in the living areas shall have a clean globe, lens or shade. Test each switch, socket, and outlet and repair, if necessary. Light switch cover plates and electrical outlet cover plates shall be clean, i.e., free of dirt, grease, grime and paint, and shall be in good condition and intact, i.e., free of chips and cracks.

P. Plumbing Fixtures.

i. Faucets shall have adequate water flow. Handles shall turn "on" and "off" easily and smoothly. Faucets shall not leak when "on" or "off." Each faucet shall have a properly installed and functioning aerator, if so designed.

ii. Drains shall be tested by a 30-second luke warm water run to assure no leakage. Water shall empty from the sinks and tubs quickly. The drain pipe shall look and feel dry. Each drain shall have a stopper or a basket.

iii. Sinks and tubs shall be free of surface cracks or chips over one inch in length.

iv. Toilets shall operate properly. Toilet seats and covers shall be in "like new" condition with no surface finish loss whatsoever.

v. Other plumbing and related fixtures, such as kitchen sprayers, shower doors, and water main shutoffs shall work properly.

Q. Cabinets. Kitchen, medicine and other storage cabinets doors and drawers shall open and close freely. The attendant hardware shall be clean, secure, and operate properly.

R. Stoves. All parts shall work properly. The exhaust fan filter shall be changed or washed, if applicable. Each oven shall have an appliance bulb, broiler drip pan and cover and two oven racks.

S. Heat Vents, Grilles, and Cold Air Return Grates. There shall be no broken or bent grille work. Grilles and grates shall be kept free of dirt, dust, grime and debris.

T. Thermostat and Smoke Detector. The thermostat and smoke detector shall be clean, intact, free of paint and tested to operate properly.

U. Basement. The ceiling, window openings, walls, pipes, ductwork, furnace and water heater are to be free of dirt, grease, spider webs and cobwebs. The floor shall be broom swept clean of loose dirt and litter. Windows and laundry tubs shall be washed if dirty. Laundry plumbing shall operate properly. Any basement bathroom interior and fixtures shall be kept clean. The furnace and water heater shall be tested to work properly, and furnace filter replaced as needed. Cap and close valve on unused gas lines. Seal dryer vent.

V. Attic. Accessible attics shall be free of litter.

W. Common Areas. The common areas and the entrances shall be inspected, repaired, and cleaned as necessary.

X. Pest Control. The Site shall be free of all insect vermin. Remove all insect vermin. Inspect for other vermin and exterminate, if necessary.

EXHIBIT "C" TO CC&Rs

Community Development Commission of the County of Los Angeles
ANNUAL INSPECTION STANDARDS

In order to ensure that all units are maintained in a safe, sanitary, decent condition, CDC shall conduct a planned annual physical inspection of each dwelling unit, every building, and all other facilities with a record of any item requiring repair or replacement. This will include such items as plaster repairs, painting, termite inspection, roof deterioration, overloading of electric circuits, corrosion control, floors, windows and screens, ranges, refrigerators, fixtures and equipment. The inspection shall be made to the following standard:

DWELLING UNIT -

FLOORS (CARPET): Clean; no tears; no readily noticed marks or stains.

FLOORS (VINYL TILE): Clean; unbroken; no cracks; no unmatched tiles.

WALLS (PAINTED): Clean; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

WALLS (CERAMIC TILE): Tiles in place, secure, uncracked, unmarked (and free of paint); grout intact, uncracked, clean; covering at floor intact, clean.

CEILINGS (SPACKLED): Clean, consistent texture; no marks; no surface breaks.

WINDOWS: Clean; glass unbroken, uncracked; frames secure; latches secure and easily operated; movable parts operate smoothly and easily; screens in place, untorn, movable parts operate smoothly and easily; weather stripping intact and secure.

DRAPES: In place; clean, uniform appearance; no holes, tears; operating mechanism in place, opens/closes smoothly and easily.

DOORS: Door and jambs intact and secure; surface unbroken and uniform, finished appearance; hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

CLOSET FIXTURES: Rods, shelves in place, clean, unbroken and unmarked.

ELECTRIC RECEPTACLES AND WALL SWITCHES: Fixtures and cover plates intact and unbroken; 110 volt service available; surfaces clean with no evidence of burns on the cover plates. Bathroom and kitchen receptacles protected by Ground Fault Interrupters.

LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

HEATING, AIR COOLING EQUIPMENT: Thermostat operating properly (room temperature within 5 degrees of setting); heating zone valve leak-free; base-board heating fixtures intact, clean.

VENTILATION FANS/HOODS: Fans and lights operable without excessive noise or vibration; filters in place, intact and clean.

KITCHEN CABINETS: Doors, drawers, shelves and hardware in place, clean, intact; surfaces of smooth, unbroken, uniform appearance; all movable parts operate smoothly and easily.

KITCHEN COUNTERTOPS: Surface smooth, unbroken, unmarked, uniform color.

KITCHEN RANGE: External and internal surfaces intact and clean (including under top cover); controls function smoothly and easily, surface burners, bake and broil elements ignite and maintain design performance; doors and drawers operate smoothly and easily.

GARBAGE DISPOSER: Clean, intact, working properly without excessive nose; splashguard in place, intact, firm.

SINKS: Faucets operate providing a sufficient flow of water (2 to 3 gallons/minute) and shut off free of drips; no evidence of water leakage on top of sink or at drain under sink; drains flow freely with no backup with faucets open fully; sink surface clean, unbroken with no marks or discoloration.

BATHTUB/SHOWER: Faucets operate providing a sufficient flow of water (3 to 5 gallons/minute) and shut off free of drips; drains flow freely with no backup with faucets open fully; tub surface clean, unbroken with no marks or discoloration; grout intact, clean and unbroken; hot water temperature between 105 and 120 degrees (110 degrees at the tap recommended).

MEDICINE CABINET: In place, intact, mounted securely; surface unbroken; mirror intact, clean, uncracked; shelves in place, clean, intact; door intact, operates smoothly and easily, closes securely.

BATHROOM SINK COUNTERTOP: Clean, intact; surfaces of smooth, unbroken, uniform appearance.

BATHROOM TOWEL BARS, GRAB BARS, SOAP DISH AND TOILET PAPER HOLDER: In place, clean, intact and secure.

TOILET: Intact, mounted securely; no evidence of leakage at the wax ring; no evidence of softness or spring in the toilet base; flushed properly draining all solid waste; after flush, tank refills quickly (20 to 30 seconds); no water leakage into the tank or into the bowl at completion of the flush cycle; seat secure, with clean unbroken surface.

PESTS, VERMIN: No evidence of presence/infestation.

SMOKE DETECTORS: Operate when tested with approved smoke-tester.

SAFETY EQUIPMENT: Fire extinguishers inspected and adequately charged.

INTERCOM AND REMOTE DOOR OPENER: Audible transmission and effective door latch operation.

COMMON AREAS, GROUNDS AND STRUCTURES -

LOBBY AND HALLWAY FLOORS (CARPET): Free of obstruction and litter; clean; no tears, marks, stains; carpet seams secure.

LOBBY AND HALLWAY FLOORS (VINYL TILE): Free of obstruction and litter; clean; unbroken; no cracks; no unmatched tiles.

WALLS AND CEILINGS (PAINTED): Clean; free of defacing; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

INTERIOR AND EXTERIOR LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

DOORS: Door and frames intact and secure; surface unbroken and with uniform, finished appearance (free of defacing); hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

MAILBOXES: Clean; clearly labeled; individual boxes secure.

FIRE EXITS: Doors and exits smoothly and easily operable; signs clearly marked, visible secure and intact.

UNIT ENTRANCES: Unit number clearly identified; doors secure (see Unit Inspection Form).

TRASH ROOMS, MAINTENANCE SHOP AND STOREROOM AND UTILITY ROOMS: Clean, free of odors; doors in place and secure; stored items orderly.

FIRE ALARM SYSTEMS: Inspected by safety inspectors within specified frequency.

FIRE EXTINGUISHERS: In place; filled; inspected with specified frequency.

ELEVATORS: Odor-free; floors and walls of cab clean, free of defacing, smooth, unbroken surface (no holes), no marks; doors working properly; floor buttons working properly; floor number clearly marked and visible in each hallway at the elevator exit; ventilation fan operating quietly; emergency call system functioning as designed; equipment inspected and maintenance work performed on contract schedule.

DRIVEWAYS AND PARKING LOTS: Clean; litter and graffiti-free; free of obstructions (especially abandoned or inoperable vehicles); surface unbroken, free of oil stains; painted stripes clearly visible; handicapped parking signs clearly visible.

GROUNDS AND STRUCTURES

SIDEWALKS AND STAIRWELLS: Clean; litter and graffiti-free; free of obstructions; smooth, unbroken surface (free of tripping hazards).

UTILITY METERS: Intact, covers secure.

TRASH AREAS: Free of debris; containers and covers secure, free of graffiti, in good repair.

ROOFS: Surface unbroken; no sign of puddling; free of litter, foreign objects; flashing intact and sealed; stacks and vents free of obstruction; gutters and downspouts clean, clear and secure.

LAWNS: Grass trimmed to no more than 3" high; litter-free; borders edged; weed-free; no bare spots.

TREES AND SHRUBS: Trimmed and pruned in season; no obstruction of walkways or overhang.

EXHIBIT "D" TO CC&RS

Community Development Commission of the County of Los Angeles
PREVENTIVE MAINTENANCE STANDARDS

Preventive maintenance based on regular methodical inspections is the action taken to avoid or minimize the need for more costly measures at some future time. It is performed prior to actual breakdown thereby preventing costly replacements and, in the case of operating equipment, lengthy shutdown. Effective preventive maintenance reduces long-range operating costs and lessens the necessity for major restorations and improvements. Preventive maintenance shall include, but is not limited to, the following, and shall include all other items affecting the health and safety of the tenants (pursuant to California Health & Safety Code 17910 *et seq.*):

Scheduled checking, adjusting, cleaning, and lubricating heating equipment.

Periodic inspection of ranges, hot water heaters, and space heaters for mechanical performance and for needed replacement of worn or broken parts.

Inspecting, servicing, and replacing worn parts in electro-mechanical equipment.

Checking and repairing plumbing fixtures, toilet tanks, drains, condition of porcelain, etc.

Termite and vermin inspection and elimination, by a Commission licensed firm.

Periodic interior and exterior painting.

Inspecting and patching roofs, gutters, downspouts, and flashing.

Inspecting underground facilities for corrosion and control thereof.

Inspecting for condensation, dampness, and fungus in wood and for rust in iron components and taking appropriate corrective measures.

Patching paved surfaces and sealcoating, as needed.

Correcting erosion and drainage deficiencies.

Fertilizing and cultivating planted areas.

Installing protective barriers, where needed, for planted areas and trees.

Checking fire safety equipment for operable use.

Caulking around bathtubs, tiles, countertops, windows, and doors to avoid water damage. Administration and implementation of the preventive maintenance program shall be performed on the following schedule or a schedule approved by the Commission prior to implementation:

1.	Annual Dwelling Inspections and Corrections	1 year
2.	Heating Furnace Services:	
	Minor Inspections and Services	3 months
	Major Inspections and Services	2 years
3.	Fire Extinguisher and Alarm Inspections and Services	1 month
4.	Range Hood and Motor Inspections and Services	1 year
5.	Project Site Inspections and Corrections	1 year
6.	Roofing Inspections and Corrections	1 year
7.	Project Fencing Inspection	1 year
8.	Security Lighting Inspections and Services	1 year
9.	Trees and Shrubbery Inspections and Corrections	1 year
10.	Water Heater Inspections and Services	1 year
11.	Sewer Lift Station Inspections and Services	6 months
12.	Septic Tank Inspections and Services	1 year
13.	Street Pavement Inspections and Corrections	1 year
14.	Weather Stripping and Caulking	1 year
15.	Interior Painting of Units	5 years
16.	Exterior Painting of Units:	
	Wood siding and trim	3 years
	Brick walls, stucco walls and steel sash	5 years

EXHIBIT "E TO CC&RS

LEASE & AMENDMENT NO. 1 TO LEASE

EXHIBIT "F" TO LOAN AGREEMENT

SUBORDINATION AGREEMENT

(HOME - PROJECT NO. HE_____)

(NOT APPLICABLE)

EXHIBIT "G" TO LOAN AGREEMENT

PROJECT DESCRIPTION

(HOME - PROJECT NO. HE_____)

(Please See Attached)

Birch Grove Homes will provide semi-independent housing to homeless persons with chronic mental illness, including graduates of Cedar Street Homes, a 38 person transitional housing program located in an adjacent building on the grounds of Metropolitan State Hospital which is under development by the developer, Homes for Life Foundation.

Birch Grove Homes will provide continuity in supportive services for those graduates, allowing them opportunity to live in individual apartments with private cooking and bathroom facilities.

The project will be developed through rehabilitation of a vacant structure known as "Building 303." Rehabilitation will include configuration of the existing building into:

- 20 studio apartments;
- a community room;
- an entry lobby;
- laundry room;
- manager's office;
- conference room; and,
- manager's apartment

Rehabilitation will also include

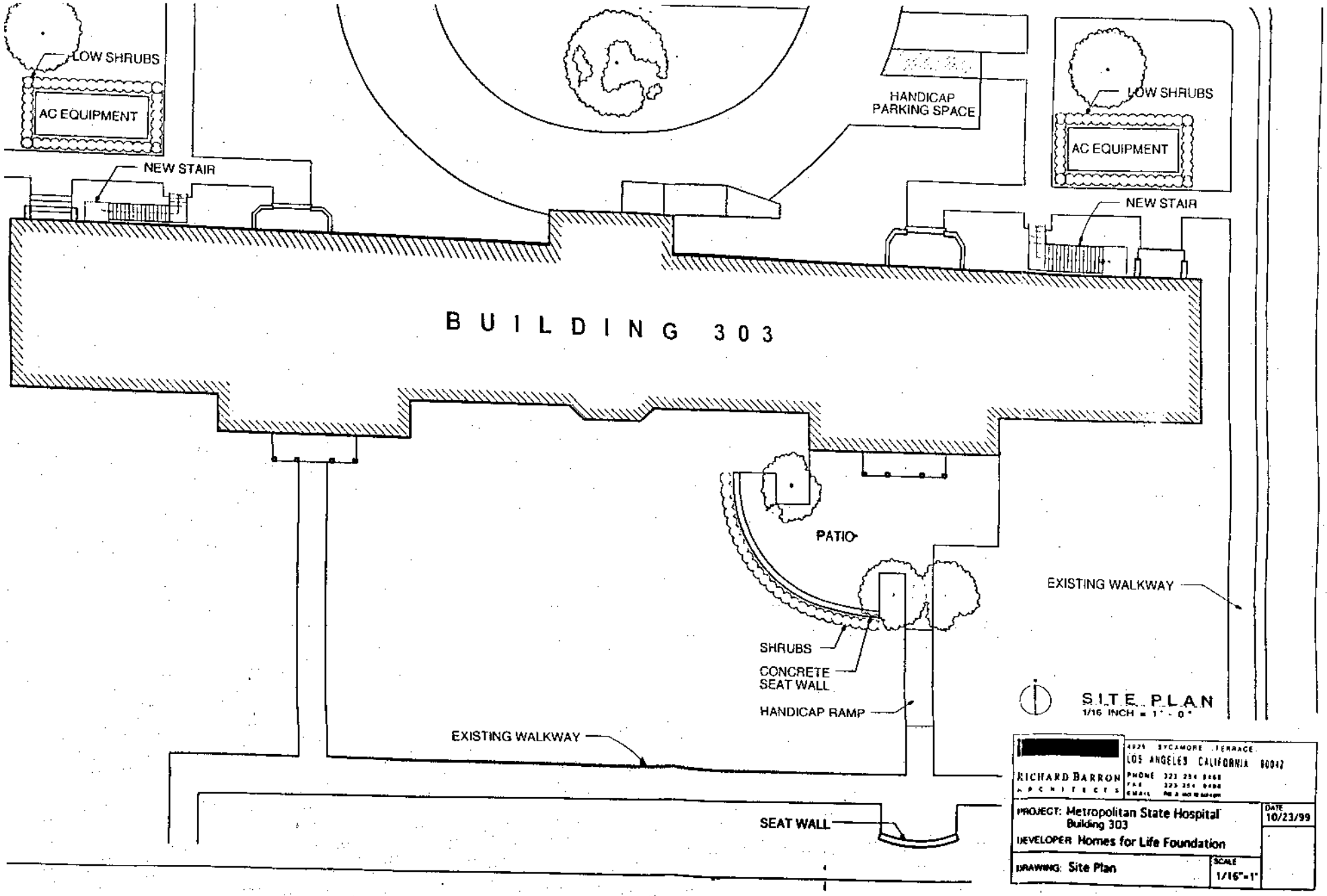
- abatement of any existing lead and asbestos;
- demolition of an unnecessary partition walls;
- installation of baths and drop-in kitchens in each unit
- installation of new HVAC, electrical and plumbing systems
- installation of new lighting and flooring,
- attic insulation;
- repair of existing windows
- repair of damaged plaster;
- painting throughout; and,
- repair or replacement of roof

EXHIBIT "H" TO LOAN AGREEMENT

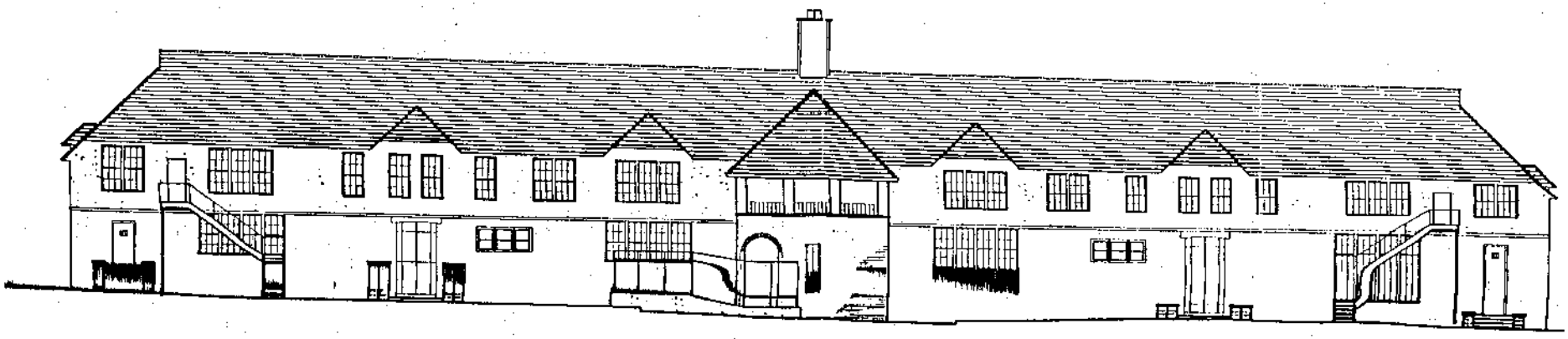
SITE PLANS AND ELEVATIONS

(HOME - PROJECT NO. HE_____)

(Please See Attached)


LOW SHRUBS
AC EQUIPMENT
NEW STAIR
HANDICAP PARKING SPACE
LOW SHRUBS
AC EQUIPMENT
NEW STAIR
BUILDING 303
PATIO
EXISTING WALKWAY
SHRUBS
CONCRETE SEAT WALL
HANDICAP RAMP
EXISTING WALKWAY
SEAT WALL
SITE PLAN
1/16 INCH = 1' - 0"
[redacted]
4025 SYCAMORE TERRACE
LOS ANGELES CALIFORNIA 90042
RICHARD BARRON ARCHITECTS
PHONE 323 254 8468
FAX 323 254 8468
EMAIL
PROJECT: Metropolitan State Hospital Building 303
DEVELOPER Homes for Life Foundation
DATE 10/23/99
DRAWING: Site Plan
SCALE 1/16"=1'

SOUTH ELEVATION
1/16 INCH = 1' - 0"



NORTH ELEVATION
1/16 INCH = 1' - 0"

[redacted]

RICHARD BARRON
ARCHITECTS

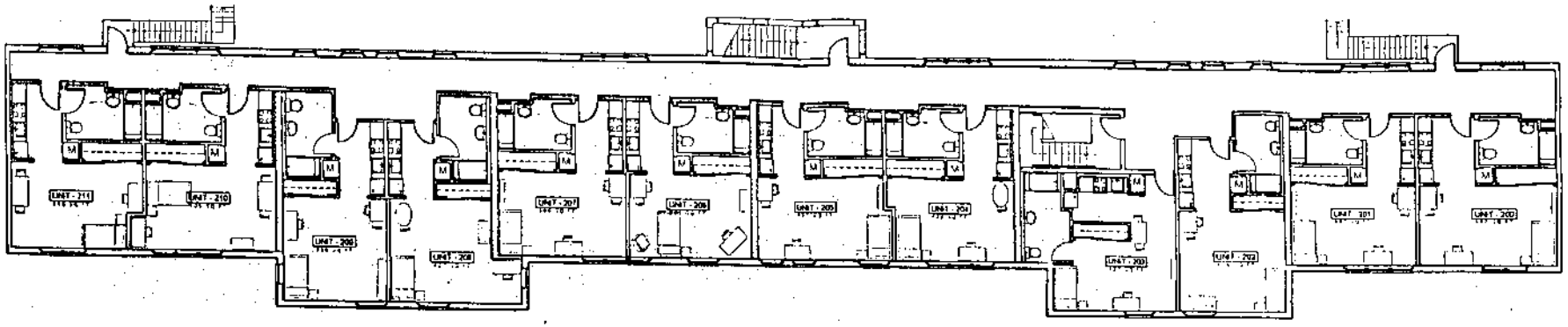
PROJECT Metropolitan State Hospital
Building 303

DEVELOPER Homes for Life Foundation

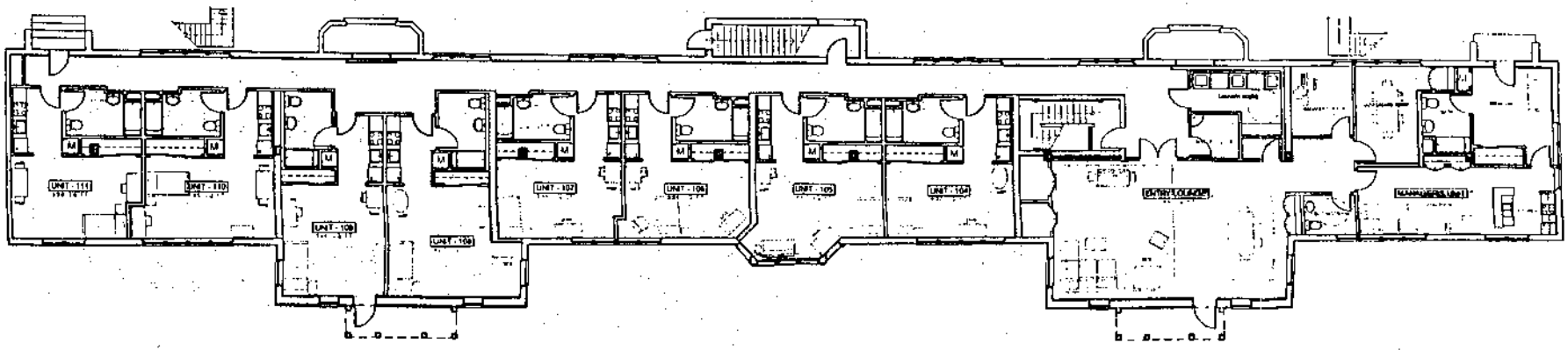
DRAWING North & South Elevations

DATE 10/23/99

SCALE 1/16" = 1'



SECOND FLOOR PLAN
1/16 INCH = 1' - 0"



FIRST FLOOR PLAN
1/16 INCH = 1' - 0"

[redacted]
RICHARD BARRON
ARCHITECTS

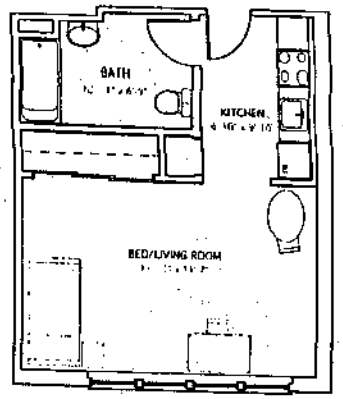
PROJECT Metropolitan State Hospital
Building 303

DATE 10/23/99

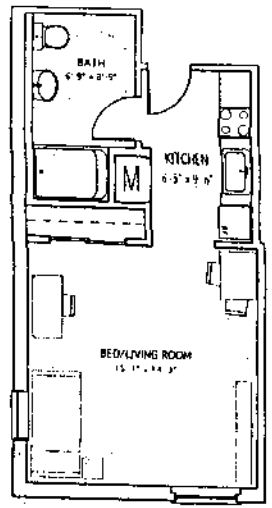
DEVELOPER Homes for Life Foundation

DRAWING First & Second Floor Plan

SCALE 1/16" 1'



BUILDING 303 TYPICAL UNIT
394 sq ft
1/8 INCH = 1' - 0"

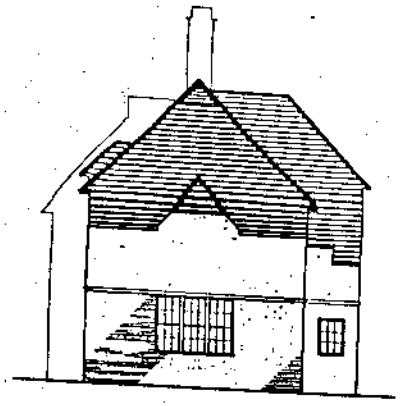


BUILDING 303 TYPICAL UNIT
394 sq ft
1/8 INCH = 1' - 0"

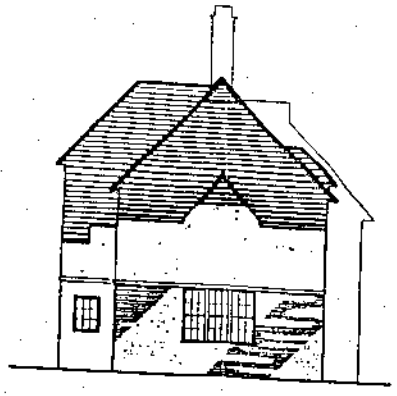
RICHARD BARRON
ARCHITECTS

1925 SYCAMORE TERRACE
LOS ANGELES CALIFORNIA 90042
PHONE 323 254 6188
FAX 323 254 6486
EMAIL [illegible]

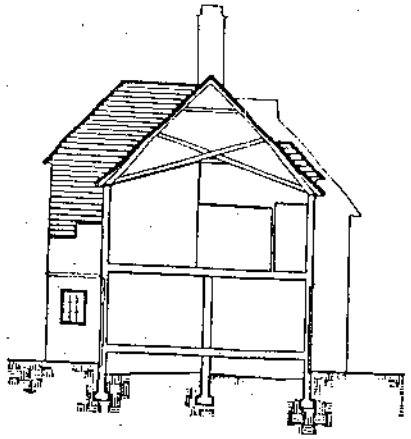
PROJECT: Metropolitan State Hospital Building 303	DATE: 10/23/99
DEVELOPER: Homes for Life Foundation	
DRAWING: Tytpical Unit Plans	SCALE: 1/8"=1'



WEST ELEVATION
1/16 INCH = 1' - 0"



EAST ELEVATION
1/16 INCH = 1' - 0"



CROSS SECTION
1/16 INCH = 1' - 0"

RICHARD BARRON
ARCHITECTS
4925 SYCAMORE TERRACE
LOS ANGELES CALIFORNIA
PHONE 323 254 6488
FAX 323 254 6486
EMAIL RB@RICHARDBARRON

PROJECT: Metropolitan State Hospital
Building 303

DATE 10/23/99

DEVELOPER Homes for Life Foundation

DRAWING Section, East & West Elevations

SCALE 1/16" = 1'

[If Applicable]

EXHIBIT "I" TO LOAN AGREEMENT

SUPPORTIVE SERVICES AGREEMENT

(HOME - PROJECT NO. HE_____)

(Please See Attached)

Exhibit I to Loan Agreement

Supportive Services Agreement

Birch Grove Homes will provide homeless persons with chronic mental illness permanent housing and an ongoing system of support to help them overcome the causes of their homelessness, and to cope with the periodic problems that would otherwise put them at risk of becoming homeless again. HFLF will integrate on-site and off-site support services into the daily lives of homeless clients who have been placed in permanent housing.

Beginning with their acceptance into the project and continuing after occupancy, program staff will meet with the client, family members, and mental health providers to define problem areas and assess strengths, interests, and competencies in concrete and behavioral terms. A Personal Services Plan will be developed within 60 days of enrollment which emphasizes rehabilitation, community and family support, self help and medical services and strategies needed to improve the quality of life for the individual.

The program staff will assist the client in arranging for available services and programs, and will initiate contacts with outside service providers and monitor delivery of services on an ongoing basis as well as on-site services. The Service Coordinator will review the service plan with the resident on a semi-annual basis.

The Coordinator will act as a "match-maker," screening programs for clients and clients for programs; following up with the clients and service providers to ascertain whether the client participated in the program and whether the program is successful in assisting clients. The coordinate will also act as an advocate for the clients, providing assistance in securing available benefits for the clients and in resolving issues regarding benefit eligibility and payment.

In addition, support services will be provided on-site on an as-needed basis. Thee services may include:

1. Home Maintenance: upkeep of the apartment, including cleaning and operation of appliances;
2. Cooking: Nutrition, meal planning, shopping and meal preparation;
3. Money Management/Consumer Awareness: Developing budgets, establishing checking and savings accounts, planning for major purchases, and general consumer awareness;
4. Self Care: Hygiene, personal appearance, health education;
5. Leisure Skills: Planning of leisure time activities and social events;
6. Problem Solving & Communication Skills: Learning to resolve differences with other tenants. Assertiveness training, listening skills, and conflict resolution; and
7. Independent Living: Support and problem solving in independent living issues.
8. Transportation and bus passes: Assistance in purchasing passes and van transportation when necessary.

EXHIBIT "J" TO LOAN AGREEMENT

COMMISSION PROVISIONS

(HOME - PROJECT NO. HE_____)

EXHIBIT "J" TO LOAN AGREEMENT

COMMISSION PROVISIONS

The Borrower agrees to comply with the following Commission requirements:

1. Termination for Improper Consideration

Commission may, by written notice to the Borrower, immediately terminate the right of the 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 Commission officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of this Agreement or the making of any determinations with respect to the Borrower's performance pursuant to this Agreement. In the event of such termination, Commission shall be entitled to pursue the same remedies against the Borrower as it could pursue in the event of default by the Borrower.

The Borrower shall immediately report any attempt by a Commission officer or employee to solicit such improper consideration. The report shall be made either to Commission's Executive Director or his designee.

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

2. Confidentiality of Reports

The Borrower shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity without the prior written consent of Commission.

3. Commission's Quality Assurance Plan

Commission will evaluate Borrower's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which Commission determines are severe or continuing and that may place performance of the Agreement in jeopardy, if not corrected, will be reported to the Board of Commissioners. The report will include improvement/corrective action measures taken by Commission and Borrower. If improvement does not occur consistent with the corrective measure, Commission may terminate this Agreement or seek other remedies as specified in this Agreement.

4. Borrower's Warranty of Adherence to Commission's Child Support Compliance Program

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

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

5. Termination For Breach of Warranty to Maintain Compliance With Commission's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Paragraph 4, "Borrower's Warranty of Adherence to Commission's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to the Commission under any other provision of this Agreement, failure to cure such default within 90 calendar days of written notice shall be grounds upon which the Commission may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of Borrower, pursuant to Commission policy.

6. Independent Contractor

This Agreement does not, is not intended to, nor shall it be construed to create the relationship of agent, employee or joint venture between the Commission and the Borrower.

7. Drug-Free Workplace Act of the State of California

Borrower certifies under penalty of perjury under the laws of the State of California that the Borrower will comply with the requirements of the Drug-Free Workplace Act of 1990.

8. Compliance with Laws

The Borrower agrees to be bound by applicable federal, state and local laws, regulations, and directives as they pertain to the performance of this Agreement. If the compensation under this Agreement is in excess of $100,000 then Borrower shall comply with applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 18579h), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency Regulations (40 CFR part 15).

The Borrower must obtain and present all relevant state and local insurance, training and licensing pursuant to services required within this Agreement.

Borrower shall comply with the following laws:

9. Civil Rights Act of 1964, Title VI (Non-discrimination in Federally Assisted Programs)

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.

10. Section 109 of the Housing and Community Development Act of 1974

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, national origin, or sex 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.

11. Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973

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 subject to discrimination under this Agreement on the basis of age or with respect to an otherwise qualified disabled individual.

12. Executive Order 11246 and 11375, Equal Opportunity in Employment (Non-discrimination in Employment by Government Contractors and Subcontractors)

Borrower shall comply with Executive Order 11246 and 11375, Equal Opportunity in Employment which requires 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, national origin, age, ancestry, marital status, or disability. 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, upgrading, 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.

The 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.

The 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 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. The 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.

The Borrower will furnish all information and reports required by the Executive Order 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 Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of Borrower's noncompliance 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 Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

The 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 will be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as Commission 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 by a subcontractor or vendor as a result of such direction by Commission, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.

13. Notice to Employees Regarding the Federal Earned Income Credit

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

14. Use of Recycled-Content Paper Products

Borrower agrees to use recycled-content paper to the maximum extent possible on the Project in order to reduce the amount of solid waste deposited at the County landfills.

15. Borrower Responsibility and Debarment

A. A responsible Borrower is a Borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the Commission to conduct business only with responsible Borrowers.

B. The Borrower is hereby notified that if the Commission acquires information concerning the performance of the Borrower on this or other contracts which indicates that the Borrower is not responsible, the Commission may, in addition to other remedies provided in the contract, debar the Borrower from bidding on Commission contracts for a specified period of time not to exceed 3 years, and terminate any or all existing contracts the Borrower may have with the Commission.

C. Commission may debar a Borrower if the Board of Commissioners finds, in its discretion, that the Borrower has done any of the following: (1) violated any term of a contract with the County, the Commission or the Housing Authority of the County of Los Angeles (HACOLA), (2) committed any act or omission which negatively reflects on the Borrower's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.

D. If there is evidence that the Borrower may be subject to debarment, Commission will notify the Borrower in writing of the evidence which is the basis for the proposed debarment and will advise the Borrower of the scheduled date for a debarment hearing before the Contractor Hearing Board.

E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Borrower and/or the Borrower's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the Borrower should be debarred, and, if so, the appropriate length of time of the debarment. If the Borrower fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, the Borrower may be deemed to have waived all rights of appeal.

F. A record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

G. These terms shall also apply to subcontractors of Commission Borrowers.

16. Section 3 of the Housing and Community Development Act of 1968, as Amended

A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this 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.

C. The Borrower agrees to send to each labor organization or representative of workers with which the Borrower has a collective bargaining Agreement 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; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The 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.

E. The Borrower will certify that any vacant employment positions, including training positions, that are filled (1) after the Borrower is selected but before the Agreement 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.

F. 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.

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

17. Barriers For the Disabled

The Project shall be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

18. Lead-Based Paint

Borrower and 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 Site which involve the application of paint.

19. Notice To Employees Regarding The Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the

Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit___ (title) of this Agreement and is also available on the Internet at www.babysafela.org for printing purposes.

20. Borrower's Acknowledgment of Commission's Commitment To The Safely Surrendered Baby Law

Borrower acknowledges that the Commission places a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the Commission's policy to encourage all Commission Borrowers to voluntarily post the "Safely Surrendered Baby Law" poster in a prominent position at the Borrower's place of business. Borrower will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The Department of Children and Family Services of the County of Los Angeles will supply Borrower with the poster to be used.

21. Lobbyist Ordinances

Federal Lobbyist Requirements: 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 Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

Borrower must certify in writing on the Federal Lobbyist Requirements Certification form that they are familiar with the Federal Lobbyist Requirements and that all persons and/or subcontractors acting on behalf of the Borrower will comply with the Lobbyist Requirements.

Failure on the part of the Borrower or persons/subcontractors acting on behalf of the Borrower to fully comply with the Federal Lobbyist Requirements may be subject to civil penalties.

EXHIBIT "K" TO LOAN AGREEMENT

HOME PROGRAM REQUIREMENTS

(HOME - PROJECT NO. HE_____)

EXHIBIT "K"

HOME PROGRAM REQUIREMENTS

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

All developments which are assisted using HOME program funds must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, as set forth in 24 CFR part 5, subpart A.

Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d) -- States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance on the basis of race, color, or national origin. Its implementing regulations may be found in 28 CFR Part 1.

Title VIII of the Civil Rights Act of 1968, As Amended "the Fair Housing Act" (42 U.S.C. 3601) -- Prohibits discrimination in the sale or rent of units in the private housing market against any person on the basis of race, color, religion, sex, national origin, familial status or handicap. Its implementing regulations may be found in 24 CFR Part 100-115.

Equal Opportunity in Housing (Executive Order 11063, As Amended by Executive Order 12259) -- Prohibits discrimination in housing or residential property financing related to any federally assisted activity against individuals on the basis of race, color, religion, sex or national origin. Implementing regulations may be found in 24 CFR part 107.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101) -- Prohibits age discrimination in programs receiving federal financial assistance. Its implementing regulations may be found in 24 CFR Part 146.

Equal Employment Opportunity, Executive Order 11246, As Amended -- Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding $10,000. Implementing regulations may be found at 41 CFR Part 60.

HOME PROGRAM TENANT MONITORING

All HOME projects must comply with the tenant monitoring procedures established by the Commission in compliance with the HOME Program pursuant to 24 CFR Part 92 Sections 252 and 253.

AFFIRMATIVE MARKETING

Use of the Fair Housing logo, or equal opportunity language

A description of what the developer will do to affirmatively market housing assisted with HOME funds.

A description of what developer will do to inform persons not likely to apply for housing without special outreach.

Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness.

Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

CONFLICT OF INTEREST

No owner, developer, or sponsor of a project assisted with HOME funds, or any officer, employee, agent, or consultant of such may occupy a HOME-assisted unit in the project, unless a waiver in writing is first obtained from the Commission. This provision does not apply to an employee or agent who occupies the unit as the project manager or maintenance worker.

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

WHAT SECTION 504 REQUIRES

HUD's Section 504 regulations require that a recipient of Federal financial assistance ensure that its program, when viewed in its entirety, is accessible to persons with disabilities. (24 CFR 8.20) In order to meet this obligation, participants in the HOME Program must:

- To the maximum extent feasible, distribute accessible units throughout the projects and sites, and make them available in a sufficient range of sizes and amenities so as not to limit choice.

- Adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with disabilities. They must also take reasonable nondiscriminatory steps to maximize use of such units by eligible individuals.

- When an accessible unit becomes vacant, before offering the unit to an individual without a disability, offer the unit: first, to a current occupant of the project requiring the accessibility feature; and second, to an eligible qualified applicant on the waiting list requiring the accessibility features.

- When an applicant or tenant requires an accessible feature or policy modification to accommodate a disability, a federally assisted provider

must provide such feature or policy modification unless doing so would result in a fundamental alternation in the nature of its program or an undue financial and administrative burden. See 24 CFR 8.4, 8.24, and 8.33 for further requirements and guidance.

- Providers are required to ensure that information about their programs is disseminated in a manner that is accessible to persons with disabilities. For example, special communication systems can greatly increase the effectiveness of outreach and ongoing communication (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille).

- Providers must ensure that activities and meetings are conducted in accessible locations.

Participants in the HOME Program may:

- Ask applicants for information that can demonstrate that they can meet the obligations of tenancy including financial information, references, prior tenancy history, etc. However, housing providers may not inquire into the nature and severity of an applicant or tenant's disability, nor may they ask persons with disabilities questions not asked of all applicants, apply different types of screening criteria, or assess an applicant's ability to live independently.

- Ask if the applicant qualifies for a housing program or unit designed for persons with a disability, when the housing program or unit is designed for such persons.

- Consider including a lease provision that requires a non-disabled family occupying an accessible unit to move if a family with a disability needing that size unit applies and there is an appropriately sized non-accessible unit available for the relocating family.

All recipients and sub-recipients must conduct self-evaluations of compliance with Section 504

COMMUNITY BUSINESS ENTERPRISE

Executive Orders 11625, 12432, and 12138 (Community Business Enterprise)

Developer must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. See 24 CFR 85.36(e) of which its appendices provide guidance from HUD on acceptable outreach practices.

SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must promote greater choice of housing opportunities. Specific rules are as follows:

HOME-provided housing must be suitable from the standpoint of facilitating and furthering full compliance with the Title VI of the Civil Rights Act - 1964, the Fair Housing Act, and Executive Order 11063.

EXHIBIT "L" TO LOAN AGREEMENT

CONSTRUCTION REQUIREMENTS

(HOME - PROJECT NO. HE_____)

EXHIBIT "L" TO LOAN AGREEMENT

CONSTRUCTION REQUIREMENTS

The Borrower's receipt of the Loan proceeds for purposes of paying construction and permanent costs in connection with the Project is conditioned upon the Borrower's adherence to certain construction requirements imposed by the Commission in connection with the Project, including, without limitation, the requirements set forth in this EXHIBIT "L". The Borrower covenants to comply with each and every construction requirement set forth in this EXHIBIT "L" or as otherwise imposed by any applicable Governmental Restriction, including, without limitation, any regulations or administrative procedures established by the Commission for the disbursement of funds for the construction of affordable housing projects in the County of Los Angeles.

1. Submittals and Review Procedure; Construction Monitoring

(a) For purposes of this EXHIBIT "L":

(i) "Construction Documents" shall mean all documents necessary to construct the Project including but not limited to plans, standard drawings, details, specifications, construction contract, schedules, addenda, reference standards, calculations, reports, cost estimates, value engineering studies, constructability reviews, and related documents; and

(ii) "Empirical Cost Model" shall mean a cost model which the Commission may elect to prepare based on the Construction Documents for the purpose of evaluating the proposed construction budget against the database of construction costs maintained by the Commission.

(b) The Borrower's submittal requirements shall include the following:

(i) The Borrower shall submit to the Commission within 20 days of the execution of this Agreement a Project team-staffing plan ("Staffing Plan") for review and approval by the Commission. The Staffing Plan shall contain an organizational chart showing all component functions and reporting relationships, and the related staff for all activities, including a separate narrative describing the roles and responsibilities of all participants. Where the Staffing Plan utilizes organizations other than the Borrower, a company profile must be provided for each. A detailed resume for each individual on the organizational chart must be included.

(ii) The Borrower shall submit to the Commission within 20 days of the execution of this Agreement a detailed development schedule ("Development Schedule") for review and approval by the Commission. The Borrower shall incorporate any changes or corrections requested by the Commission in a revised schedule to be submitted to the Commission within 10 days after receiving comments from the Commission with respect to the original schedule submitted, as provided above. The Development Schedule shall be developed and submitted in CPM network configuration using MS Project, or approved equivalent. The scope of the Development Schedule will comprise all discrete functions, from Project start to completion, necessary to deliver the Project per the requirements of the Construction Contract, as defined in Section 1(c) of this EXHIBIT "L". The construction portion of the Development Schedule will be a summary of the more detailed Construction Schedule defined in Section 1(b)(iii) of this EXHIBIT "L".

(iii) The Borrower shall submit to the Commission within 20 days of the approval of the Construction Contract a detailed construction schedule ("Construction Schedule") for review and approval by the Commission. The Borrower shall incorporate any changes or corrections requested

by the Commission in a revised schedule to be submitted to the Commission within 10 days after receiving comments from the Commission with respect to the original schedule submitted, as provided above. The Construction Schedule shall be developed and submitted in CPM network configuration using MS Project, or approved equivalent. The Construction Schedule shall follow the recommendations of the latest edition of the Associated General Contractors of America book, Using CPM in Construction. The original submittal and required monthly updates shall be submitted on floppy disk and two plotted hard copies (this will include both Gantt chart and CPM network plots).

(iv) The Borrower shall provide to the Commission a draft completed regulatory "Entitlement Review" package for the Commission review and approval prior to any formal submittal to the controlling land use jurisdiction or other regulatory agency. This package shall be submitted to the Commission not later than 14 days prior to the submittal to the regulatory body.

(v) The Borrower shall submit to the Commission within 30 days of the execution of this Agreement basic concept drawings ("Basic Concept Drawings") for review and approval by the Commission. The Basic Concept Drawings shall be in form and content as directed from time to time by the Commission.

(vi) Based on, and within 60 days of the Commission's approval of, the Basic Concept Drawings, the Borrower and its design team shall submit to the Commission for review and approval by the Commission certain design development plans and related documents ("Design Development Plans") for the following phases of design: expanded conceptual design; schematic design; design development; construction cost estimates for schematic design and design development, including any value engineering analysis; value engineering review; and constructability analysis review. The Borrower will include ten (10) business days for each review in the Development Schedule and adequate redesign time to respond to the Commission comments as required.

(vii) Based on the approved Design Development Plans, the Borrower and its design team shall prepare and submit to the Commission for review and approval by the Commission the preliminary drawings 50% construction documents (the "Preliminary Drawings"). The 50% submittal shall include a detailed cost estimate and a list of value engineering considerations representing a saving goal of 10% of the overall Project budget.

(viii) The final working drawings 100% construction documents (the "Final Drawings") submittal shall contain a complete and coordinated package adequate to obtain building permits and build the Project with a minimum of change orders. If required by the Commission, the Borrower and its design team shall submit evidence of a constructability review from a licensed contractor knowledgeable in the type of construction and project proposed. A final cost estimate shall be submitted reflective of the various value engineering and constructability review efforts to date. If the final construction document package cost estimate exceeds the Empirical Cost Model the Borrower shall be required to demonstrate to the Commission the reason why the cost overrun occurred and may be required to make adjustments to meet the Empirical Cost Model.

(ix) The Construction Documents shall include all related work for the Project, including but not limited to the buildings, grading, landscaping, site improvements, off-site improvements (if included). All Construction Documents (including both the Preliminary Drawings and the Final Drawings) shall be prepared and submitted within the times established in the Development Schedule, subject to extensions as they are authorized herein or as mutually agreed to by the parties. During the preparation of all Construction Documents, the Commission staff and the Borrower shall hold regular meetings to coordinate the preparation of, submission to, and review of Construction

Documents by the Commission. The Commission and the Borrower shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the Commission can receive prompt and speedy consideration. The Borrower will incorporate CDC CM Division AF101 specifications sections into the Construction Documents, as required by law.

(c) The Borrower shall submit to the Commission in accordance with the Development Schedule a construction contract ("Construction Contract") for review and approval by the Commission. The Construction Contract shall utilize the appropriate and most recent AIA form of Standard Agreement and General Conditions and shall contain such modifications and additions to such AIA forms as the Commission may require.

(d) The Construction Management Division of the Commission will provide oversight monitoring of the Project. The Borrower shall maintain at the job site adequate records and shall permit site access to the Commission at all reasonable times to accommodate the monitoring activities. The monitoring program may include, but is not limited to, the following: establishment of various reporting requirement formats and frequencies; review of scheduling documents for conformance and performance; review of QA/QC program results; review of Project budgets and cash flows; attendance at job site meetings; review of job correspondence; review of change order requests; review of submittals to architect; site inspections; pay request reviews and approvals; review of job site safety conditions; review of construction documents for compliance with actual construction; review of labor compliance documents and compliance of same; monitoring of any and all Agreement conditions, and other related activities. The Borrower acknowledges that the Commission's review, inspection and monitoring activities as set forth in the subsection (d) shall be solely for the Commission's benefit, and that the Borrower shall not rely in any manner on any statements (oral or written) or actions or omissions by the Commission in connection with its review, inspection and monitoring activities, but that the Borrower shall at all times be wholly responsible for all aspects of the construction of the Project.

(e) Intentionally Omitted.

2. Loan Disbursement and Requisitions.

(a) Requests for funds available to the Borrower under the terms of this Agreement are to be made on the basis of a need or requirement established by this Agreement. Requests shall be made in a form approved by the Commission and shall include all necessary documentation provided for in the Construction Contract or as otherwise requested by the Commission required to establish the amount and time lines of the payment requested, together with a certificate from the Project architect pursuant to the Construction Contract certifying that all disbursements requested are properly due. Unless otherwise specified by the Commission, payments made by or on behalf of the Commission in response to these requests are to be in the form of two-party checks, listing the Borrower and the additional party requesting payment as payees and requiring the signatures of each. In addition, the recipient(s) of the disbursement checks for services rendered or materials provided, shall be required to sign, as applicable, conditional or unconditional waivers and releases, both in statutory form, warranting that no further claims will be made of the Commission for those services or materials. Exception to this requirement is made for checks made to government entities. All disbursements pursuant to this EXHIBIT "L" shall be made through a Commission-approved construction disbursement agency, as set forth below.

(b) The Loan funds provided by the Commission hereunder are to be disbursed through a Commission-selected construction disbursement agency (the "Agency") pursuant to (i) an agreement between the Commission and the Agency; and (ii) an agreement between the

Commission, the Agency, the General Contractor and the Borrower (the "Multi-Party Agreement"). At the request of the Commission, the Borrower shall enter into the Multi-Party Agreement. The Borrower shall also require the General Contractor under the Construction Contract to enter into the Multi-Party Agreement at the request of the Commission. The Multi- Party Agreement shall set forth all the terms and conditions under which the Agency, on behalf of the Commission, shall fund construction draw requests with respect to the Project. The Multi-Party Agreement shall include, without limitation, a disbursement schedule, a list of payees to whom disbursement may be made, and a procedure for the approval by the Commission of any additional payees not specifically enumerated in the Multi-Party Agreement. Alternatively, the Commission may enter into an agreement ("Intercreditor Agreement") with the provider of any Senior Financing whereby such provider agrees to disburse the Loan funds and act as the Disbursement Agent under this Agreement in which case Borrower and Borrower's General Contractor shall comply with all applicable requirements of the Intercreditor Agreement and any Multi-Party Agreement or other implementing agreement entered into pursuant thereto.

(c) Whenever the funding source for any procurement described herein imposes additional or different requirements than those established herein, such additional or different requirements shall be complied with.

3. Insurance and Bonding.

(a) The purpose of this Section is to establish insurance and bonding procedures to protect the Commission's personal and property rights and purchases of supplies, equipment, construction and contractual services.

(b) The insurance and bonding procedures shall be conducted in full compliance with Federal standards as stated in 24 CFR 85.36 and all state and county laws and procedures and other Governmental Restrictions. The insurance coverage will include comprehensive general liability, automobile liability and workers compensation. The bonding coverage will include a bid guarantee, performance and payment bond and completion guaranty for construction or facility improvement contracts or subcontracts exceeding $100,000. See (d) below.

(c) The Borrower shall require in the Construction Contract that the contractor ("Contractor") shall procure and maintain at Contractor's expense (and require all subcontractors and sub-subcontractors to procure and maintain at their expense) for the duration of the Construction Contract the following insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work by Contractor, its agents, representatives, employees, subcontractors or sub-sub contractors, and that the Contractor and all subcontractors and sub-subcontractors shall otherwise meet the insurance requirements set forth below:

(i) Comprehensive General Liability: $1,000,000 combined single limit for each occurrence ($2,000,000 General Aggregate) for bodily injury, personal injury and property damage, including products and completed operations coverage.

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

(iii) Workers Compensation as required by the Labor Code of the State of California and Employers Liability limits of $1,000,000 per accident.

(iv) Contractor shall furnish the Commission with certificates of insurance maintained by it (and all subcontractors and sub-subcontractors) with original endorsements affecting coverage as required above. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

(v) Each insurance policy shall be endorsed to state that coverage shall not be canceled by either party, reduced in coverage or in limits except after (30) days prior written notice has been given to the Commission.

(vi) Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California or carriers with a rating of our equivalent to A:VIII by A.M. Best Company. Any deviations from this rule shall require specific approval in writing.

(vii) All coverage for subcontractors and sub-subcontractors, as set forth in this Section 3, shall be subject to the requirements stated herein and shall be maintained at no expense to the Commission.

(viii) Any self-insurance program and self-insured retention must be separately approved by the Commission.

(ix) Failure on the part of the Contractor or any other subcontractor or other person rendering services in connection with the Project to procure and maintain insurance required by this EXHIBIT "L" shall constitute an Event of Default under this Agreement and the Commission may immediately terminate this Agreement and accelerate the payment of all sums due hereunder.

(x) Any questions inquiries or variance relating to insurance must be referred to Risk Management department of the Commission.

(xi) The Community Development Commission and the County of Los Angeles, and their officials and employees are to be covered as additional insureds under all policies to be obtained pursuant to this Section 3 of this EXHIBIT "L", including insurance coverage to be obtained as respects liability arising out of activities performed by or on behalf of the Contractor, premises owned, leased or used by or on behalf of the Contractor.

(d) The following bonding and guaranty procedures and requirements must be adhered to:

(i) For construction contracts exceeding $100,000, the Borrower shall require its Contractor pursuant to the Construction Contract to submit to the Commission the following, unless otherwise required by State or local laws or regulations:

(A) a performance and payment bond for 100% of the contract price; or
(B) a 20% cash escrow; or
(C) a 25% irrevocable letter of credit.

4. Labor Requirements

Borrower and General Contractor shall comply with all applicable Federal, State, and Local labor codes and standards. All contracts must be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C § 327-332) and the Copeland Act (Anti-Kickback Act) requirements pursuant to 29 CFR Part 3, and the Community Development

Commission's Labor Compliance Guidelines incorporated herein by reference and made a part of this Agreement.

Borrrower and General Contractor shall comply with California prevailing wage requirements, if applicable. Prevailing wage laws include, among others, California Labor Code Section 1720 et seq. These requirements may include, among others, the requirement that prevailing wages be paid, that prevailing wage schedules be posted at the jobsite, and that detailed wage records be maintained. The Community Development Commission has available on file prevailing wage schedules promulgated by the California State Department of Industrial Relations. Borrrower and General Contractor shall indemnify, defend and hold the COUNTY and Community Development Commission harmless of any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to the payment or non-payment of prevailing wages in connection with the Project. If applicable, Borrrower and General Contractor shall also comply with federal Davis Bacon Act (40 U.S.C. §276a).

This construction project is funded in whole or in part with Federal funds. The Borrower and General Contractor shall comply with the Federal Labor Standard Provisions, including prevailing wage requirements of the Davis-Bacon and Related Acts (DBRA), which will be enforced. Whenever a discrepancy between Federal Regulations and State Law is found to exist, the more stringent of the two shall prevail. The applicable wage determination for this project is General Wage Decision CA2004----, Modification #- dated (month/day/year). The General Contractor and each Subcontractor shall submit all required Labor Compliance forms to the Commission before the start of construction. The General Contractor shall submit to the Commission all of its payrolls for each pay period within seven (7) days after the pay period has ended. The General Contractor shall also collect, review and submit to the Commission all of its subcontractors' payrolls for each pay period within seven (7) days after the pay period has ended. Contractor's failure to submit its payrolls or any subcontractor payrolls within seven (7) days after the pay period has ended, is a violation of this contract and entitles the Commission to withhold up to ten percent (10%) from any pending progress payment until all such payrolls are received. Repeated, ongoing or flagrant failures by the contractor to submit the required forms, its payrolls or the payrolls of its subcontractors in a timely manner and in accordance with this provision constitutes a material breach of this contract which may result in the Commission terminating the contract for default. The Community Development Commission's Labor Compliance Guidelines are incorporated herein by reference and made apart of this agreement.

EXHIBIT "M" TO LOAN AGREEMENT

DEVELOPMENT PROFORMA

(HOME - PROJECT NO. HE_____)

Development Budget

Item	Total Project Costs	Per Unit Costs
Land Cost or Value	$0	$0
Environmental	$0	$0
Legal	$0	$0
Existing Improvements Value	$0	$0
Off-Site Improvements	$0	$0
Subtotal Land Cost or Value	$0	$0
REHABILITATION		
Site Work	$52,358	$2,493
Structures	$2,460,510	$117,167
General Requirements	$101,173	$4,818
Contractor Overhead	$126,466	$6,022
Contractor Profit	$126,466	$6,022
Subtotal Rehab	$2,866,973	$136,523
Relocation Expenses		
NEW CONSTRUCTION		
Site Work	$0	$0
Structures	$0	$0
General Requirements	$0	$0
Contractor Overhead	$0	$0
Contractor Profit	$0	$0
Subtotal New Construction	$0	$0
Total Architectural Costs	$150,000	$7,143
Const. Interest & Fees	$23,000	$1,095
Perm. Financing Costs	$0	$0
Lender Legal Pd. by Applicant	$16,000	$762
Legal Fees	$10,000	$476
Other Legal - (SPECIFY)	$0	$0
Capitalized Transition Reserves	$187,924	$8,949
Capitalized Operating Reserve[2]	$36,335	$1,730
Capitalized Operating Reserve #2[3]	$70,885	$3,375
Appraisal	$0	$0
Survey and Engineering	$17,000	$810
Historic Consultant	$10,000	$476
Construction Contingency	$286,697	$13,652
TCAC App/Alloc/Monitor Fees	$0	$0
Const. Mngmt Oversight	$44,400	$2,114
Environmental Audit	$10,000	$476
Local Dev. Impact Fees	$30,000	$1,429
Permit Processing Fees	$45,401	$2,162
Capital Fees	$0	$0
Marketing	$5,000	$238
Furnishings	$25,000	$1,190
Soft Cost Contingency	$56,769	$2,703
Construction Bond	$66,000	$3,143
Accounting	$5,000	$238
Subtotal Soft Costs	$1,095,411	$52,162
Developer Overhead/Profit	$258,750	$12,321
Consultant/Processing Agent	$60,000	$2,857
Project Administration	$0	$0
Broker Fees Paid by Owner	$0	$0
Subtotal Developer Costs	$318,750	$15,179
TOTAL PROJECT COST	$4,281,134	$203,864

EXHIBIT "N" TO LOAN AGREEMENT

SPECIAL ENVIRONMENTAL CONDITIONS

(HOME - PROJECT NO. HE_____)

CA16B800-027

Environmental Assessment and Compliance Findings for the Related Laws

U.S. Department of Housing and Urban Development

1. Project Number: CA16B900-050
HUD Program: SHP
2. Date Received: 12-12-2000

RMS: HI-00487R

Findings and Recommendations are to be prepared after the environmental analysis is completed. Complete items 1 through 15 as appropriate for all projects. For projects requiring an environmental assessment, also complete Parts A and B. For projects categorically excluded under 24 CFR 50.20, complete Part A. Attach notes and source documentation that support the findings.

3. Project Name and Location: (Street, City, County, State)
HOMES FOR LIFE (2 PROJECTS - BIRCH GROVES HOMES AND ELM STREET HOMES) BLDGS. #303 AND OLD ADMIN. BLDG.
11401 BLOOMFIELD AVE.
NORWALK, CA 90650

4. Applicant Name and Address (Street, City, State, Zip Code)
LOS ANGELES HOMELESS SERVICE AUTHORITY (LAHSA)
548 S. SPRING ST., SUITE 400
LOS ANGELES, CA 90013

5. ☐ Multifamily ☐ Elderly ☒ Other
(If Other, explain)
HOMELESS MENTALLY ILL

6. Number of: 29 Dwelling Units
2 Buildings 2 Stories ___ Acres

7. Displacement: ☒ No ☐ Yes
(If Yes, explain)
VACANT BUILDINGS

8. ☐ New Construction ☒ Rehabilitation ☐ Other
(If Other, explain) 20 UNITS FOR BIRCH GROVE # CA16B800-027; 8 UNITS FOR ELM STREET # CA16B900-050.

9. Has an environmental report (Federal, State, or local) been used in completing this form? ☐ No ☒ Yes
(If Yes, identify) PHASE I ENVIRONMENTAL ASSESSMENT BY ADVANCED GEOENVIRONMENTAL, INC. DATED 9-2-1999 AND UPDATED REPORT OF 4-12-2001.

10. Planning Findings: Is the project in compliance or conformance with the following plans?

Local Zoning:	☒ Yes	☐ No	☐ Not Applicable
Coastal Zone:	☐ Yes	☐ No	☒ Not Applicable
Air Quality (SIP):	☒ Yes	☐ No	☐ Not Applicable

Explain any "No" answser: ___

Are there any unresolved conflicts concerning the use of the site? (If Yes, explain) ☒ No ☐ Yes

11. Environmental Finding: (check one)
☐ Categorical exclusion is made in accordance with § 50.20 or
☒ Environmental Assessment and a Finding of No Significant Impact (FONSI) is made in accordance with § 50.33 or
☐ Environmental Assessment and a Finding of Significant Impact is made, and an Environmental Impact Statement is required in accordance with §§ 50.33(d) and 50.41.

☒ Project is recommended for approval (List any conditions and requirements): ☐ Project is recommended for rejection (State reasons):

- NARRATIVE REPORT ATTACHED
- CONDITIONS OF APPROVAL ATTACHED UNDER #20 - HAZARDOUS OPERATIONS AND #23 TOXIC CHEMICALS AND RADIOACTIVE MATERIALS - ASBESTOS AND LEAD-BASED PAINT ARE LOCATED THROUGHOUT THE PROJECT BUILDINGS AND MUST BE ABATED.

12. Preparer: (signature) [signature] SR CPD REP — Date: 7-17-2001

13. Supervisor: (signature) [signature] — Date: 7/17/01

14. Comments by Environmental Clearance Officer (ECO): (required for projects over 200 lots/units)

ECO: (signature) X N/A — Date:

14. Comments (if any) by HUD Approving Official:

HUD Approving Official: (signature) X [signature] — Date: 7/20/01

form HUD-4128 (10/96)
ref. Handbook 1390.2

Part A. Compliance Findings for §50.4 Related Laws and Authorities

§50.4 Laws and Authorities	Project is in Compliance Yes	No	Source Documentation and Requirements for Approval
16. Coastal Barrier Resources	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT
17. Floodplain Management (24 CFR Part 55)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT
18. Historic Preservation (36 CFR Part 800)	✓		MEMORANDUM OF AGREEMENT DATED WITH SHPO TO BE COMPLIED WITH.
19. Noise Abatement (24 CFR Part 51 Subpart B)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
20. Hazardous Operations (24 CFR Part 51 Subpart C)	✓		SEE ATTACHED ENVIRONMENTAL ASSESSMENT FOR DISASTER PLAN AND EMERGENCY CONDITIONS.
21. Airport Hazards (24 CFR Part 51 Subpart D)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
22. Protection of Wetlands (E. O. 11990)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
23. Toxic Chemicals & Radioactive Materials (§ 50.3(i))		✓	SEE ATTACHED ENVIRONMENTAL ASSESSMENT, PROJECT BUILDINGS CONTAIN LEAD-BASED PAINT AND ASBESTOS WHICH WILL HAVE TO BE ABATED.
24. Other § 50.4 authorities (e.g., endangered species, sole source aquifers, farmlands protection, flood insurance, environmental justice)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT; SITE VISITED ON 1-4-2001.

Part B. Environmental/Program Factors

Factors	Anticipated Impact/Deficiencies None	Minor	Major	Source Documentation and Requirements for Approval
25. Unique Natural Features and Areas				
26. Site Suitability, Access, and Compatibility with surrounding development				
27. Soil Stability, Erosion, and Drainage				LITTLE OR NO IMPACT PER ATTACHED
28. Nuisances and Hazards (natural and built)				ENVIRONMENTAL ASSESSMENT AND PHASE I
29. Water Supply / Sanitary Sewers				ENVIRONMENTAL SITE ASSESSMENT BY
30. Solid Waste Disposal				ADVANCED GEOENVIRONMENTAL, INC. DATED 9-2-1998
31. Schools, Parks, Recreation, and Social Services				
32. Emergency Health Care, Fire and Police Services				
33. Commercial/Retail and Transportation				
34. Other				

U.S. Department of Housing and Urban Development
Los Angeles Area Office, Pacific/Hawaii
611 West Sixth Street
Los Angeles, California 90017

ENVIRONMENTAL ASSESSMENT AND COMPLIANCE FINDINGS FOR THE RELATED LAWS - FORM HUD-4128

PROJECT: Homes for Life, Metropolitan State Hospital, Buildings 303 and Old Administration Building, 11401 Bloomfield Avenue, Norwalk, CA 90650

PROGRAM: Supportive Housing Program (SHP), CA16B800027 and CA16B900050

APPLICANT: Homes for Life, 8726 S. Sepulveda Boulevard, Suite 2331, Los Angeles, CA 90045

DESCRIPTION: This project involves the lease of two buildings, located on the grounds of the Metropolitan State Hospital in Norwalk, CA. The project sponsor, Homes for Life, will lease the buildings from the State of California, rehabilitate the (historic) structures to fit their needs and supply permanent housing to homeless, adult individuals with chronic mental illnesses. HUD Supportive Housing funds will be utilized for rehabilitation, operating expenses, supportive services and administrative costs.

This attachment details source documentation for all laws/authorities listed on the form HUD-4128, for this proposed project, determined to be Categorically Excluded from NEPA [24CFR50.20(a)(4)].

24CFR 50.4 Laws and Authorities

16. Coastal Barrier Resources: The FEMA has not identified such resources in the State of California. No impact is anticipated.

17. Floodplain Management: According to FEMA Community Status List, the City of Norwalk has No Special Flood Hazard Areas (NSFHA). The 8-step decision making process is not required. Flood insurance is not required. Impacts from flood hazards are not anticipated.

18. Historic Preservation: This property is eligible for listing in the National Register of historic places as a contributor to the Metropolitan State Hospital Historic District. In order to comply with Section 106 of the National Historic Preservation Act and take into account the effect of the undertaking on historic properties, HUD and the California SHPO have agreed that the undertaking shall be implemented in accordance with stipulations of a Memorandum of Agreement (MOA). The MOA was fully executed on July 9, 2001. The project grantee and sponsor shall comply with stipulations as concurred to.

19. Noise Abatement: The structures are located approximately 200 feet from the thoroughfare, Bloomfield Avenue. Although Bloomfield Avenue is a four-lane roadway, the subject buildings are situated at such a distance so as to reduce exposure to the traffic noise generated. All services will take place inside the buildings or off-site. Outdoor activities will likely take place in areas not exposed to roadways. Impacts from traffic noise are not anticipated. However, there will be short-term impacts from construction noise. To mitigate potential short-term impacts, construction on the building shall begin no sooner than 7:00 AM and end no later than 6:00 PM (or times indicated by the Metropolitan State Hospital).

20. Hazardous Operations: The subject buildings are located on the grounds of the Metropolitan State Hospital. To the immediate north, south and west of the buildings are other State Hospital facilities. Immediately to the east, across Bloomfield Avenue, are located light industrial and manufacturing commercial enterprises. During an on-site visit made on January 4, 2001, no above-ground tanks containing explosive or flammable materials was in line-of-sight or within a range that would cause reason for concern. However, due to the potential health and safety risks of industrial areas surrounding the State Hospital grounds, the sponsor shall become familiar with the established Disaster Plan and Emergency Services Program. All employees of the subject facility shall attend or request Metropolitan State Hospital to provide appropriate disaster training, as set forth in the Disaster Plan. As a leasing agent, Homes for Life is responsible for preparing and implementing disaster/emergency plans. All plans shall be consistent with Metropolitan State plans, so as to avoid potential conflict or compounded emergency situations.

21. Airport Hazards: As a result of site and area investigations, it was determined that municipal, civil or military airfields will not affect the project. No impacts are anticipated.

22. Wetlands: The Executive Order 11990 applies only to new construction on wetlands. The subject proposal involves the adaptive reuse of existing historic structures, located in a developed, urban area. Construction will be limited to the building and immediately surrounding public spaces. The site is absent of indigenous habitats that would be conducive to supporting any threatened or endangered species. No biological impacts are anticipated.

23. Toxic Chemicals and Radioactive Materials: Due to the potential impacts from hazardous waste generators, TSD and oil refinery facilities in the surrounding vicinity, a Phase I Environmental Site Assessment was required. Advanced GeoEnvironmental, Inc. conducted a Phase I Environmental Assessment, dated September 2, 1999 for the subject site. A Phase I Environmental Assessment Update, dated April 12, 2001, did not identify any additional recognized environmental conditions during a site visit on March 16, 2001. The results of lead-based paint and asbestos sampling at the project properties were published in a separate report dated September 3, 1999. Except for the following items, the Phase I assessment did not reveal evidence of recognized environmental conditions in connection with the subject property:

. Asbestos containing material is located throughout the buildings.

. Lead-based paint is located throughout the buildings.

. It is our professional opinion that the project site may be located within an area of regional groundwater contamination. This condition may be the product of various industrial facilities having reported leaking underground and aboveground storage tanks in the vicinity of the site. It is apparent that the local regulatory agencies are working with identified principal responsible parties to resolve the problem.

. It is our professional opinion that the project site may be subject to air contaminants as a result of future uncontrolled releases from local industrial facilities. This, of course, is dependent upon airflow at the time of release. It is apparent that the local regulatory agencies are working with identified principal responsible parties to limit any future problems.

In order to reduce potential impacts from the items listed above, the sponsor shall implement the following mitigation measures:

. Comply with all applicable federal, state and local laws or procedures for the testing, treatment and disposal of asbestos-containing materials and lead-based paint, prior to demolition or construction activities. The sponsor shall submit to HUD all further (identification) samples and analysis reports and abatement or control techniques (specified in contract with abatement contractors) incorporated into the renovation of the subject site.

. Should future uncontrolled releases from local industrial facilities pose an immediate threat, Homes for Life shall implement its Disaster and/or Emergency Response or Evacuation Plan.

Impacts from contaminated groundwater are not anticipated because there is no pathway of exposure to the subject site/residents.

24. Other: Environmental Justice - This project is not located in an area that suffers from adverse human health or environmental conditions that are not currently being addressed by local, state or federal agencies. Also, the project does not suffer from a disproportionate adverse environmental affect on minorities or low-income populations relevant to the community at large.

The following reports are contained in the official Environmental Review Record and have been referenced above as source documentation which supports findings, conclusions and mitigation measures which are designed to reduce potential or real significant impacts to the human and/or natural environment, to a less than significant level:

. Historic Preservation Memorandum of Agreement

. Phase I Environmental Site Assessment by Advanced GeoEnvironmental, Inc.

. Lead and Asbestos Surveys by Advanced GeoEnvironmental, Inc.

. Architectural Feasibility Studies by Richard Barron/Architects

PREPARER: Joseph M. Lisante **DATE: July 17, 2001**
Senior Community Planning and
Development Representative

HUD approving official signature on form HUD-4128

EXHIBIT "O" TO LOAN AGREEMENT

DAVIS BACON WAGE DETERMINATION

(HOME – PROJECT NO. HE_____)

(TO BE DETERMINED AT LOAN EXECUTION)

EXHIBIT "O" TO LOAN AGREEMENT

DAVIS BACON WAGE DETERMINATION

(HOME – PROJECT NO. HE_____)

(TO BE DETERMINED AT LOAN EXECUTION)

EXHIBIT "P" TO LOAN AGREEMENT

DEVELOPMENTAL BUILDING SPACE LEASE AND AMENDMENT NO. 1 TO LEASE

(HOME – PROJECT NO. HE_____)

AGENCY: California Department of General Services
PROJECT: Developmental Building Space Lease

LEASE No.: L-1796

AMENDMENT NO. 1 TO LEASE

This Amendment to Lease, dated for reference purposes only April 30, 2003, is made and entered into by and between the STATE OF CALIFORNIA, acting by and through the Department of General Services, with the approval of the Department of Mental Health, hereinafter called STATE, and Homes for Life Foundation, a nonprofit California corporation, hereinafter called "Lessee".

WITNESSETH

WHEREAS, the parties hereto entered into that certain Lease, dated October 10, 2002, for approximately 11,800 square feet of building space at Metropolitan State Hospital, 11401 So. Bloomfield Avenue in the City of Norwalk, situated in the County of Los Angeles, State of California, in the unit identified as Building 303, to make certain capital improvements and renovations and thereafter use the Premises as housing for persons with chronic mental illness and related supportive services in compliance with Section 14671.2 of the California Government Code, hereinafter referred to as Lease.

WHEREAS, the parties hereto desire to amend said Lease to extend the term of the Lease.

NOW, THEREFORE, it is mutually agreed between the parties hereto as follows:

1. Effective July 1, 2003, Paragraph 2 of said Lease is amended to extend the term of the lease to June 30, 2067.

2. Effective July 1, 2003, the monthly rent payable under Paragraph 3 of said Lease shall be adjusted as follows:

   The annual rental rate shall be $21,696.00 payable monthly in advance as follows:

   Effective July 1, 2002 through June 30, 2005 (the plan review and construction period) Zero and No/100 Dollars ($0.00); and

   Effective July 1, 2005, or upon occupancy, whichever comes sooner, through June 30, 2067, One Thousand Eight Hundred Eight and No/100 Dollars ($1,808.00).

Except as expressly amended herein, all of the terms and conditions of said Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, this amendment No. 1 to the Lease has been fully executed by the parties hereto as of the date written below.

STATE OF CALIFORNIA

APPROVED

DIRECTOR OF THE DEPARTMENT OF GENERAL SERVICES

By: Cheryl L. Allen
CHERYL L. ALLEN, Manager
State Owned Leasing and Development

EXECUTED DATE: 6-25-2003

LESSEE:

HOMES FOR LIFE FOUNDATION,
a nonprofit California corporation

By: M. Liess
CAROL M. LIESS, Executive Director

By: Daniel Egdal
DANIEL EGDAL, President

REVIEWED BY:

STATE PUBLIC WORKS BOARD

By: Irene T. Anderson
IRENE T. ANDERSON
Assistant Administrative Secretary

CONSENT

DEPARTMENT OF MENTAL HEALTH

By: William A. Avritt
~~LINDA A. POWELL, Deputy Director~~ WILLIAM AVRITT, ACTING DIRECTOR
Administrative Services

METROPOLITAN STATE HOSPITAL

By: Truda J. Brown
TRUDA J. BROWN
Hospital Administrator

DEVELOPMENTAL BUILDING SPACE LEASE

LEASE COVERING PREMISES LOCATED AT
Metropolitan State Hospital
11401 So. Bloomfield Ave. (aka 11400 Norwalk Blvd)
Building 303
Norwalk, CA 90650

AGENCY
Department of Mental Health

Lease No.: L-1796

THIS LEASE, is being entered into pursuant to California Government Code Section 14671.2, dated for reference purposes only this 10th day of October, 2002, by and between the State of California, acting by and through its Director of General Services, with the consent of the Department of Mental Health, hereinafter called STATE, and Homes for Life Foundation, a nonprofit California corporation hereinafter called LESSEE. The parties agree as follows:

DESCRIPTION

1. STATE does hereby lease to LESSEE, and LESSEE hereby hires from STATE approximately 11,800 square feet of building space at Metropolitan State Hospital, 11401 So. Bloomfield Avenue, City of Norwalk, situated in the County of Los Angeles, State of California hereinafter called the Premises, more particularly described as follows:

2. That unit identified as Building 303 and further identified as an historic structure, with shared parking on Cedar Street and the adjacent grounds located on the grounds of Metropolitan State Hospital, hereinafter referred to as Hospital, as outlined/hatched on the attached Exhibit "A", which by this reference is made a part hereof.

TERM

3. The term of this Lease shall commence on the 15th day of July, 2002, and shall terminate on the 30th day of June, 2022, with such rights of termination as may be hereinafter expressly set forth.

RENT

5. The annual rental rate shall be $21,696.00 payable monthly in advance as follows.

Effective July 15, 2002 through June 30, 2005 (the plan review and construction period) Zero and No/100 Dollars ($0.00); and

Effective July 1, 2005, or upon occupancy, whichever comes sooner, through June 30, 2022, One Thousand Eight Hundred Eight and No/100 Dollars, ($1,808.00).

Rental payments shall be made and delivered to:

Department of General Services
Attn: Accounts Receivable PAL (L-1796)
P. O. Box 989053
West Sacramento, CA 95798-9053

$1,808.00 Monthly

USE

4. LESSEE agrees to make certain capital improvements and renovations and thereafter use the Premises as housing for persons with chronic mental illness and related supportive services in compliance with Section 14671.2 of the California Government

Code, attached hereto as **Exhibit "G"**, which by this reference is made a part hereof, and for no other purposes.

ROAD ACCESS

5. The Metropolitan State Hospital is a 24-hour facility and is generally open to the public. The STATE allows pedestrian and vehicular ingress and egress to the Premises from the public right-of-way on private streets or driveways located on the grounds of the Hospital; however, STATE reserves the right to temporarily restrict or close all or part of said access for maintenance and/or security purposes. STATE shall provide LESSEE with advance notice of any temporary maintenance closures.

TERMINATION

6. Except as otherwise provided herein, the parties hereto agree that LESSEE may terminate this Lease at any time during the term hereof by giving sixty (60) days written notice to the STATE.

RELOCATION

7. LESSEE, upon termination of Lease, shall be solely responsible to relocate all persons utilizing LESSEE's housing program on the Premises. Furthermore, the STATE assumes no repayment of LESSEE's financial obligations created by virtue of this Lease, in the event the STATE ceases operation and/or vacates the Metropolitan State Hospital facility.

HOLDING OVER

8. Any holding over after the expiration of the said term or any extension thereof, with the written consent of the STATE expressed or implied, shall be deemed a tenancy only from month to month and shall otherwise be on the terms and conditions specified so far as applicable.

NOTICES

9. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service) or sent by overnight courier, or sent by registered or certified mail, postage prepaid, return receipt requested, to the addresses set forth below, or sent by electronic facsimile to the telefacsimile numbers set forth below. All such notices or other communications shall be deemed received upon the earlier of (i) if personally delivered or sent by overnight courier, the date of delivery to the address of the person to receive such notice, (ii) if mailed as provided above, on the date of receipt or rejection, or (iii) if given by electronic facsimile, when received by the other party, if received Monday through Friday between 6:00 a.m. and 5:00 p.m. Pacific Standard Time so long as such day is not a state or federal holiday and otherwise on the next day provided that if the next day is Saturday, Sunday, a state or federal holiday, such notice shall be effective on the following business day.

To the LESSEE: Hope for Life Foundation
8929 So. Sepulveda Blvd., Suite 506
Los Angeles, CA 90045
Telephone: (310) 337-7417
Telefacsimile: (310) 337-4314

To the STATE: Metropolitan State Hospital
Office of Hospital Administrator
11401 So. Bloomfield Ave.
Norwalk, CA 90650
Telephone: (562) 651-2221
Telefacsimile: (562) 929-3131

NOTICES (CONT.)

To the STATE:

Department of General Services
Real Estate Services Division – SOLD
707 Third Street, Fifth Floor
P. O. Box 989052
West Sacramento, CA 95798-9052
Telephone: (916) 375-4026
Telefacsimile: (916) 375-4029

Notice of change of address or telefacsimile number shall be given by written notice in the manner described in this section. LESSEE is obligated to notice all state offices listed above and the failure to provide notice to all State offices will be deemed to constitute a lack of notice.

The address to which notices may be mailed as aforesaid to either party, may be changed by written notice given by subject party to the other, as hereinbefore provided; but nothing herein contained shall preclude the giving of any such notice by personal service.

CONSTRUCTION IMPROVEMENTS

10. (A) It is agreed by the parties hereto that the premises are in poor condition and in need of major renovation. LESSEE shall make capital improvements and renovations as described in Exhibit "B" at its sole cost and expense, which exhibit is attached hereto and incorporated herein. Any capital improvements and renovations must be consistent with recommended approaches to rehabilitation set forth in The Secretary of The Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings (Standards), U.S. Department of The Interior, National Park Service, 1990, and that the design and specifications for the project are developed in consultation with the State Office of Historic Preservation (SHPO) and submitted to the SHPO for approval.

(B) Within one hundred and eighty (180) days following the execution date of this Lease, LESSEE shall submit schematic drawings and outline specifications, completed by a licensed architect/registered engineer hereinafter referred to as the Preliminary Plans, to the STATE and SHPO describing those capital improvements and renovations to be completed by LESSEE pursuant to subparagraph 10 (A) above, along with a construction schedule, hereinafter referred to as the "Schedule", for completing such improvements and renovations. In addition, said Preliminary Plans shall include an estimate of what LESSEE's costs will be for completing said improvements and renovations, hereinafter referred to as the "Estimated Budget".

(C) Within sixty (60) days following submission of said Preliminary Plans, Schedule and Estimated Budget to the STATE and SHPO by LESSEE, the STATE shall approve said Preliminary Plans, or require LESSEE to modify said Preliminary Plans as the STATE and SHPO may deem reasonable; provided, however, the STATE may only require those modifications it deems necessary in order for LESSEE to comply with STATE building codes or other applicable laws, or to prevent LESSEE from significantly disrupting or interfering with ongoing operations of the Hospital or other programs operating on the campus on which the Hospital is located.

(D) (i) Upon obtaining written approval for said Preliminary Plans, Schedule and Estimated Budget from the STATE and SHPO, with modifications, if any, and agreed to by LESSEE, Construction Documents shall be prepared within one hundred and eighty (180) days and submitted to STATE and SHPO for review and approval as described in

CONSTRUCTION/ IMPROVEMENTS (CONT.)

subparagraph 9 (C). Should modifications be required to the Construction Documents, LESSEE shall diligently pursue and resubmit said documents to STATE and SHPO, which shall diligently pursue further review and approval.

(ii) Subsequent to obtaining final written approval for said Construction Documents, hereinafter referred to as "Plans", LESSEE shall begin to make those improvements and renovations set forth in the Plans according to the Schedule. In making those improvements and renovations, LESSEE shall not materially deviate from the Plans without obtaining written approval from the STATE Hospital Administrator. The STATE and SHPO shall give written approval for such material deviations and amendments of the Plans proposed by the LESSEE unless the STATE and SHPO determines that such material deviations shall not comply with STATE building codes or other applicable laws or would otherwise materially disrupt or interfere with ongoing operations of the Hospital or other programs operating at the facility. No modification, amendment or alterations to Plans shall be valid unless it is in writing and signed by the parties hereto.

(E) Except as may be otherwise agreed to in writing by the parties, all capital improvements and renovations set forth in the Plans shall be completed within eighteen (18) months following commencement of the Remodeling Phase. For purposes of this Lease, the term "Remodeling Phase" shall mean the eighteen (18) month period which begins when the following three (3) conditions have been satisfied: (i) LESSEE has received written approval by STATE and SHPO of said Plans; (ii) LESSEE has received valid and written approval by the STATE of same Plans for conformance with the approved Preliminary Plans and compliance with applicable codes and regulations; to include the California Building Code (Title 24); and (iii) LESSEE issues a Notice to Proceed to the General Contractor for completion of the proposed work.

(F) Prior to the commencement of any work on the Premises, LESSEE or its general contractor shall obtain at its sole cost and expense and submit to STATE a Performance Bond in an amount equal to 100% of the construction costs as set forth in the Construction Contract between LESSEE and the general contractor, whereby surety binds itself unto the LESSEE and the State of California for performance by the general contractor, which is for LESSEE and/or the general contractor to commence and diligently prosecute construction to completion in accordance with the requirements set out in the Plans and to otherwise carry out and comply with all other terms and conditions of this Agreement. In lieu of said performance bond, LESSEE may elect to secure its performance by an alternate plan of security, provided such plan is approved in writing by the STATE.

(G) Prior to commencement of work, LESSEE shall obtain or cause to be obtained, at its sole expense, and submit to STATE a Payment Bond in the amount of 50% of the cost of construction and covering the payment of any and all contractors, subcontractors, material suppliers, services, materials or supplies for or in connection with the construction of the improvements.

(H) The bonds referred to in subparagraphs 10(F) and 10(G) above shall be issued by a corporation or corporations admitted to do business in the State of California.

(I) (i) Should STATE determine during the Plan review period that new or additional utility installations are needed on the grounds of the Hospital, or that the capacity of the infrastructure of the Hospital otherwise needs to be increased, resulting from LESSEE's activities, LESSEE shall, at LESSEE's sole cost and expense, construct or add such utility installations and/or increase capacity of the infrastructure on the Hospital grounds, provided LESSEE shall first obtain written approval of the STATE for plans furnished by

LESSEE for the construction to be undertaken by LESSEE pursuant to this subparagraph 10(I), such prior written approval of STATE not to be unreasonably withheld.

CONSTRUCTION/ IMPROVEMENTS (CONT.)

(ii) In connection with constructing new or additional utilities and/or increasing the infrastructure on the Hospital grounds pursuant to this subparagraph 10(I), LESSEE shall not materially deviate from the Plans, as approved by the STATE, without obtaining prior written approval from the STATE for such material deviations, such prior written approval of STATE not to be unreasonably withheld.

(iii) For purposes of clarification, it is hereby stated and expressly understood and agreed to by the parties that notwithstanding any other terms of this Lease, the amount of rent to be paid by LESSEE to the STATE during the term of this Lease pursuant to Paragraph 3 shall be neither affected by nor related to whether or not LESSEE constructs or adds new utilities and/or increases the infrastructure on the Hospital grounds pursuant to this provision (i.e., there will be no increase in rent because Lessee constructs and/or adds new utilities or increases infrastructure of the Hospital grounds).

(J) LESSEE shall submit to the STATE two (2) sets of "Record Drawings" within sixty (60) days of completion of the capital improvements and renovations in reproducible Mylar format and in electronic Computer Assisted Drafting and Design (CADD) format (AutoCAD 2000).

(K) During construction, said work shall be inspected by the STATE for conformance with the approved plans and compliance with applicable codes and regulations. The cost of said inspection, including materials testing, shall be paid by LESSEE in advance of the start of construction.

SEISMIC DISCLOSURE

11. LESSEE, by acceptance of this Lease, hereby acknowledges that LESSEE has been notified and informed of seismic deficiency of the leased structure. LESSEE acknowledges that LESSEE is leasing and accepting said structure in its "as is" condition and shall hold harmless the State of California, its officers, agents and employees from any liability which may occur to any real or personal property or persons in connection with any seismic failure in or on the premises. LESSEE shall not occupy the building until seismic retrofit work shown in the final construction documents has been completed and certification submitted as hereinafter required by this Lease.

SEISMIC RETROFIT REQUIREMENTS

12. LESSEE, at LESSEE's own cost and expense, shall evaluate said building utilizing the current FEMA-310 Document. If subject building does not pass Tier 1 of FEMA-310 Document, said building shall be retrofitted in accordance with final construction documents. LESSEE's Registered Structural Engineer shall (i) prepare said plans in accordance with standards as provided in Exhibit "C", which by this reference is made a part hereof; (ii) submit construction plans, calculations, testing reports, and specifications to Department of General Services at the address listed in the Notices Paragraph; and (iii) cooperate with the structural Peer Review process.

The cost of the Peer Review is estimated to be $8,000.00, including Historical consultation as it pertains to seismic retrofit. LESSEE shall submit, upon receipt of invoice, the full amount due for the Peer Review. Should the cost to the STATE be less than the estimated amount, STATE shall return to LESSEE the unused portion of said estimated amount.

LESSEE shall submit certification by the Registered Structural Engineer prior to construction certifying that the retrofit design is in compliance within the guidelines

SEISMIC RETROFIT REQUIREMENTS (CONT.)

provided. LESSEE shall submit certification by the Registered Structural Engineer and Contractor after construction is completed, certifying that all construction is in general conformance with the final construction documents and that all required testing and inspections have been satisfactorily performed in accordance with the Testing and Inspection Requirements as shown in **Exhibit "D"**, which by this reference is made a part hereof. Said certification shall be in a format that has been approved by the STATE. Certification shall be submitted to the Department of General Services at the address listed in the Notices Paragraph.

ASBESTOS DISCLOSURE

13. LESSEE, by acceptance of this Lease, is hereby notified and informed that the leased structure may contain asbestos. LESSEE, at LESSEE's sole cost and expense, shall be responsible for any and all asbestos containment and/or removal requirements.

LESSEE acknowledges that LESSEE is leasing and accepting said structure in its "as is" condition and shall hold harmless the State of California, its officers, agents and employees from any liability which may occur to any real or personal property or persons by the presence of any asbestos currently in or on the Premises.

LESSEE shall not occupy the structure until all asbestos abatement work is completed and then approved and certified by a Certified Asbestos Consultant. Said certification shall be submitted to the Department of General Services at the address listed in the Notices Paragraph.

UTILITIES

14. LESSEE agrees to pay said rent as herein provided and to pay all water, electric, gas and other utility charges, or any other charges payable in connection with LESSEE's use of said Premises during the term of this Lease.

(A) Upon the start of construction, LESSEE shall, at its sole cost and expense, install separate meters, pursuant to STATE approval, for any and all meters that or upon the Premises for the purpose of measuring the amount of utilities (steam, water and electricity) consumed by LESSEE and, at its sole cost and expense, continue to arrange for separate utilities metering during the entire term of this Lease.

(B) Upon start of construction and during the entire remaining term of this Lease, the STATE shall furnish all reasonable quantities of electricity, water and steam as required for LESSEE's use of the Premises; provided, however, LESSEE shall be responsible, at its sole cost and expense, for obtaining and maintaining an electrical transformer and related equipment and materials than electrical and/or mechanical engineer, who has been mutually agreed upon by STATE and LESSEE, should determine that such transformer and/or equipment and material is needed by the STATE to furnish such utilities to LESSEE. In return for the STATE furnishing electricity, water and steam, LESSEE shall pay to STATE the amount specified within a monthly electricity, water and steam (annual for sewer) statement furnished to LESSEE by the STATE pursuant to subparagraphs 14(C), 14(D), 14(E), and 14(F) immediately below, within fifteen (15) days of LESSEE's receipt of such statement.

(C) On or before the tenth (10th) day after receipt by the STATE of the utility company statement, each month after the start of construction, the STATE shall furnish Lessee with an electricity usage statement which shall therein calculate the amount to be paid by the LESSEE to the STATE as follows: the total dollar amount of the STATE's electric bill from the Southern California Edison Company (or successor utility) for the previous month, divided by the total kilowatt hours consumed by the STATE on the entire campus of the Hospital (which includes but is not limited to the amounts consumed by

LESSEE on such campus), times the kilowatt hours consumed by LESSEE on Hospital grounds during the previous month.

UTILITIES (CONT.)

(D) On or before the tenth (10th) day after receipt of the utility company's statement, each month after the start of construction, the STATE shall furnish LESSEE with a water statement which shall therein calculate the amount to be paid by LESSEE to the STATE as follows: the total dollar amount of the STATE's water bill from Southern California Water Company (or successor utility) for the previous month, divided by the total number of gallons of water consumed by the STATE on Hospital grounds (which includes but is not limited to the amounts consumed by LESSEE on Hospital grounds) times the number of gallons of water consumed by LESSEE on Hospital grounds during the previous month.

(E) The LESSEE shall be responsible for the cost of sanitary sewage charges from the County Sanitation district at the same rate that the Hospital is billed based on the number of residents and staff in occupancy.

(F) On or before the tenth (10th) day after receipt of the Co-generation Plant's steam usage statement, each month, after the start of construction, the STATE shall furnish LESSEE with a steam usage statement which shall therein calculate the amount to be paid by LESSEE to the STATE as follows: the l dollar amount of the STATE's steam and condensate statement from Wheelabrator Norwalk Energy Company Inc. (or successor utility) for the previous month, divided by the total number of BTU's of steam/condensate consumed by the STATE on Hospital grounds (which includes but is not limited to the amounts consumed by LESSEE on Hospital grounds) times the number of BTU's of steam/condensate consumed by LESSEE on Hospital grounds during the previous month.

(G) Further, each statement furnished hereunder by the STATE to LESSEE shall accurately set forth amount of water, steam and electricity consumed by LESSEE during the previous month as taken from readings of the LESSEE's meters by the STATE. Further, no offsets for capital improvements shall be made by LESSEE against payments due from LESSEE to STATE for utility usage pursuant to this provision.

(H) Nothing contained within this lease shall be construed or understood to interfere with the right of STATE, with no liability to LESSEE, to temporarily interrupt LESSEE's use of such utilities from time to time as reasonably deemed necessary or advisable by STATE in order to perform, or caused to be performed, maintenance on such utilities and/or to respond to emergencies involving such utilities; provided, however, in non-emergency situations the STATE shall give LESSEE prior actual notice of the interruption of such utility service, anticipated length of such interruption and reason(s) therefore, and in emergency situations the STATE shall endeavor to give LESSEE similar notice as soon as possible.

(I) With respect to all other utilities, LESSEE shall, at its sole cost and expense, make all arrangements for and pay for all such utilities used by LESSEE at or upon the Premises, including but not limited to telephone service, gas, hazardous waste, infectious waste handling, removal and disposal.

CEQA REQUIREMENTS

15. LESSEE acknowledges that environmental documents are required for the proposed project. LESSEE shall comply with the California Environmental Quality Act (CEQA) and all CEQA guidelines. As a part of the CEQA process, any proposed alterations must be reviewed by State Office of Historic Preservation. (Public Resources Code 5024.5)

REGULATION BY STATE

16. In order to protect the operation and safety of State activities conducted on the Hospital grounds, Lessee hereby covenants and warrants that it shall not disrupt or interfere with ongoing operations of the Hospital or other programs and services operating on the Hospital grounds. STATE shall inform LESSEE in writing of any and all such activities which in the opinion of the STATE disrupts or interferes with ongoing operations of the Hospital or other programs and services operating on the Hospital grounds, and upon request of the LESSEE, shall meet with LESSEE in order to resolve any such problems.

The Hospital Administrator is hereby designated as the representative of the STATE authorized to give the approval of the STATE whenever such approval is required by the conditions of this Lease, except, approval of any extensions or changes to the terms of the Lease must be executed by the Director of General Services.

SECURITY CLEARANCE

17. All persons employed by LESSEE, including contracted construction personnel, who are assigned to work on the Premises shall be required to undergo a finger print background check conducted by the State Department of Justice before said persons will be permitted to work on the grounds of the Hospital. The security clearance shall be at LESSEE's cost and expense and LESSEE agrees to comply with the requirements of Metropolitan State Hospital Administrative Directive (ADD No. 2100) identified as **Exhibit E**, which by this reference is made a part hereof. The Hospital police and/or Executive Director shall make all clearance determinations.

STAFF AVAILABILITY

18. STATE and LESSEE shall each have a person readily available either on or offsite at all times when the facility is in use who has authority to make any and all decisions on behalf of STATE and LESSEE in the event of an emergency that immediately jeopardizes life or health. A list of persons of authority shall be updated on a regular basis and this list shall be on file in the Administration Office of the Hospital, Central Nursing Services Section, for use in an emergency.

SUBLETTING

19. LESSEE shall not assign this Lease in any event and shall not sublet the Premises or any part thereof and will not permit the use of the Premises by anyone other than the LESSEE without prior written consent by the STATE. Nothing contained in this paragraph, however, shall prohibit LESSEE from entering into subleases or agreements with persons with mental illness to reside at the facility.

TEMPORARY TENANCY

20. LESSEE acknowledges that LESSEE, it's employees, contractors, subordinates and assigns are not entitled to any Relocation Payment or Relocation Advisory Assistance due to their occupancy in the state owned Property identified in this Lease.

In the event subleasing is permitted, LESSEE shall incorporate the above paragraph into each sublease. Failure to do so may obligate LESSEE for damages and costs resulting from claims for relocation payment by sublessees.

LEASEHOLD FINANCING

21.(A) Non-Subordination, Hypothecation and Security Interests. STATE will not subordinate its interest in the Lease as security for any loans or financing. STATE will agree that the interests of LESSEE and/or SUBLESSEES may be pledged as security for loans or financing.

(B) Estoppel Certificate. STATE shall, from time to time, upon not less than thirty (30) days prior written request by LESSEE or LESSEE's lender, execute, acknowledge and deliver to LESSEE or LESSEE's lender a statement in writing attached as **Exhibit "F"**,

consisting of two (2) pages incorporated herein by reference, certifying to LESSEE's lender or to an independent third party designated by LESSEE that this Lease is unmodified and in full force and effect and that STATE has no knowledge of any uncured defaults of LESSEE under this Lease (or, if there have been any modifications that the same are in full force and effect as modified and stating the modifications and, if there are any defaults, setting them forth in reasonable detail), the commencement date of the initial term, and the dates to which the rent and other charges under this Lease have been paid. Any such statement delivered pursuant to this paragraph may be relied upon by any prospective lender.

(C) Lender's Rights. With respect to any lender who shall have delivered to STATE, pursuant to the Notice provision, a written notice which shall state the name, address and a general description of the type of lien it holds on the Premises or subleased premises, the following provisions shall apply:

(i) STATE, when giving notice to LESSEE with respect to any default or termination under the provisions of this Lease shall also serve a copy of such notice upon any known lender.

(ii) Any lender may do any act or thing required of LESSEE hereunder and shall have the right of entry upon the Premises for the purpose of performing any such act or doing any such thing. All such acts or things done and performed shall be accepted by STATE and be as effective to prevent a forfeiture of LESSEE's rights hereunder as if done or performed by LESSEE. As a condition of site access, lenders must comply with all STATE's security procedures.

(iii) Any lender may acquire and succeed to the interest of LESSEE hereunder by foreclosure of the Leasehold Mortgage or by assignment in lieu of foreclosure and may assign the leased Premises to a bona fide purchaser for value with STATE's consent; provided, however, any such purchaser for value shall execute an agreement assuming all of LESSEE obligations of any nature under this Lease arising from and after the effective date of assignment. Any lender shall submit information concerning the purchase for value for review by STATE prior to any assignment to a bona-fide purchaser for value. Upon execution of the assumption agreement, lender shall thereupon be released from its obligation to perform the obligations of LESSEE whose interest has been so acquired to prevent a termination or forfeiture of this Lease except for any indemnity and hold harmless obligations such lender may owe to the STATE. The STATE must approve in writing any assumption agreement.

(iv) In the event of a default by LESSEE in the payment of rental or other sums, any lender may pay such rental or other sums to STATE, and such rental payment alone, without further requirement, shall be sufficient to prevent a termination or forfeiture of the leased Premises; provided, however, that such right to prevent such termination or forfeiture shall exist only for a period of thirty (30) days after expiration of the cure period during which LESSEE or Sublessee may cure a default in payment of rental which default was a subject of a notice given by STATE to LESSEE and LESSEE or Sublessee's lender.

(v) STATE's right to full recovery or performance on behalf of LESSEE will not be hindered by lack of notice provided to any lender, not of official record, as established in this section and as required in Notice paragraph of this Lease.

LEASEHOLD FINANCING (CONT.)

(D) Cure by Lender. Upon the occurrence of an event of default other than a rental default, STATE shall take no action to finalize a termination and forfeiture of this Lease without first giving to lender a reasonable time period (or lesser time period as required by an emergency) within which (i) to obtain control by receivership which shall not exceed forty-five (45) days, (ii) to obtain possession of the property and cure such default or (iii) to immediately and diligently institute foreclosure proceedings and complete such foreclosure, or otherwise acquire the leased Premises. However, such reasonable period to obtain possession or complete a foreclosure shall not exceed one hundred eighty (180) days. STATE's covenant herein to take no action to finalize a termination and forfeiture shall not prevent STATE from exercising other remedies reserved to STATE under this Lease or allowed by law.

(E) If LESSEE's lender(s) requests additional terms and conditions to those already provided herein, STATE agrees to consider any such requests, but may refuse such requests in its sole and absolute discretion and may unreasonably withhold consent or approval of such additional terms and conditions.

PARTNERSHIP DISCLAIMER

22. LESSEE and any and all agents and employees of LESSEE shall act in an independent capacity and not as officers or employees of STATE. Nothing herein contained shall be construed as constituting the parties herein as partners.

HOLD HARMLESS

23. This Lease is made upon the express condition that the State of California is to be free from all liability and claims for damages by reason of any injury to any person or persons, including LESSEE, or property of any kind whatsoever and to whomsoever belonging, including LESSEE, from any cause or causes whatsoever while in, upon, or in any way connected with the Premises during the term of this Lease or any occupancy hereunder, except those arising out of the sole negligence of the STATE. Each party agrees to indemnify and defend the other in the event of any claim, demand, causes of action, judgments, obligations or liabilities, and all reasonable litigation and attorneys' expenses which each party may suffer as a direct and proximate result of the violation of any law, breach of any term of this Lease, negligence or other wrongful act by a party to this Lease or such party's employees, representatives, contractors, or any other person or persons acting within the direct control or authority of such party or its employees. LESSEE further agrees to provide necessary Workers' Compensation Insurance for all employees of LESSEE upon said Premises at the LESSEE's own cost and expense.

INSURANCE

24. LESSEE shall maintain general liability insurance with a limit of not less than $5,000,000 per occurrence for bodily injury and property damage combined. Such insurance shall also cover all liabilities arising out of the use of the Premises and the performance of any work or improvement on the Premises. LESSEE shall maintain adequate insurance to demolish and remove the buildings in the event of any loss or damage which renders the building unusable by LESSEE, and coverage adequate to repair the premises as required by this Lease. The insurance company(s) must be acceptable to the Department of General Services, Office of Risk and Insurance Management. LESSEE is responsible for any deductible and all premiums, and the STATE shall not be liable for the payment of any premiums or assessments on the insurance policy.

LESSEE agrees that the insurance shall be in effect at all times during the term of this Lease. The insurance shall provide that the insurer will not cancel the policy without thirty (30) days prior written notice to the STATE. In the event of cancellation, LESSEE agrees to provide STATE evidence of new coverage for not less that one (1) year at least thirty (30) days prior to the expiration of the prior policy. If LESSEE fails to keep insurance in effect at all times as required, then STATE may, in addition to any other

INSURANCE (CONT.)

remedy it may have, terminate this Lease.

LESSEE shall furnish a certificate of insurance with the STATE's Lease number indicated on the face of the certificate naming the State of California, its officers, departments, employees and agents as additional insureds. At the request of STATE, a duplicate original and /or copy of the policy(s) of insurance shall be provided to the STATE.

NON-DISCRIMINATION

25. In the performance of this Lease, LESSEE shall not discriminate, harass, or allow harassment against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, medical condition, age (over 40), marital status, sex, sexual orientation, or use of family care leave. LESSEE shall insure that the evaluation and treatment of its employees and applicants for employment are free from such discrimination and harassment. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

LESSEE shall comply with the provisions of the Fair Employment and Housing Act (California Government Code Sections 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f) set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. LESSEE shall give written notice of its obligations under this clause to any labor organizations with which they have a collective bargaining or other Agreement. Further, LESSEE shall post in conspicuous places available to employees and applicants for employment, notices to be provided by the STATE setting for the provisions of this Fair Employment Practices Section. (California Government Code, Section 12920-12994).

Remedies for willful violations:

(a) The STATE may determine a willful violation of the Fair Employment Practices provision to have occurred upon the receipt of a final judgment having that effect from a court in an action to which LESSEE was a party, or upon receipt of a written notice from the Fair Employment Practices Commission that it has investigated and determined that the LESSEE has violated the Fair Employment Practices Act and has issued an order pursuant to the appropriate provisions of the Government Code.

(b) The STATE shall have the right to terminate this Lease and any loss or damage sustained by the STATE by reason thereof shall be borne and paid for by the LESSEE.

LOSSES

26. The STATE will not be responsible for losses or damage to personal property, equipment or materials of the LESSEE and all losses shall be reported to the STATE immediately upon discovery.

DEBT LIABILITY DISCLAIMER

27. The STATE will not be liable for any debts or claims that arise from the operation of this Lease.

TAXES / ASSESSMENTS

28. LESSEE agrees to pay all lawful taxes, assessments, or charges, which at any time may be levied upon interest in this agreement. It is understood that this Lease may create a

TAXES / ASSESSMENTS (CONT.)

possessory interest subject to property taxation and LESSEE may be subject to the payment of property taxes levied on such interest.

COMPLIANCE WITH LAWS

29. LESSEE shall, at his sole cost and expense, comply with all of the requirements of all municipal, state, and federal authorities now in force, or which may be in force pertaining to the Premises and use of the Premises as provided by this Lease.

CONDITION OF PREMISES

30. LESSEE accepts the Premises in its present condition and agrees that upon expiration of this Lease or sooner termination, LESSEE shall deliver the Premises and all capital improvements located thereon to the STATE in good and clean condition, reasonable use and wear thereof and damage by act of God, or by the elements excepted; provided, however, that this paragraph shall not apply in the event LESSEE elects not to restore the Premises pursuant to Paragraph 33 Restoration hereunder.

LESSEE has visited and inspected said Premises and it is agreed that the square footage stated herein and on the attached Exhibit "A" is only approximate and the STATE does not hereby warrant or guarantee the actual square footage included hereunder.

MAINTAINING PREMISES

31. LESSEE agrees to maintain said Premises in compliance with the sanitation laws and regulations of the State of California, and in compliance with all other laws of the STATE and the rules and regulations of the Hospital.

LESSEE shall maintain the Premises in a decent, safe and sanitary condition, including structural repair and restoration of damaged or worn improvements. The STATE shall provide landscape maintenance around the building, maintenance to the equipment and systems located in the crawl space and equipment room, and maintenance of the STATE owned utility systems supplying the building. Maintenance of any additional equipment installed in the equipment room or crawl space by the LESSEE shall be at the sole cost and responsibility of the LESSEE. The STATE shall not be obligated by this Lease to make any improvements or alterations to the Premises or to perform any maintenance work beyond what is stated herein.

Subsequent to occupying the Premises, LESSEE shall not without prior written consent of the STATE and SHPO:

(A) Make further material or substantial structural changes or alterations to the Premises, except as required to repair or restore damage or worn improvements;

(B) Make material or substantial structural or architectural design changes to the Premises; or

(C) Construct any new building(s) or structure(s) on the Premises, other than those specified in the Plans without first obtaining written consent of the STATE which consent shall not be unreasonably withheld. Nothing within this provision shall be construed or understood to modify or amend the terms of subparagraph 10(I) above.

PROTECTION OF PREMISES

32. No dumping of refuse by LESSEE is permitted in any area of the Premises, and LESSEE shall not commit or suffer to be committed any waste or nuisance upon the Premises. LESSEE further agrees that he shall at all times exercise due diligence in the protection of the Premises against damage or destruction by fire or other cause.

RESTORATION OF PREMISES

33. (A) LESSEE is relieved of the obligation to, but may repair and restore the Building and improvements if damage or destruction of the Building is uninsured, is not caused by LESSEE's acts or negligence, and is not required to be insured under any provision of this Lease, or the cost of repairing such damage or destruction exceeds twenty-five (25%) of the then replacement value of the Building. Any building or improvements not restored shall immediately be demolished and removed at LESSEE's sole expense and LESSEE shall then have the right to terminate this Lease without liability to either party hereto.

(B) Should LESSEE elect to continue this Lease in full force and effect, LESSEE at its sole cost and expense, shall promptly and diligently repair and restore the damaged or destroyed Building and/or improvements in conformance with the intent of the Plans, subject to obtaining written approval by STATE and SHPO for said repairs and/or restoration. STATE shall give written approval unless the STATE reasonably and in good faith should determine that said repairs and/or restoration as proposed by the LESSEE will not comply with STATE building codes or other applicable laws or would otherwise significantly disrupt or interfere with ongoing operations of the Hospital or other programs operating on the Hospital grounds to a greater extent than before the Building was damaged or destroyed.

(C) Any and all fire or other insurance proceeds that become payable at any time during the term hereof because of damage to or destruction of the leased Building and improvements on the Premises shall be paid to LESSEE and applied by LESSEE toward the cost of repairing and restoring the damaged or destroyed Buildings and improvements in the manner required by subparagraph 33(B). Should LESSEE elect to exercise the option described in subparagraph 33(A) to not repair and restore the damaged Premises and to terminate this Lease, then, in that event, any and all fire or other insurance proceeds that become payable because of such damage or destruction, after deducting LESSEE's costs incurred pursuant to subparagraph 33(A) for demolishing removal, shall be payable to the State.

SURRENDER OF PREMISES

34. Upon termination of this Lease for any cause other than termination under Paragraph 33, the LESSEE shall remove any and all equipment and personal property of the LESSEE and restore the entire Premises to a broom clean, safe and habitable condition, except however, the STATE may approve, in writing, any deviation from this requirement. STATE shall provide LESSEE within seven (7) days after notice of termination, with a punch list of any special conditions and shall walk-thru the Premises with LESSEE prior to vacancy. All capital improvements shall become the property of the STATE.

DISPOSITION OF FIXTURES

35. At the expiration of the term or sooner termination of this Lease, provided LESSEE is not then in default, LESSEE shall have the right to remove any and all trade fixtures, provided LESSEE shall perform all restorations made necessary by the removal of such trade fixtures. Trade fixtures for the purposes of this Lease shall include all machinery, moveable partitions, furniture, furnishings, bins, racks, window-mounted or portable air conditioners, special lighting fixtures, exterior and interior signs, and other equipment and personal property installed or placed in, on or about the Premises, but shall not include elevators, radiators, boilers or air-conditioning equipment.

OWNERSHIP OF IMPROVEMENTS

36. Except as provided herein, during the term of this Lease all structural improvements constructed on the Premises by LESSEE shall be vested in LESSEE. At the expiration or termination of this Lease, all building improvements constructed on the

OWNERSHIP OF IMPROVEMENTS (CONT.)

Premises by LESSEE shall vest in STATE. LESSEE shall deliver said buildings, structures and improvements to STATE broom clean and in safe and habitable condition, reasonable wear and tear excepted, without compensation to LESSEE, any subtenant or third party, free and clear of all claims to or against them by LESSEE, any subtenant or third party, and LESSEE shall defend and hold STATE harmless from all liability arising from such claims or from the exercise by STATE of its rights under this paragraph.

In the event said buildings, structures and improvements are not delivered to STATE broom clean and in safe and habitable condition, reasonable wear and tear excepted, STATE shall make the necessary maintenance and repairs and LESSEE shall be liable to and shall reimburse STATE for any such expenditures made, plus interest at a rate equal to the Federal Reserve Board discount rate per annum from the date of completion of work.

FAILURE TO PERFORM

37. In the event of the failure, neglect, or refusal of LESSEE to do or perform work, or any part thereof, or any act or thing in this Lease provided to be done and performed by LESSEE following receipt of thirty (30) day notice and LESSEE's failure to perform same within said thirty (30) days, STATE shall, at its option, have the right to do and perform the same, and LESSEE hereby covenants and agrees to pay STATE the cost thereof on demand.

LIENS

38. LESSEE shall keep the Premises free from all liens and claims of mechanics, material suppliers, and others from work done and material furnished at the request of LESSEE. Should any lien or claim of lien be filed or notice given, LESSEE shall cause the same to be immediately cancelled and removed, and if so removed, LESSEE shall not be in default under the terms of this Lease.

CANCELLATION

39. (A) Except as may otherwise be expressly provided herein, LESSEE shall materially breach this Lease and be in default, and the STATE may forthwith terminate this Lease, if any of the following occurs during the term hereof:

(i) The failure by LESSEE to pay rent as set forth in Paragraph 3 herein when the same is due, if such failure shall continue for a period of ten (10) days after written notice thereof from STATE to LESSEE.

(ii) The failure of LESSEE to observe or perform any of the covenants or provisions of this Agreement where such failure shall continue for a period of sixty (60) days after written notice thereof from the STATE to LESSEE or such additional time as is reasonably required in the event that such cure cannot be completed within sixty (60) days and LESSEE continues to diligently prosecute such cure to completion.

(iii) The making by LESSEE of an assignment for the benefit of creditors or the filing of a voluntary petition in bankruptcy or for reorganization under the United States Bankruptcy Act, or the filing by LESSEE of a petition for an arrangement or other debtor's relief under any provision of the laws of the United States or of any State.

(iv) The filing of an involuntary petition in bankruptcy against LESSEE under the United States Bankruptcy Act if the same is not dismissed within sixty (60) days after the date of filing.

(v) The appointment of a permanent receiver, trustee or liquidator for LESSEE or of or for the property of LESSEE, if such receiver, trustee or liquidator is not discharged within sixty (60) days after the date of his or her appointment.

CANCELLATION (CONT.)

(vi) Except as otherwise provided herein, the occurrence of any contingency whereby the rights of LESSEE under this Lease would, by operation of law or otherwise, without the written consent of the STATE, pass to any person, firm or corporation other than LESSEE.

(B) Except as may otherwise be expressly provided herein, the STATE shall materially breach this Lease and be in default and LESSEE may forthwith terminate this Lease in the event the STATE fails to observe or perform any of the covenants, provisions or terms of this Lease where such failure shall continue for a period of sixty (60) days after written notice thereof from LESSEE to the STATE.

(C) In addition, LESSEE may terminate this Agreement by giving written notice to the STATE thirty (30) days prior to the date when such termination shall become effective, upon:

(i) The voluntary or involuntary bankruptcy of LESSEE as set forth in subparagraphs 39(A) (iii) - (vi) above;

(ii) Changes/amendments in applicable statutes, regulations or reimbursement law or reimbursement practice of third party payee(s) and/or enactment of new statutes, regulations or reimbursement law or reimbursement practice of third party payee(s) which render it uneconomic or impractical for LESSEE, or its successor, to continue to rent the Premises pursuant to the terms and conditions of this Agreement;

(iii) The LESSEE going out of business for any reason and/or ceasing to provide a housing program;

(iv) LESSEE receiving notification from STATE that STATE intends to cease operation of and/or vacate the Metropolitan State Hospital facility.

RIGHT TO ENTER

40. During continuance in force of this Lease there shall be and is hereby expressly reserved to STATE and to any of its agencies, contractors, agents, employees, representatives or licensees, the right at any and all times and any and all places, to temporarily enter upon said Premises for survey, inspection, or any other lawful STATE purposes. STATE shall use its best efforts to provide reasonable notice of such entry and to allow accompaniment by LESSEE's authorized representative.

EASEMENTS AND RIGHTS OF WAY

41. This Lease is subject to all existing easements and rights of way. STATE further reserves the right to grant additional public utility easements as may be necessary and LESSEE hereby consents to the granting of any such easement. The public utility will be required to reimburse LESSEE for any damages caused by the construction work on the easement area. The STATE will not be liable for any such damage.

The location of any new utility easement created by LESSEE, as referenced in subparagraph 10(I), shall be mutually agreed to by STATE and LESSEE and shall be described by a licensed Surveyor and recorded in the County of Los Angeles at LESSEE's cost and expense.

CONTRACTING

42. Notwithstanding any other term of this Lease, no provision of this Lease shall prohibit LESSEE from contracting with or otherwise engaging third parties, independent contractors, and/or subcontractors to assist it in making those capital improvements and renovations on the Premises as required or permitted under terms of this Lease and to assist it in furnishing services on the Premises.

LESSEE'S PROGRAM

43. LESSEE will conduct its program in such a manner so as not to interfere with Hospital activities. A maximum of 21 adults (not including staff) will reside in the Building as program participants at any one time, except with written consent of the STATE, which shall not be unreasonably withheld. The program conducted within the Premises will function under the total responsibility of the LESSEE. Except as may otherwise be provided herein, LESSEE will obtain all appropriate licensing permits, including a valid fire clearance from the appropriate authority, based on compliance with applicable state regulations, then in effect, as adopted by the State Fire Marshal.

FIRE/POLICE PROTECTION

44. LESSEE is a separate and distinct entity from the Hospital and shall so inform the local fire and Police Agencies. The STATE shall in no way be responsible or liable for such protection to LESSEE.

LESSEE SECURITY

45. LESSEE will be responsible for the security of the Building and all persons in its program, while such persons are in, on or about the Premises, provided, however, nothing herein shall be understood to modify or amend Paragraph 26 herein. In the event of a serious security emergency, the STATE shall cooperate with the staff of LESSEE, but such assistance shall not interfere with the STATE's normal treatment program. All rules and regulations governing employees and residents of the Hospital, which are applicable to LESSEE, shall be strictly adhered to by LESSEE's staff.

EMERGENCY PREPAREDNESS

46. LESSEE agrees to be responsible for maintaining LESSEE's own emergency preparedness program. The LESSEE shall not assume the STATE will provide food or supplies during a local or area wide disaster. The STATE will, if time and material allow, assist during a disaster.

ENVIRONMENTAL COMPLIANCE

47. (A) The LESSEE agrees to comply with all applicable Federal, State, and local regulations pertaining to hazardous materials' use, storage and disposal. The LESSEE shall indemnify and hold harmless the STATE and its agents and representatives for any violation of hazardous materials law caused by LESSEE or LESSEE's representatives. Furthermore, LESSEE shall reimburse the STATE for any and all costs related to investigation, clean up and/or fines incurred by the STATE for environmental regulation non-compliance by the LESSEE or LESSEE's representative.

(B) If the LESSEE is required to prepare a Business Plan, as specified by Health and Safety Code Section 25500 et seq., or a Hazardous Waste Contingency Plan, as specified in 22 CCR 66264.51 et seq., then a copy of the plan shall be submitted first to the Chief of Plant Operations.

(C) If LESSEE or LESSEE's representative generates any regulated hazardous wastes on the STATE's property, LESSEE agrees to dispose of such wastes in accordance with all applicable Federal, State, and local regulations. Copies of all hazardous waste manifests or disposal certificates shall be submitted to the Chief of Plant Operations.

ENVIRONMENTAL COMPLIANCE (CONT.)

(D) Storage of hazardous waste shall comply with 22 CCR 66264 et al., and all applicable fire regulations. The LESSEE shall not apply to become a "permitted" hazardous waste storage facility without written permission from the Chief of Plant Operations.

(E) The STATE or its representatives reserves the right to inspect all areas which are leased or rented by LESSEE, for the purpose of verifying environmental compliance.

(F) At the request of the Chief of Plant Operations, the LESSEE shall provide copies of Material Safety Data Sheets (MSDS) for all hazardous materials used on STATE's property.

(G) Any violation in Federal, State, or local environmental law deemed serious by the STATE will be grounds for termination of Lease in accordance with applicable sections herein. Termination of Lease by either party or evacuation of leased property by LESSEE shall not relieve LESSEE of environmental or hazardous materials related liabilities incurred by the STATE during LESSEE's occupancy or incurred as a result of LESSEE's actions.

MEDICAL

48. No medical support will be provided by the Hospital or by the STATE.

SMOKING RESTRICTIONS

49. Smoking is not allowed in or upon the Premises. LESSEE is required to clearly post signage at all entrances, exits, and other conspicuous locations notifying occupants that smoking is prohibited within the Building and within 15 feet of any entrance. The signs shall be in bold print and legible from a distance of 25 feet.

SIGNS

50. All signs shall be under the control of the STATE, including placement, size, color, and working; provided, however, nothing herein shall prohibit LESSEE from placing one (1) distinctly visible sign on the building or near the entrance to the building, and the STATE shall not unreasonably withhold approval of such sign. LESSEE shall obtain any and all permits from the City, if any, as may be required for LESSEE to place said sign at or near the entrance to the Hospital.

CPI ESCALATOR OPERATING EXPENSE

51. Beginning on July 1, 2007, and on July 1st of every fifth year thereafter during the term of this Lease, the STATE will automatically increase or decrease the monthly rent payable under this Lease. The amount of the monthly rental adjustment shall be determined by multiplying $[illegible] by the percentage which the Consumer's Price Index** for the preceding April increased over or decreased under the same Index for the month of April 2002 which shall be the base period. Notwithstanding any other provisions contained herein, no CPI adjustments will accrue or be paid during any agreed periods of free rent.

In the event the above-mentioned Index is discontinued prior to the expiration of this Lease, the STATE shall immediately request the Bureau of Labor Statistics of the U.S. Department of Labor to supply a formula for the conversion of the above-mentioned Index to a similar Index then available; and, said formula shall thenceforth be the basis for computation.

**U.S. Bureau of Statistics, Los Angeles-Anaheim-Riverside, CA, All Items Series (1982-1984=100), "All Urban Consumers."

MUTUAL CONSENT

52. This Lease and the provisions of this Agreement may be altered, changed, or amended only by mutual written consent of the parties hereto.

UNDERSTANDING OF LEASE

53. This Lease contains the entire understanding of the parties and the parties agree that there is no other written or oral understanding between the parties in respect to the Premises.

SEVERABILITY

54. The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions unenforceable, invalid or illegal.

CUMULATIVE REMEDIES

55. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

RECORDATION

56. This Lease shall not be recorded; provided, however, a short form, Memorandum of Lease may be recorded at the request of the STATE or LESSEE. The party recording the Memorandum of Lease shall, upon expiration or termination of this Lease, file a Quitclaim Deed at their sole cost and expense.

PUBLIC WORKS BOARD APPROVAL

57. LESSEE acknowledges that this Lease is contingent upon the approval of the State Public Works Board.

BINDING

58. The terms of this Lease and covenants and agreements herein contained shall apply to and shall bind and inure to the benefit of the heirs, representatives, assigns and successors in interest of the parties hereto.

SECTION HEADINGS

59. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

ESSENCE OF TIME

60. Time is of the essence of each and all of the provisions, covenants and conditions of this Lease.

APPROVAL RECITAL

61. The Director of General Services has determined that the letting of the Premises under the terms and conditions of this agreement serves the required beneficial public purpose of the development of housing and complies with the provision of California Government Code Section 14671.2.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto as of the Executed Date written below.

STATE OF CALIFORNIA

DIRECTOR OF THE DEPARTMENT OF GENERAL SERVICES

By: _____
CHERYL L. ALLEN, Manager
State Owned Leasing and Development

Executed Date: 12-20-2002

LESSEE:

HOMES FOR LIFE FOUNDATION, a nonprofit California corporation

By: _____
CAROL M. HUSS, Executive Director

By: _____
DANIEL BODAT, President

CONSENT:

DEPARTMENT OF MENTAL HEALTH

By: _____
LINDA S. POWELL, Deputy Director
Administrative Services

METROPOLITAN STATE HOSPITAL

By: _____
TRUDA J. BROWN
Hospital Administrator

REVIEWED BY:

STATE PUBLIC WORKS BOARD

By: _____
IRENE T. ANDERSON
Assistant Administrative Secretary

Date: December 19, 2002

LIST OF EXHIBITS

METROPOLITAN STATE HOSPITAL
BUILDING 303

L-1796

EXHIBIT A	PLOT PLAN – GROUNDS OF METROPOLITAN STATE HOSPITAL
EXHIBIT B	DESCRIPTION OF CAPITAL IMPROVEMENTS AND RENOVATIONS
EXHIBIT C	SEISMIC RETROFIT GUIDELINE FOR STATE OWNED BUILDING
EXHIBIT D	TESTING AND INSPECTION REQUIREMENTS
EXHIBIT E	METROPOLITAN STATE HOSPITAL ADMINISTRATIVE DIRECTIVE (A.D. NO. 2100)
EXHIBIT F	ESTOPPEL CERTIFICATE
EXHIBIT G	(14671.2) LEASE LESS THAN MARKET VALUE; PREFERENCE TO PROJECTS PROVIDING MORE AFFORDABLE UNITS (WAISdoc ID=201616742+1+0+0 & WAISaction=retrieve)

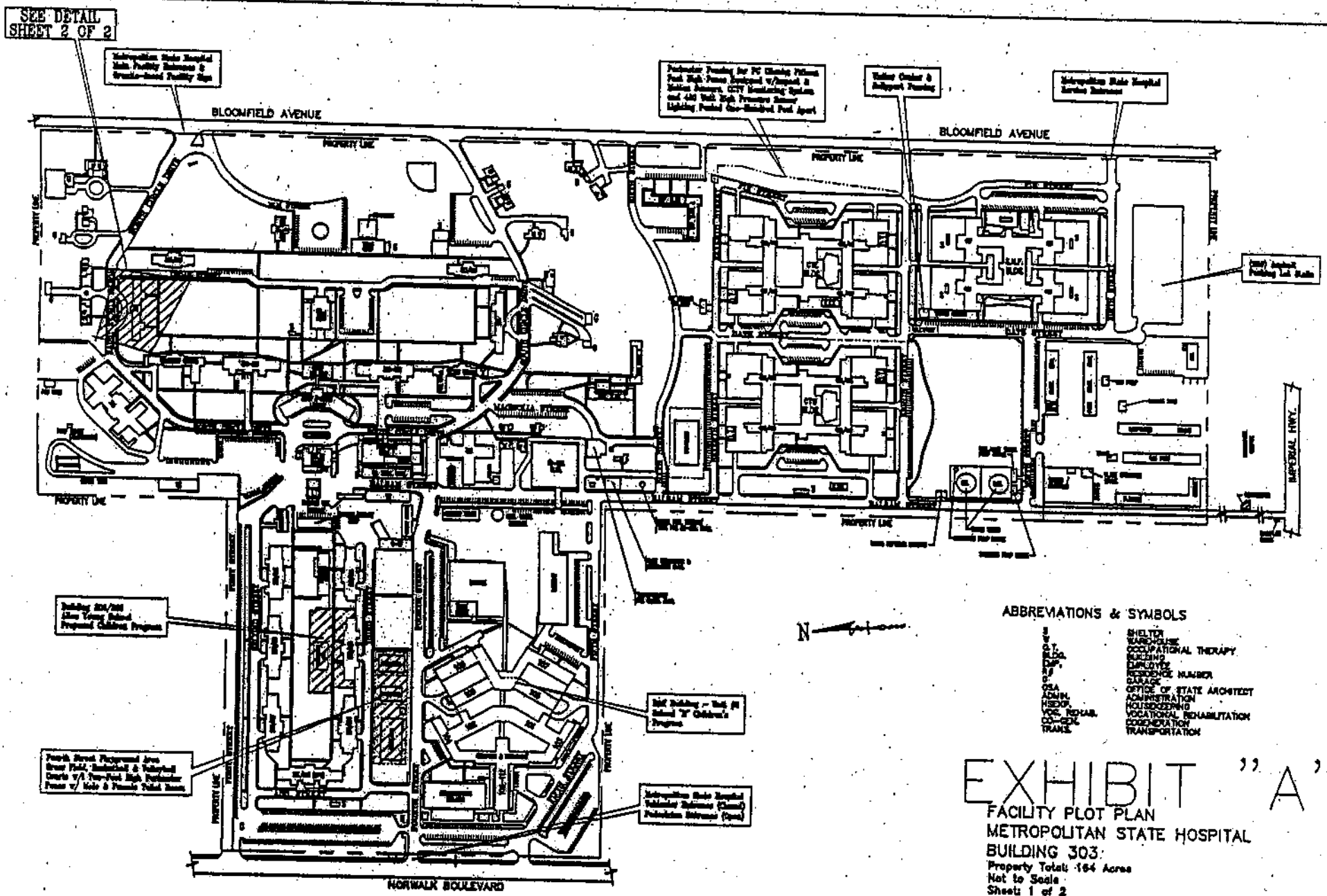


EXHIBIT "A"

FACILITY PLOT PLAN
METROPOLITAN STATE HOSPITAL
BUILDING 303
Property Total: 164 Acres
Not to Scale
Sheet: 1 of 2

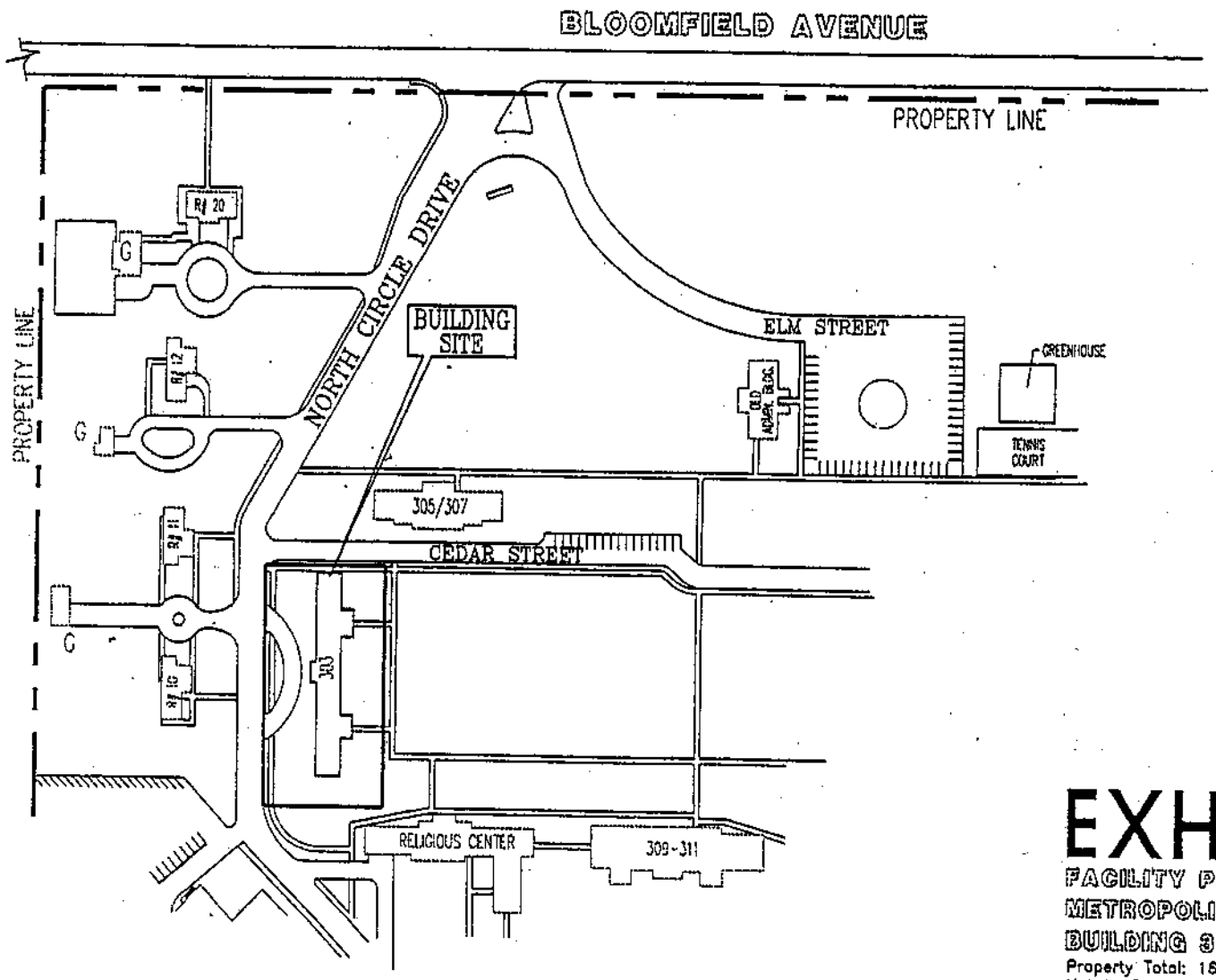


EXHIBIT "A"

FACILITY PLOT PLAN
METROPOLITAN STATE HOSPITAL
BUILDING 303

Property Total: 164 Acres
Not to Scale
Sheet: 2 of 2

Drawn By: James L. Cornish
Date: 6/12/02

EXHIBIT B

PROPOSED REHABILITATION FOR BUILDING 303, METROPOLITAN STATE HOSPITAL

Construction activities will include work necessary to convert Building 303 to provide twenty efficiency apartments, a manager's unit, manager's office, entry lounge and conference room.

1. Abatement of existing lead and asbestos.
2. Demolition of certain existing interior walls and removal of certain existing ceilings, flooring, electrical systems and plumbing systems.
3. Construction of new partition walls, bathrooms, kitchens to create eight one-bedroom units, a community room and entry lobby.
4. Installation of new lighting and flooring.
5. Installation of insulation.
6. Installation of new electrical and plumbing systems.
7. Repair or replacement of windows, existing interior doors and hardware.
8. Repair or replacement of damaged plaster.
9. Interior and exterior painting.
10. Structural reinforcement as required by structural engineering analysis.
11. Repainting of existing masonry.
12. Repair of broken roofing tiles and underlayment.
13. Installation of fire life safety systems.
14. Landscaping at building perimeter.
15. Provision of handicapped access to the ground floor, entry patio and a rear patio.

EXHIBIT C

SEISMIC RETROFIT GUIDELINE FOR STATE OWNED BUILDING
Metropolitan State Hospital, Norwalk, CA

The design basis for the retrofit of this State Building is the following performance criteria based on the Design Basis Earthquake (DBE).

1. Building suffers minor repairable structural damage.
2. Nonstructural damage is moderate but may require extensive repair.
3. Minor risk to life safety of building occupants.
4. Operating systems can be disrupted for days to months.
5. Occupancy of the building can occur within weeks with minor disruptions for repair work.

The DBE is that event for which seismically induced ground motions at the project site have a ten- percent probability of exceedance in fifty years. Existing regional or site specific ground motion studies may be utilized for this purpose. Acceptable regional ground motion studies are those prepared for sites within a one-mile radius of the retrofit project site and which have similar geologic structure and similar proximity to causative earthquake faults.

The DBE criteria may be modified when other factors are considered. Socio-economic issues along with pertinent engineering factors may be the basis for modifying the DBE subject to the following:

1. In no event, shall an earthquake ground motion be considered which is lower than that which has a 20% chance of exceeding in 50 years.

2. Components or elements whose failure could result in partial or total collapse of the building and/or create a life safety hazard shall be subject to a non-linear analysis for deformation compatibility and shown to be safe or acceptable when based on the recommended DBE (10%/50 years).

Each structural component and element of the building, including its foundation, shall be classified either as primary or secondary. The primary structural components and elements of the lateral force resisting system are those which provide overall stability for the structure when subjected to ground motions. Only limited degradation of the primary elements is permitted to occur. Secondary structural components and elements are those not designated as primary, and degradation of these is permissible but their ability to support gravity loads must be preserved.

The rehabilitated building shall have a continuous load path or paths with adequate strength and stiffness to transfer all seismically induced forces from the point of application to the point of final resistance.

The retrofit design shall consider all major discontinuities in the vertical and lateral load resisting structural system.

Strengthening of all overstressed structural components and elements shall be addressed in the retrofit design.

Nonstructural components and building contents in the areas directly affected by the primary structural retrofit work shall be adequately anchored or braced to the structure to control damage to acceptable levels.

BASIC APPROACH:

The Structural Engineer of Record (SER), with oversight by the Peer Review Engineer (PRE) shall consider the following listed items affecting the rehabilitation design. The items shall include, but not be limited to:

1. Information acquired from a review of the existing building drawings and specifications along with the evaluations and recommendations contained in previous studies of the building, if any.

2. Information acquired during the required project site visit regarding site imposed hazards and constraints, building geometry (irregularities, etc.) and condition of the structural elements and components.

3. Redundancy existing in the lateral load resisting components and elements.

4. Modifications of components required to improve connectivity, strength or deformation capacity.

5. Whether removal or lessening of existing mass, stiffness or strength irregularities is necessary.

6. Whether global strengthening of the structure is required when structural elements and components are stiffened.

7. Whether isolation or other energy dissipation system is an appropriate retrofit solution.

8. The capacity of the lateral load resisting system to respond adequately to ground motions in any horizontal direction, to torsional effects and to the combined effect of simultaneous response to ground motions in both directions.

9. The overturning stability of the structure under conditions produced by the maximum lateral drifts induced by earthquakes.

10. The various analytical procedures available for use in the project.

11. The modeling procedures used in the analysis and the basis for the assumptions made regarding material strain limits and cracked section properties.

12. The appropriateness of the selected limits for seismic, drift and deflections of the building and its components. Consideration shall be given to the strain compatibility of adjacent connected materials. Existing building construction records or sample testing may be used to estimate the strength and stiffness properties of existing materials.

Acceptable Inelastic Drift Limits:	(In Percent)
Reinforced Masonry	0.5
Unreinforced Masonry	0.3
Unreinforced Masonry Infill	0.6
Concrete walls	0.6
Reinforced Concrete Frame	1.5
Steel Moment Frame	2.0
Steel Braced Frame	1.0
Clay Tile (Walls or Facing)	0.2

Other limits will be acceptable if they can be justified.

13. The basis for the allowable stress levels selected for structural materials and limits Established for controlling foundation damage or bearing soil differential settlement.

14. The requirement to meet basic constructability standards and the established performance criteria.

The SER and PRE shall cooperate and reach agreement on material issues relevant to the specific project and analysis procedures used prior to the start of the design. Design drawings and calculations shall be submitted by the SER to PRE for plan review at 95% completion. SER shall incorporate comments received from this review before any construction contracts on the project are executed. The responsibility for the structural design remains fully and solely with the SER.

Differences of opinion may arise between the SER and PRE. The SER and PRE may determine that a major retrofit issue and its proposed solution may be controversial, and would benefit from the examination by the State's Peer Review Board (PRB). In each case the issue will be brought to a RESD facilitator who will present it to PRB for consideration, evaluation and resolution. The decision of the PRB will be final.

M:\Design-Services\Studio9\DSchlueter\Guidelines for Seismic Retrofit of State Buildings.doc

APPROVED CERTIFICATION LANGUAGE

I have visited the project site to observe existing conditions and to periodically review the construction work that is shown on the drawings for which I am responsible.

To the best of my knowledge and belief, based on my periodic site visits, my review of testing and inspection reports and conversations with the DGS RESD Construction Services Section Construction Supervisor, the completed structural work is in general conformity to the approved plans, as modified during the construction period, the specifications, and applicable structural regulations. Any observed structural deficiencies of the work performed in this project have been resolved and corrected.

EXHIBIT D

TESTING AND INSPECTION REQUIREMENTS

Quality Assurance in Construction

In order to assure that the constructed project conforms substantially with all design requirements a three tiered Quality Assurance Program shall be utilized during the construction phase of all projects. The three tiers are:

1. The contractor's quality control program.
2. The owner's testing and inspection program, as outlined in the Testing and Inspection Plan (TIP) prepared by the SER and reviewed by the PRE.
3. SER construction services and site visits.

Contractor's Quality Control Program

The contractor shall be required to institute and follow formal quality control monitoring and reporting procedures independent of the owner's TIP. Such a Contractor's Quality Control Program (CQCP) may require sign off sheets and checklists.

Testing and Inspection Plan

The SER shall develop quality assurance plan to be executed by the project inspector designated by the Construction Services Section (CSS) in cooperation with the SER and an Independent Testing Laboratory (ITL) retained by the Owner.

Scope of Testing and Inspection

The TIP shall address the type and frequency of testing required for each type of material specified to be incorporated into the retrofit construction,

the location and extent of any field verification required as part of the design, and the location and type of in site testing of existing materials. The TIP shall clearly define what constitutes an acceptable test result for each material. The TIP shall require that copies of all reports documenting the results of tests and inspections be sent to the SER and RESD. To implement the TIP, CSS will provide an experienced and qualified project inspector for inspection of the construction work as required by the TIP. The project inspector will oversee and coordinate the testing of materials and inspection work done by others. The project inspector will notify the qualified ITL when material sampling/testing or special inspection services as indicated in the TIP are required.

Inspector Qualifications

The project and special inspectors must be qualified, by an agency acceptable to CSS for the types of tests or inspections they are required to perform. The SER may require more rigorous qualifications where special testing procedures are required.

Field Verification of As-Built Conditions

Where required by the retrofit strategy, the SER shall specify that exploratory work be performed at the site to verify conditions and properties of the existing construction. The location of conditions to be verified, the type of material testing to be performed, the type of information required, and the method of reporting the results shall be clearly defined in the TIP.

Testing and Inspection of New Materials

All new construction materials that influence the structural integrity of the retrofit construction shall be tested in accordance with conventional and industry standard acceptable methods.

Special Conditions

The TIP shall outline a testing procedure and frequency for all special conditions including but not limited to:

* Drilled and grouted reinforcing bars or bolts
* Installation of expansion bolts
* Significant shop or field welding
* Installation of high strength bolts
* Isolation devices
* Damping devices
* Others as specified

Field Inspections

The TIP shall define the nature and frequency of field inspections and testing defined for the project inspector in the Scope of Testing and Inspection section and the Field Verification of As-Built Conditions section for the SER.

Inspector and Testing Laboratory Reporting

The TIP shall require formal reporting procedures using standard forms. Reports shall be submitted to the SER in timely fashion to facilitate corrective measures, when and if they are required.

Coordination with Contractor's Quality Control Program

The procedures contained in the TIP shall make provisions for interfacing and coordinating with the Contractor's Quality Control Program. Where the

CQCP requires the use of concrete placement check lists, the ITL should be required to collect and maintain record copies of the checklists.

SER Construction Services and Site Visits

The TIP shall identify the extent to which the SER will be required to perform on-site observations of the construction as well as define the role of the SER in monitoring the performance of the ITL and the project inspector.

Review of Contractor's Quality Control Program

The SER shall be responsible for reviewing the CQCP for adequacy and compatibility with TIP.

Site Visits by Structural Engineer of Record

The SER shall make site visits at appropriate stages of construction to verify the conformance of the existing construction with the details used in the analysis, to verify the conformance of the new construction with the design documents and to provide direction to the project inspector. As a minimum the number and duration of the site visits shall be sufficient to allow for the detailed verification of:

* Foundation reinforcing details
* Hidden conditions that have been exposed for verification
* Reinforcement layout for new elements of the lateral system and exposed elements of the existing system.
* Critical details that will be obscured by subsequent construction
* Any condition that is critical to the reliable performance of the retrofitted structure and which requires knowledge of engineering principles to understand.

Reporting of Site Visits by Structural Engineer of Record

The SER shall provide documentation to RESD and all affected parties in the form of written field reports describing all site visits, items observed and any conditions requiring corrective measures.

EXHIBIT E

A.D. No. 2100
May 1, 1998

METROPOLITAN STATE HOSPITAL ADMINISTRATIVE MANUAL	SECTION: EMPLOYEE MATTERS EXPECTATIONS OF EMPLOYEES
Replaces No. 2100 Dated: April 18, 1996 Revision Author: Office of Human Resources Approved: William G. Silva William G. Silva, Executive Director	TITLE Fingerprinting and Background Investigation

1.0 POLICY

1.1 All applicants for employment or non-paid positions shall not be hired in any position until a background check has been completed by the California Department of Justice (DOJ).

1.2 Authority: By order of the Director of Mental Health (Special Order No. 407.01), consistent with the authority provided by Government Code Section 11152.

2.0 PURPOSE

2.1. It is the intent of Metropolitan State Hospital not to hire any person working at the facility who demonstrates a propensity to harm the safety and well-being of patients residing or receiving services at the hospital. This policy applies to all applicants for employment or non-paid positions, all of whom are collectively referred to as "applicant".

2.2 Since all employees working at Metropolitan State Hospital may have direct contact with patients, applicants for employment shall not be hired to work in any position if they have ever been convicted of any felony offense listed in 4.0 below or any misdemeanor offense involving moral turpitude as provided in 6.3 below.

2.3 Applicants for employment who were convicted of a felony other than those listed in 4.0 may be considered for employment only after an evaluation is completed of the factors listed in 5.0 below.

2.4 Independent contractors, subcontractors, their employees, casual laborers and volunteers may be subject to a background check under the following procedure:

2.4.1 The Executive Director shall assess the following information to determine which independent contractors and their employees, subcontractors and their employees, casual laborers, and

volunteers, will be subject to a background check conducted by the California Department of Justice (DOJ):

2.4.1.1 Nature of the service provided;

2.4.1.2 Frequency and level of client contact; and

2.4.1.3 Length of contract.

2.4.2 If the Executive Director deems it necessary to conduct a background check, the same procedures as an applicant for employment shall be used.

3.0 PROCEDURE

3.1 After the completion of the hiring interview and the selection of the successful candidate, the hiring manager or designee will schedule the prospective applicant to go to the Hospital Police Department to have fingerprint cards process.

NOTE: Hospital Police must have written authorization from the hiring manager prior to prints being process. All applicants must show picture identification (i.e., drivers license, State issued identification card, or other identification deemed appropriate by Hospital Police).

3.2 After the completion of the fingerprint cards of prospective applicants, the Hospital Police Department will mail to the California Department of Justice for background check.

3.3 The Special Investigations Office will receive and review all completed background reports from the California Department of Justice, both initial and subsequent reports. This office will notify the Office of Human Resources Exam Unit of results and findings of reports.

3.4 Upon receipt of information from the Special Investigations Office, staff of the Exam Unit will notify the appropriate hiring manager of results of background check.

3.5 If the background check is appropriate, the hiring manager will coordinate with the Department of Human Resources Reception

Office in scheduling the prospective applicant for a "pre-employment physical".

3.6 Metropolitan State Hospital will pay all costs associated with both the initial background review and subsequent arrest notification.

3.7 The California Department of Justice will be notified whenever an employee is terminated for any reason.

4.0 FELONY CONVICTIONS

4.1 Metropolitan State Hospital will not employ an applicant for a position if he/she has ever been convicted of any of the following felony offenses:

4.1.1 Any crime specified in Penal Code Section 290 which generally includes offenses of a sexual nature such as rape, sodomy, child molestation, and indecent exposure and attempts to commit such crimes.

4.1.2 Murder.

4.1.3 Battery.

4.1.4 Sexual Battery.

4.1.5 Elder or dependent adult abuse.

4.1.6 Mayhem.

4.1.7 Kidnapping.

4.1.8 Assault with a deadly weapon or with force by means to produce great bodily injury.

4.1.9 Child abuse.

4.1.10 Poisoning or adulterating food, drink, medicine, pharmaceutical products, or water supplies.

4.1.11 Spousal rape.

4.1.12 Intercourse based on fraudulent representations to create fear.

4.1.13 Robbery.

4.1.14 Arson.

5.0 OTHER FELONY OFFENSES

5.1 If an applicant has been convicted of a felony offense other than those specified above in 4.0, Metropolitan will take the following action:

5.1.1 The Senior Special Investigator, a review committee, or other designee as determined by the Executive Director will conduct a review of the circumstances related to the convictions and forward the results to the Executive Director for action and final disposition.

5.1.2 The Executive Director will consider the following factors in evaluating the effect of an applicant's felony conviction in their employment decision:

5.1.2.1 Nature of the position or service provided.

5.1.2.2 Nature and seriousness of the offense.

5.1.2.3 Date of the offense and date of applicant seeking employment.

5.1.2.4 Whether the offense is isolated or has occurred repeatedly.

5.1.2.5 The person's age at the time of the offense.

5.1.2.6 Prior offenses.

5.1.2.7 Information or recommendations from past employers regarding the applicant's personal conduct.

5.1.2.8 Work employment history since the offense or release.

5.2 The Executive Director will consider the factors set forth in 5.1 above with respect to the felony conviction sustained by an applicant and make a determination as to the applicant's suitability for employment.

5.3 If the Executive Director concludes that the applicant's felony conviction should not preclude employment at Metropolitan State Hospital, the Executive Director will forward his or her recommendation to the Deputy Director, Long Term Care Services, or his/her designee for final approval.

5.4 The decision by the Deputy Director, Long Term Care Services, will be documented and a copy placed in a separate file at Metropolitan State Hospital.

6.0 MISDEMEANOR CONVICTIONS

6.1 If an applicant has been convicted of a misdemeanor, Metropolitan State Hospital will take the following action:

6.1.1 The Senior Special Investigator, a review committee, or other designee as determined by the Executive Director will conduct a review of the circumstances related to the convictions and forward the result to the Executive Director.

6.1.2 The Executive Director will determine whether the misdemeanor involves moral turpitude by the manner of its commission.

6.2 If the Executive Director determines that the misdemeanor does not involve moral turpitude, the conviction will not preclude consideration of the applicant for employment.

6.3 If the Executive Director determines that the misdemeanor involves moral turpitude, he/she will consider the following factors and make a determination as to the applicant's suitability for employment:

6.3.1 Nature of the position or service provided.

6.3.2 Date of the offense and date of applicant seeking employment.

6.3.3 Whether the offense is isolated or has occurred repeatedly.

6.3.4 The person's age at the time of the offense.

6.3.5 Prior offenses.

6.3.6 Information or recommendations from past employers regarding the applicant's personal conduct.

6.4 If the Executive Director determines that the applicant should not be offered employment due to a conviction involving moral turpitude, it will be documented and placed in the applicant's file.

6.5 If the Executive Director determines that the applicant can be offered employment, the decision will be documented and placed in the applicant's file.

7.0 ADDITIONAL INFORMATION AND CONSIDERATIONS

7.1 Pursuant to Labor Code Section 432.7, Metropolitan State Hospital will seek additional information from an applicant in the following situation.

7.1.1 Arrest for which the applicant is out on bail or on his/her own reconnaissance pending trial.

7.1.2 Arrest for any offense specified in Penal Code Section 290, when the position has regular access to patients.

7.1.3 Arrest for any offense specified in Health & Safety Code Section 11590 when the position has access to drugs and medications.

7.2 The following will not be considered when making a hiring decision:

7.2.1 Referral to and participation in any pre-trial or post-trial general diversion program.

7.2.2 Convictions relating to possession of marijuana, as specified in Labor Code Section 432.8.

7.2.3 Any conviction for which the record has been judicially ordered sealed, expunged or legally eradicated.

EXHIBIT F

Form of Estopple Certificate

Premises: Building 303, Metropolitan State Hospital.

Lease Number: L-1796. Lease dated: September 13, 2002, between the State of California, acting by and through the Department of General Services, with the consent and approval of the Department of Mental Health (Landlord) and Homes for Life Foundation (Tenant). The undersigned, Landlord under the above Lease, certifies to_____, the holder or proposed holder of a note or other obligation secured, or to be secured, by a mortgage or deed of trust upon the above ground leasehold interest in the premises and assignee, or proposed assignee of said Lease, that;

1. Said Lease is presently in full force and effect and unmodified except as indicated at the end of this certificate.

2. The Term thereof commenced on July 1, 2002, and will expire on June 30, 2022, and the Rent Commencement Date becomes effective and commences on July 1, 2005, unless Lessee occupies space sooner.

3. ~~To the best of Landlord's knowledge, Tenant's Work has been substantially completed in accordance with all the terms and conditions of the Lease.~~

4. ~~Minimum Annual Rent under said Lease have been paid through_____.~~

5. The address for notices to be sent to the undersigned is as set forth in said Lease, or as set forth below.

6. To the best of Landlord's knowledge, Tenant is not in default under the Lease, nor do any conditions exist or has any event occurred that, given the giving of notice or the passage of time, would ripen into a default under the Lease, except as set forth below.

7. [Any other certifications or information reasonably requested by Tenant and Landlord.]

In the event of any inaccuracy in the information set forth in this certificate, Landlord shall be estopped to deny the accuracy thereof as to the certificate holder named above,

its successors and assigns. Any capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Lease.

Dated:_____, 2002.

Landlord: Director of the Department of General Services

_____

BY: CHERYL L. ALLEN, Manager
State Owned Leasing and Development

LEASE MODIFICATION, IF ANY, AND CHARGES, DEFAULTS, ETC., IF ANY, TO BE LISTED HERE:

4671.2. Notwithstanding Section 14670, the Director of General ervices, with the consent of the state agency concerned and the pproval of the governing body of any concerned local agency, may let or any period of time any real property or interest in real operty which belongs to the state, when the director deems the tting serves a beneficial public purpose limited to the development housing, including emergency shelters, or park and recreation cilities. The leases shall be let in accordance with procedures escribed by the director which facilitate development of housing or rk and recreation facilities when such use is compatible with rrent use and foreseeable future use of the property. All proposed ases shall be reviewed by the State Public Works Board. In all ses, however, at least 25 percent of the housing units developed on ate property leased pursuant to this section shall be available r the term of the lease to moderate-income persons as defined by ction 50093 of the Health and Safety Code, 12.5 percent shall be ailable for the term of the lease to low-income persons as defined Section 50093 of the Health and Safety Code, and 12.5 percent all be available for the term of the lease to very low-income rsons as defined by Section 50105 of the Health and Safety Code. In letting leases pursuant to this section, the director shall:) give preference to projects which provide for more affordable its than required by the percentages specified in this section; (2) ermine that the project is compatible with local planning goals environmental objectives.

The director may enter into leases pursuant to this section at ss than market value, provided that the cost of administering the se is recovered. The Department of Housing and Community elopment shall recommend to the Director of General Services a se amount which will enable the provision of housing for persons low and moderate income.

All leases executed pursuant to this section shall contain a ital that the director has found the letting serves the required eficial public purpose and complies with all provisions of this tion, which recital shall be conclusive in favor of lessees from state and their mortgagees.

EXHIBIT" G "

EXHIBIT "Q" TO LOAN AGREEMENT

SAFELY SURRENDERED BABY FACT SHEETS

(HOME – PROJECT NO. HE_____)

No shame.

No blame.

No names.

Newborns can be safely given up at any Los Angeles County hospital emergency room or fire station.

In Los Angeles County:
1-877-BABY SAFE
1-877-222-9723
www.babysafela.org

State of California
Gray Davis, Governor

Health and Human Services Agency
Grantland Johnson, Secretary

Department of Social Services
Rita Saenz, Director

Los Angeles County Board of Supervisors
Gloria Molina, Supervisor, First District
Yvonne Brathwaite Burke, Supervisor, Second District
Zev Yaroslavsky, Supervisor, Third District
Don Knabe, Supervisor, Fourth District
Michael D. Antonovich, Supervisor, Fifth District

This initiative is also supported by First 5 LA and INFO LINE of Los Angeles.

What is the Safely Surrendered Baby Law?

California's Safely Surrendered Baby Law allows parents to give up their baby confidentially. As long as the baby has not been abused or neglected, parents may give up their newborn without fear of arrest or prosecution.

How does it work?

A distressed parent who is unable or unwilling to care for a baby can legally, confidentially and safely give up a baby within three days of birth. The baby must be handed to an employee at a Los Angeles County emergency room or fire station. As long as the child shows no signs of abuse or neglect, no name or other information is required. In case the parent changes his or her mind at a later date and wants the baby back, workers will use bracelets to help connect them to each other. One bracelet will be placed on the baby, and a matching bracelet will be given to the parent.

What if a parent wants the baby back?

Parents who change their minds can begin the process of reclaiming their newborns within 14 days. These parents should call the Los Angeles County Department of Children and Family Services at 1-800-540-4000.

Can only a parent bring in the baby?

In most cases, a parent will bring in the baby. The law allows other people to bring in the baby if they have legal custody.

Does the parent have to call before bringing in the baby?

No. A parent can bring in a baby anytime, 24 hours a day, 7 days a week so long as the parent gives the baby to someone who works at the hospital or fire station.

Does a parent have to tell anything to the people taking the baby?

No. However, hospital personnel will ask the parent to fill out a questionnaire designed to gather important medical history information, which is very useful in caring for the child. Although encouraged, filling out the questionnaire is not required.

What happens to the baby?

The baby will be examined and given medical treatment, if needed. Then the baby will be placed in a pre-adoptive home.

What happens to the parent?

Once the parent(s) has safely turned over the baby, they are free to go.

Why is California doing this?

The purpose of the Safely Surrendered Baby Law is to protect babies from being abandoned by their parents and potentially being hurt or killed. You may have heard tragic stories of babies left in dumpsters or public bathrooms. The parents who committed these acts may have been under severe emotional distress. The mothers may have hidden their pregnancies, fearful of what would happen if their families found out. Because they were afraid and had nowhere to turn for help, they abandoned their infants. Abandoning a baby puts the child in extreme danger. It is also illegal. Too often, it results in the baby's death. Because of the Safely Surrendered Baby Law, this tragedy doesn't ever have to happen in California again.

A baby's story

At 8:30 a.m. on Thursday, July 25, 2002, a healthy newborn baby was brought to St. Bernardine Medical Center in San Bernardino under the provisions of the California Safely Surrendered Baby Law. As the law states, the baby's mother did not have to identify herself. When the baby was brought to the emergency room, he was examined by a pediatrician, who determined that the baby was healthy and doing fine. He was placed with a loving family while the adoption process was started.

Every baby deserves a chance for a healthy life. If someone you know is considering abandoning a newborn, let her know there are other options.

It is best that women seek help to receive proper medical care and counseling while they are pregnant. But at the same time, we want to assure parents who choose not to keep their baby that they will not go to jail if they deliver their babies to safe hands in any Los Angeles County hospital ER or fire station.

Sin pena.
Sin culpa.
Sin peligro.

Los recién nacidos pueden ser entregados en forma segura en la sala de emergencia de cualquier hospital o en un cuartel de bomberos del Condado de Los Angeles.

En el Condado de Los Angeles:
1-877-BABY SAFE
1-877-222-9723
www.babysafela.org

Estado de California
Gray Davis, Gobernador

Agencia de Salud y Servicios Humanos
(Health and Human Services Agency)
Grantland Johnson, Secretario

Departamento de Servicios Sociales
(Department of Social Services)
Rita Saenz, Directora

Consejo de Supervisores del Condado de Los Angeles
Gloria Molina, Supervisora, Primer Distrito
Yvonne Brathwaite Burke, Supervisora, Segundo Distrito
Zev Yaroslavsky, Supervisor, Tercer Distrito
Don Knabe, Supervisor, Cuarto Distrito
Michael D. Antonovich, Supervisor, Quinto Distrito

Esta Iniciativa tambien esta apollada por First 5 LA y INFO LINE de Los Angeles.

¿Qué es la Ley de Entrega de Bebés Sin Peligro?

La Ley de Entrega de Bebés Sin Peligro de California permite a los padres entregar a su recién nacido confidencialmente. Siempre que el bebé no haya sufrido abuso ni negligencia, padres pueden entregar a su recién nacido sin temor a ser arrestados o procesados.

¿Cómo funciona?

El padre/madre con dificultades que no pueda o no quiera cuidar de su recién nacido puede entregarlo en forma legal, confidencial y segura, dentro de los tres días del nacimiento. El bebé debe ser entregado a un empleado de una sala de emergencias o de un cuartel de bomberos del Condado de Los Angeles. Siempre que el bebé no presente signos de abuso o negligencia, no será necesario suministrar nombres ni información alguna. Si el padre/madre cambia de opinión posteriormente y desea recuperar a su bebé, los trabajadores utilizarán brazaletes para poder vincularlos. El bebé llevará un brazalete y el padre/madre recibirá un brazalete igual.

¿Qué pasa si el padre/madre desea recuperar a su bebé?

Los padres que cambien de opinión pueden empezar el proceso de reclamar a su recién nacido dentro de los 14 días. Estos padres deberán llamar al Departamento de Servicios para Niños y Familias (Department of Children and Family Services) del Condado de Los Angeles, al 1-800-540-4000.

¿Sólo los padres podrán llevar al recién nacido?

En la mayoría de los casos, los padres son los que llevan al bebé. La ley permite que otras personas lleven al bebé si tienen la custodia legal del menor.

¿Los padres deben llamar antes de llevar al bebé?

No. El padre/madre puede llevar a su bebé en cualquier momento, las 24 horas del día, los 7 días de la semana, mientras que entregue a su bebé a un empleado del hospital o de un cuartel de bomberos.

¿Es necesario que el padre/madre diga algo a las personas que reciben al bebé?

No. Sin embargo, el personal del hospital le pedirá que llene un cuestionario con la finalidad de recabar antecedentes médicos importantes, que resultan de gran utilidad para los cuidados que recibirá el bebé. Es recomendado llenar este cuestionario, pero no es obligatorio hacerlo.

¿Qué ocurrirá con el bebé?

El bebé será examinado y, de ser necesario, recibirá tratamiento médico. Luego el bebé se entregará a un hogar preadoptivo.

¿Qué pasará con el padre/madre?

Una vez que los padres hayan entregado a su bebé en forma segura, serán libres de irse.

¿Por qué California hace esto?

La finalidad de la Ley de Entrega de Bebés Sin Peligro es proteger a los bebés del abandono por parte de sus padres y de la posibilidad de que mueran o sufran daños. Usted probablemente haya escuchado historias trágicas sobre bebés abandonados en basureros o en baños públicos. Es posible que los padres que cometieron estos actos hayan estado atravesando dificultades emocionales graves. Las madres pueden haber ocultado su embarazo, por temor a lo que pasaría si sus familias se enteraran. Abandonaron a sus recién nacidos porque tenían miedo y no tenían adonde recurrir para obtener ayuda. El abandono de un recién nacido lo pone en una situación de peligro extremo. Además es ilegal. Muy a menudo el abandono provoca la muerte del bebé. Ahora, gracias a la Ley de Entrega de Bebés Sin Peligro, esta tragedia ya no debe suceder nunca más en California.

Historia de un bebé

A las 8:30 a.m. del jueves 25 de julio de 2002, se entregó un bebé recién nacido saludable en el St. Bernardine Medical Center en San Bernardino, en virtud de las disposiciones de la Ley de Entrega de Bebés Sin Peligro. Como lo establece la ley, la madre del bebé no se tuvo que identificar. Cuando el bebé llegó a la sala de emergencias, un pediatra lo revisó y determinó que el bebé estaba saludable y no tenía problemas. El bebé fue ubicado con una buena familia, mientras se iniciaban los trámites de adopción.

Cada recién nacido merece una oportunidad de tener una vida saludable. Si alguien que usted conoce está pensando en abandonar a un recién nacido, infórmele qué otras opciones tiene.

Es mejor que las mujeres busquen ayuda para recibir atención médica y asesoramiento adecuado durante el embarazo. Pero al mismo tiempo, queremos asegurarles a los padres que optan por no quedarse con su bebé que no irán a la cárcel si dejan a sus bebés en buenas manos en cualquier sala de emergencia de un hospital o en un cuartel de bomberos del Condado de Los Angeles.

ATTACHMENT E

LOAN AGREEMENT

by and between the

COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES

a public body corporate and politic

and

HOMES FOR LIFE FOUNDATION

a California non-profit corporation

Elm Street Homes

for a loan in the initial principal amount of

$1,152,915 (HOME)

_____, 200__

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LOAN AGREEMENT
(HOME - PROJECT NO.)

Transaction Summary

Project Name: Elm Street Homes

Borrower Name: Homes for Life Foundation

[] Limited Partnership [ ] LLC [X] Nonprofit Public Benefit Corporation [ ] Other _____

State of Formation of Borrower Entity: [X] California; [ ] Delaware; [ ] Other _____ (specify)

HOME Loan Amount: $1,152,915 Interest Rate: [3%] ([10%] default)

Loan repayment term: 55 years. Repayment type: Pro-rate percentage share of 50% of residual receipts

Number of Units in Project: 15 Number of HOME-Assisted Units in Project: 14

Location (Jurisdiction): Norwalk [X] Incorporated [] Unincorporated Site Acreage: 39,750 SF
Bldg. Sq. Feet: 6,372 SF

Project Type: Rental units for income-qualified: [ ] emancipating foster youth; [] persons with developmental disabilities; [ ] persons suffering with HIV or AIDS; [X] persons with mental illness; [ ] victims of domestic violence

Use of HOME Funds: [ ] Acquisition; [X] Predevelopment; [X] Construction; [X] Permanent

Affordability (# assisted units, income levels): 14 HOME-Assisted Units and 1 Non-HOME Manager Unit.

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
50% Income*	14					14
Manager (Non-HOME)		1				1
Totals	14	1				15

* Area Median Income

Term of Affordability: 55 years.

Other Project Financing Sources / Priority Relative to HOME Loan:

(1) State of California Developmental Building Space Lease [X] senior [ ] junior [ ] NA
(2) Multifamily Housing Program $1,147,760 [X] senior [ ] junior] NA
(3) HACOLA Loan $675,000 [x] senior [] junior [ ] NA
(4) HUD/LAHSA SHP $400,000 [ ] senior [X] junior [X] NA
(5) [ ] senior [ ] junior [X] NA

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.

THIS LOAN AGREEMENT ("**Agreement**") is made as of the ___ day of _____, 2005, by and between the THE COMMUNITY DEVELOPMENT COMMISION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and HOMES FOR LIFE FOUNDATION (listed in the Transaction Summary above) ("**Borrower**"). Commission and Borrower are sometimes referred to collectively herein as the "**Parties**" and each individually as a "**Party**."

RECITALS

A. WHEREAS, Borrower desires to borrow the principal amount of **One Million One Hundred Fifty two Thousand Nine Hundred Fifteen Dollars ($1,152,915)** (the "**HOME Loan**") from the Commission for the purpose of providing funds for predevelopment financing, construction financing and permanent financing in connection with the Fourteen (14) HOME assisted units ("HOME Units") in the housing development (**"Project**") described in the Transaction Summary above, and as more particularly described in this Agreement. The HOME Loan will be secured by the Deed of Trust ("Deed of Trust"). The Commission's source of funding for the Loan is provided from the HOME Investment Partnerships Program, 24 CFR Part 92 ("**HOME**"). Although the City of Norwalk does not participate in the Los Angeles County HOME program, Norwalk and Los Angeles County have agreed that this project is one of two projects located within the city limits of Norwalk that are eligible to receive Los Angeles County HOME funds, as permitted by the United States Department of Housing and Urban Development (HUD) HOME regulations. The Project will be developed on the leasehold interest in that certain site known as Old Administration Building Lease No.: L-1971 (**"Site"**) as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 (**"Lease"**), lying over a portion of Metropolitan State Hospital ("**Hospital**") as legally described on Exhibit "B" to this Agreement. The Lease by and between Borrower, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 (**"Amendment No. 1 to Lease"**) are attached hereto as Exhibit "P" to this Agreement. A detailed Project description is attached hereto as Exhibit "G", and reduced site plans and elevations for the Project are attached as Exhibit "H".

B. WHEREAS, other sources of financing for the Project are anticipated to include, but may not be limited to (i) senior lien financing listed in the Transaction Summary above, to which the Commission shall expressly subordinate the liens of the Commission's Deed of Trust ("**Senior Financing**"); (ii) financing junior in priority to the liens of Deed of Trust, as listed in the Transaction Summary above ("**Junior Financing**"); and (iii) other financing sources listed in the Transaction Summary above ("**Other Financing**").

C. WHEREAS, development and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of very low-income as described in the Transaction Summary above; and the Project will provide supportive services to the extent described in Section 7 below and in Exhibit "I".

D. WHEREAS, as more particularly provided below, Borrower will deliver to COMMISSION, among other items, the "Deed of Trust", and the "CC&Rs" (as those terms are defined below) to, respectively, secure repayment of the Loan by Borrower as provided herein and to ensure that the affordability and habitability of the Project is maintained in accordance with the terms of those instruments and this Agreement.

E. WHEREAS, COMMISSION desires to make the HOME Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1.0 COMMISSION LOAN.

COMMISSION 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 HOME Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY HOME NOTE; LOAN REPAYMENT.

2.1 Note.

As one of the conditions to disbursement of the HOME Loan to Borrower under Section 6 below, Borrower shall execute a HOME Promissory Note (the "**HOME Leasehold Note**") in the form of Exhibit "C1" attached hereto, which HOME Note sets forth terms and conditions for the repayment of the HOME Loan. The Note shall be secured by the "HOME Deed of Trust" in the form of Exhibit "D" attached hereto.

2.2 Interest.

The disbursed and unpaid principal balance of the HOME Loan shall bear interest commencing on the date on which such HOME Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("**HOME Basic Rate**"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. Notwithstanding the foregoing, and without limiting any other remedy of the Commission, amounts not paid by Borrower when due shall bear interest from the date due to the date paid at the rate of ten percent (10%) per annum, compounded monthly ("**HOME Default Rate**").

2.3 Payment Dates and Amounts; Term.

As set forth in greater detail in the HOME Note, Borrower shall repay the HOME Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("**HOME Maturity Date**") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of all "Residual Receipts" (as defined in the HOME Note) for the prior calendar year. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts will be calculated by dividing the outstanding principal balance of the HOME Loan by the sum of the outstanding principal balance of the HOME Loan and the outstanding principal balance of all other Residual Receipts Loans, including but not limited to the proposed Industry Residual Receipts Loan. Residual Receipts shall be calculated and reported to the Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by the

Commission from time to time. All calculations and records are subject to audit by the Commission. Notwithstanding any other provision of the HOME Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest and any other sums payable under the HOME Note shall be due and payable in full on the HOME Maturity Date.

The term of this Agreement (the "**Term**") shall be from the date of this Agreement through and including the HOME Maturity Date; provided, however, that the use restrictions in Section 10 and the nondiscrimination covenants in Section 11 shall extend beyond the Term as provided in those sections.

2.4 Payments Due on Transfer or Refinance. In addition to the payments provided in Section 2.3 above, and subject to the terms of the Senior Financing, Borrower shall pay to the the Commission towards (but not to exceed) any outstanding amounts associated with the HOME Loan, the "Applicable Percentage" of "Net Proceeds" of an "Assignment" and fifty percent (50%) of "Net Refinancing Proceeds" received from a "Refinancing", as such terms are defined in the HOME Note.

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 HOME Note together with any outstanding interest and other amounts payable thereunder, shall, at the election of the COMMISSION 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.

At any time after the disbursement of the HOME Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amounts of the HOME Loan and accrued interest and any other sums outstanding without penalty. Borrower hereby agrees and understands that the prepayment of the HOME 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 HOME Loan principal or interest thereon) due under the HOME Note or this Agreement, then toward outstanding interest accrued at the "Default Rate" of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the HOME Basic Rate, if any, and finally toward the remaining principal balance under the HOME Note.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the HOME Loan and any associated interest and other amounts payable under this Agreement or the HOME Note shall, at all times during which any amount remains outstanding, be secured by the **HOME LEASEHOLD** deed of trust ("**Deed of Trust**"), in the form of Exhibit "D" attached hereto, recorded against Borrower's leasehold interest in the Site and the Project (collectively, the "**Property**"). The security interest in the Property granted to the COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property, which are approved in writing by the COMMISSION.

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 HOME Loan, the HOME Loan is a nonrecourse obligation of Borrower, and in the event of the occurrence of an Event of Default, the Commission's only recourse under the Loan Documents shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to the Commission as security for repayment of the HOME Loan.

6.0 ESCROW; CONDITIONS TO FUNDING THE HOME LOAN.

6.1 Except to the extent the Commission's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the HOME Loan proceeds for the account of Borrower, delivery of the executed HOME Note to the Commission, and recordation of the Deed of Trust and other Loan Documents (as defined in Section 6.2(5) below) to be recorded shall be carried out through an escrow account ("**Escrow**") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by the Commission ("**Escrow Holder**"). Borrower shall obtain the Commission's approval of an Escrow Holder and open Escrow not later 90 days following execution of this Agreement. 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 Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties.

6.2 The obligation of the Commission to make disbursements of the HOME Loan proceeds under this Agreement shall be expressly subject to satisfaction of all of the following conditions (collectively, the "**Closing Conditions**") on or before the date ("**Closing Deadline**") which is one year following the date of this Agreement:

(1) Execution of this Agreement by the Commission and Borrower, and delivery of a fully-executed copy to Escrow Holder;

(2) Borrower's due execution and deposit into Escrow of certified copies of the HOME Note;

(3) 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 "E";

(4) Borrower's due execution (with notary acknowledgment) and deposit into Escrow of the Deed of Trust;

(5) Receipt by the Commission from Borrower of such other documents, certifications and authorizations as are reasonably required by the Commission, in form and substance satisfactory to the Commission, evidencing that (i) this Agreement, the HOME Note, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (this Agreement, the HOME Note, the Deed of Trust and the CC&Rs are collectively known as the "**Loan Documents**") are duly and validly executed by Borrower and constitute the valid and enforceable obligation of

Borrower pursuant to their respective terms, and (ii) execution and delivery of the Loan Documents, and the performances thereunder by Borrower, will not breach or violate any law applicable or governmental regulation nor constitute a default under any instrument or agreement to which Borrower is a party;

(6) United Title, First American Title, North American Title, Chicago Title, Stewart Title or another title insurer approved by the Commission (**"Title Company"**) shall have assured the Commission in writing that upon recordation of the Deed of Trust there will be provided to the Commission, at Borrower's sole expense, a lender's policy of title insurance (with customary endorsements, including but not limited to Nos. 100, 103.7 and 116 and such other endorsements as the Commission shall reasonably require) issued by the Title Company in the amount of the HOME Loan, insuring Commission's interest in the Property as beneficiary under the Deed of Trust, and specifically insuring that the Property is free from stop notices or mechanics liens, and that the lien of the Deed of Trust and the CC&R's against the Property are subject only to the Senior Financing and any exceptions to title applicable to the Property which were expressly approved in writing by the Commission (collectively with the Senior Financing, **"Permitted Senior Encumbrances"**). Standard lender's title insurance coverage (without the need for a survey) will be accepted by the Commission unless another Project lender requires extended coverage, in which case an ALTA extended coverage policy will also be provided to the Commission;

(7) Borrower, Commission, and any lender, creditor or lienholder with respect to the Junior Financing and Other Financing which is of record in the Los Angeles County Recorder's office (if applicable) have each duly executed (with notary acknowledgment) and deposited into Escrow for recordation at the Close of Escrow a subordination agreement (**"Subordination Agreement"**) in the form attached hereto as Exhibit "F", confirming the senior lien priority of the Commission's Deed of Trust, if applicable;

(8) Borrower shall have furnished to the Commission and obtained the Commission's approval of all soils, geologic reports and other development-related reports existing with respect to the Site. Borrower hereby acknowledges that the Commission's review and approval of such reports and of any other contract, document or other matter under this Agreement is solely for the benefit of the Commission, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.

(9) Borrower shall have provided to the Commission, in form satisfactory to the Commission, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws have not been amended or modified except as described in the certification, (ii) a good standing certificate or comparable certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing in California, and (iii) all other documents necessary to evidence to the Commission's satisfaction that the individuals and entities executing this Agreement and the other Loan Documents, and other entities on whose behalf such documents are executed, are fully authorized to do so and to bind the respective entities, including Borrower, to the terms hereof and thereof;

(10) The obligation of the Commission to make disbursements of Loan proceeds for construction and/or certain offsite infrastructure financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (10) above:

(11) Borrower has demonstrated to the satisfaction of the Commission's Executive Director (or his or her designee) that all construction and permanent financing sources for development and operation of the Project, including but not limited to Borrower's equity, are or will be available in sufficient amounts to provide for full and timely completion and ongoing operation of the Project.

(12) Borrower shall have commenced or be ready to commence Project construction, and shall have furnished to the Commission with copies of (A) a contract for the Project development ("**Construction Contract**") entered into with a general contractor ("**General Contractor**") previously approved in writing by the Commission; (B) a payment bond with respect to the Project posted by the General Contractor which is in an amount not less than fifty percent (50%) of the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to the Commission, is in form and content reasonably approved by the Commission, has been recorded in the Official Records of Los Angeles, and names the Commission as an additional obligee; (C) a performance bond guaranteeing the completion of the Project development which is in form and content reasonably approved by the Commission, is issued by a surety reasonably acceptable to the Commission, and names the Commission as an additional obligee; and (D) any other plans, documents and approvals by the Commission required under Exhibit "L" to this Agreement, entitled "Construction Requirements".

(13) Borrower shall have obtained the Commission's written approval of a Multi-Party Construction Disbursement Agreement and supplemental instruction to Escrow Holder, if applicable, specifying the applicable payees and uses of Loan proceeds when disbursed by Escrow Holder for the account of Borrower pursuant to this Agreement.

(14) Borrower shall have furnished the Commission with evidence satisfactory to the Commission evidencing the coverages required by Section 9.8 below.

The obligation of the Commission to make disbursements of Loan proceeds for permanent financing and/or convert the Loan proceeds for construction financing to permanent financing under this Agreement shall be expressly subject to satisfaction of the following conditions in addition to Closing Conditions (1) – (14) above:

(15) Borrower shall have provided the Commission, not later than 90 days prior to occupancy, with affirmative action and minority and women business enterprise plans in form satisfactory to the Commission.

(16) Borrower shall have furnished the Commission no later than 180 days prior to occupancy of the Project and obtained the Commission's approval of an operating budget and management plan for the Project. The Management Plan shall include a preliminary Operating Budget, in a format mandated by the Commission, and approved by the Commission at its sole discretion. In the event the preliminary Operating Budget is proposed for revision, any such revision must be submitted to

the Commission no later than 90 days prior to occupancy of the Project and shall be approved by the Commission at its sole discretion.

(17) No Event of Default shall exist under this Agreement or under any agreement or instrument relating to the Senior Financing, Other Financing, or Junior Financing,

(18) Borrower shall have furnished the Commission with a certification from the holders of any of the Senior Financing, Other Financing, or Junior Financing certifying that such holders consent to the Loan and that Borrower is not in default under any loan comprised within the Senior Financing, Other Financing, or Junior Financing.

(19) Borrower shall have furnished the Commission with evidence satisfactory to the Commission evidencing that the Borrower has achieved "Completion of the Project" as required by Section 9.12 below.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained the Commission's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project including specifically the procedures to be employed by which the tenants of the "Assisted Units" (as defined in Section 10.1 below) in the Project shall be selected in the event that, at any given time, the number of Eligible Households applying to lease units at the Project exceeds the number of units available.

6.3 When, and only when, Escrow Holder has confirmed that Closing Conditions (1), (2), (3), (4), (6) and (7) of Section 6.2 above have been satisfied, and has received written certification from the Commission's Executive Director that all other Closing Conditions (1) – (10) have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("**Close of Escrow**") by:

(i) causing the Deed of Trust, the CC&Rs and the executed Subordination Agreements (if any) to be recorded in the Official Records of Los Angeles County, California;

(ii) delivering the executed original HOME Note to the Commission;

(iii) causing the Title Policy to be issued to the Commission in the form and amount specified above;

(iv) disbursing the Predevelopment portion of the Loan proceeds to the extent provided for pursuant to the supplemental instructions to Escrow Holder approved pursuant to Section 6.2(13) above; and

(v) promptly following recordation, delivering conformed copies of the recorded documents to the Commission and Borrower.

6.4 Subsequent disbursements of HOME Loan proceeds for construction and permanent financing shall be made by the Commission upon satisfaction of applicable Closing Conditions 11 through 14 and 15 through 19 as provided in Section 6.2 above. Subsequent disbursements shall not occur prior to satisfaction of all conditions precedent to the closings for the Senior Financing and the Junior Financing. Notwithstanding any other provision, Escrow Holder shall disburse proceeds of the HOME Loan prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from the Commission.

6.5 Time is of the essence with respect to the rights and obligations of the Parties under this Agreement and 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 SUPPORTIVE SERVICES

As an additional condition to obtaining the HOME Loan, Borrower shall execute and deliver to the Commission on or before the funding of the HOME Loan, a Supportive Services Agreement that identifies services as referenced in the approved City of Industry Fund Application and its amendments, as set forth in the form attached hereto as Exhibit "I". Borrower shall demonstrate to the Commission's reasonable satisfaction the availability of resources and its commitment to provide funding for supportive services in an annual amount equal to or greater than as represented in Borrower's approved Industry Fund Application.

As more particularly provided therein, Exhibit "I" sets forth Borrower's obligation to provide supportive services for residents of the Project. Failure to comply with the terms of Exhibit "I" prior to expiration of any applicable notice and cure period will be deemed to be a default under this Agreement.

8.0 PURPOSE OF HOME LOAN- CERTAIN PREDEVELOPMENT EXPENSES; CONSTRUCTION AND PERMANENT FINANCING.

The Loan proceeds shall be used by Borrower only to provide financing for certain predevelopment costs, construction financing and permanent financing in connection with the Project. In no event shall Borrower use or otherwise invest the proceeds of the HOME Loan except as expressly provided in this Agreement.

8.1 The HOME Loan proceeds shall be used by Borrower only to pay eligible predevelopment costs, and construction costs for the Project as represented in the approved HOME Fund application, and as further described in the Development Proforma (the "Development Proforma") in the form of Exhibit "M". In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement. Distribution of the loan funds for acquisition shall be in accordance with Section 6.2 (1) - (10).

8.2 To the extent otherwise permitted under this Agreement, Borrower (or an affiliate of Borrower previously approved by the Commission) may receive, from the HOME Loan proceeds or other development funds available to Borrower, including equity, a fee ("Developer Fee") not to exceed $456,000 in connection with development of the Project; provided, however, that the Developer Fee shall not be received earlier than on the following schedule: (i) 25% upon the Close of Escrow for all Project Construction Financing Sources; (ii) 25% at 50% of construction completion; (iii) 25% upon Certificate of occupancy ; and, (iv) 25% at 90% of occupancy of the Project.

8.3 If applicable, the schedule of Developer Fee payments excludes any portion of Developer Fee that is deferred as described in Section 8.2 above. The deferred Developer Fee, if applicable, shall be paid from the Developer's 50% share of Residual Receipts up to the amount of deferred developer fee described Section 8.2 above.

8.4 The Loan shall be considered Permanent Financing at such time as the Project is completed in accordance with this Agreement. The Project shall be "completed," which shall be deemed to have occurred when the Commission has received satisfactory evidence that the Project has been completed in compliance with the plans and specifications (collectively, "Plans") referenced in the construction contract ("Construction Contract") which Borrower has entered into with a general contractor ("General Contractor") with respect to the Project, and that all final permits and certificates necessary to the operation of the Project as contemplated herein, and releases, waivers and other instruments evidencing no claims, stop notices or mechanics liens existing with respect to the Project, have been obtained, including, without limitation, the following, each of which is subject to the Commission's review and approval:

(a) A signed certificate from the General Contractor, in a form reasonably acceptable to the Commission, certifying to the Commission that construction was completed substantially in accordance with the requirements of the Construction Contract, the Plans and this Agreement, and all other related on-site and off-site improvements have been completed;

(b) A certificate of occupancy (the "Certificate of Occupancy") and/or 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;

(c) Unconditional Waivers and Releases Upon Final Payment, in statutory form, showing no amounts in dispute, have been received from the General Contractor, all subcontractors, and all other persons or entities providing services or furnishing materials in connection with the Project.

8.5 Borrower shall have furnished to the Commission and obtained the Commission's approval of the compliance with the environmental mitigation measures specified in the "Environmental Special Conditions" referenced in Exhibit "N". Borrower hereby acknowledges that Commission's review and approval of such compliance with environmental mitigation measures under this Agreement is solely for the benefit of the Commission, and should not be relied upon as any measurers or warranty of the correctness, adequacy or appropriateness of such matter.

9.0 COVENANTS OF BORROWER.

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

9.1 Compliance with Laws. Borrower shall comply with all Applicable Governmental Restrictions. As used herein, "**Applicable 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 laws specified in Article 12 below, fair housing laws, prevailing wage laws (e.g. Cal. Labor Code 1720 et seq. and the federal Davis-Bacon Act (40 U.S.C. 276a)), and any other applicable federal, state and local laws. Borrower shall indemnify, defend and hold the Commission and HACOLA harmless for any suit, cost, attorneys' fees, claim, administrative

proceeding, damage, wage award, fine, penalty or liability arising out of or relating to Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract. Borrower is solely responsible for determining the applicability of laws, and should not rely on statements by the Commission.

9.2 Revenue Disclosures. Borrower shall make available for inspection and audit to the Commission's representatives, upon seventy-two (72) hours' written request, from time to time during the Term, at Borrower's offices, or, if requested by the Commission, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower until the end of the Term; provided that in the event any litigation, claim or audit is started before the expiration of the Term, 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, from time to time during the Term, Borrower shall prepare and submit to the Commission, any financial, program progress, monitoring, evaluation or other reports (including, but not limited to, documents related to construction and project financing) reasonably required by the Commission 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 the Commission within such seventy-two- (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 the Commission representatives, may be relevant to a question of compliance with this Agreement, the CC&Rs or the Deed of Trust. Borrower shall retain all existing records and data relating to the Project until expiration of the Term. 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. From and after the date hereof, Borrower shall indemnify, defend and save harmless the Commission and Commission's board members, directors, agents, officers and employees from and against any and all claims, liability, demands, causes of action, losses and expense, including reasonable defense costs and legal fees of counsel acceptable to the Commission (collectively, **"Claims"**), including, but not limited to Claims for bodily injury, death, property damage, workers' compensation, or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement, and which Claims (i) are based on events which occur or are claimed to have occurred during Borrower's ownership of the Site or the Project, (ii) result directly or indirectly from Borrower's ownership of the Site or the Project, or (iii) result directly or indirectly from the Commission's entering into this Agreement and/or making the HOME Loan to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of the Commission.

9.5 Audit by State and Federal Agencies. In the event this Agreement or the HOME Loan are subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Borrower shall comply with such inspections and pay on behalf of itself and the Commission the full amount of the cost to the inspecting agency which results from such inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of the Commission.

9.6 Program Evaluation and Review. Borrower shall allow the Commission's authorized

personnel to inspect and monitor its facilities and program operations as they relate to the Project or this Agreement, including the interviewing of Borrower's staff, tenants, and other program participants, as reasonably required by the Commission during the Term.

9.7 Hazardous Materials. Borrower represents and warrants that it has not deposited "Hazardous Materials" (as defined below) in, on or upon the Site and Borrower covenants that it shall not deposit or permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants to remove or remediate, at its expense (subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the Site or the Project as of the date hereof or which are deposited in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, 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 all Applicable Governmental Restrictions, including, without limitation, all 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 to the normal course of business in the operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all Applicable Governmental Restrictions. Except with respect to any claims solely caused by the Commission, Borrower shall indemnify, defend and hold the Commission and HAOLA 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 Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the 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 Site and the Project, as required above. Except with respect to any claims solely caused by the Commission, Borrower hereby releases and forever discharges the Commission 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 Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the 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 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, 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.

In the event that archeological resources are exposed during Project construction, all earth disturbing work within the 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.

9.8 Insurance. Without limiting Borrower's indemnification of the Commission provided in this Agreement, Borrower shall procure and maintain at its own expense during the Term the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to the Commission certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. Borrower shall deliver satisfactory evidence of issuance of "all risk" property insurance described in (2) below and worker's compensation insurance described in (3) 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. The Commision reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to the Commission and may provide for such deductibles as may be acceptable to the Commission. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect the Commission, 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 the Commission is to be given at least thirty (30) days' written notice in advance of any modification or cancellation of any policy of insurance. Borrower shall give the Commission immediate notice of any insurance claim or loss which may be covered by insurance.

(1) Liability: Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of at least One Million Dollars ($1,000,000) for each occurrence (Two Million Dollars ($2,000,000) General Aggregate), including products and completed operations coverage. The Commission and its 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, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to the Commission. If required by the Commission from time to time, Borrower shall increase the limits of Borrower's 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 the Commission.

(2) Property Insurance: "All Risk" ISO Special Form property insurance. Coverage shall include protection for earthquake and flood if this protection is available from responsible carriers at reasonable cost. The Commission shall be the loss payee under the aforementioned policy(ies) under a standard lender's loss payable endorsement. The amount of

the property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property and the insurer shall waive any coinsurance via an "agreement" endorsement.

(3) Worker's Compensation: Borrower's, employees, if any, of property management assigned to the Project, the general contractor constructing the Project and any affiliates or agents of Borrower shall be covered by Workers' Compensation insurance in an amount and in such form as to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of One Million Dollars ($1,000,000) per accident.

(4) Automobile Liability: Combined single limit automobile liability insurance of at least One Million Dollars ($1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

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 Commission.

Failure on the part of Borrower to procure or maintain the insurance coverage required in this Section 9.8 shall constitute a material breach of this Agreement pursuant to which the Commisison 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 the Commission, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by the Commission shall be repaid by the Borrower to the Commission upon demand including interest thereon at the Default Rate. The Commission shall have the right, at its election, to participate in and control any insurance claim adjustment or dispute with the insurance carrier. Borrower's failure to assert or delay in asserting any claim shall not diminish or impair the Commission's rights against the Borrower or the insurance carrier.

9.9 Financial Statements; Tax Returns. Borrower shall deliver to the Commission within one hundred twenty (120) days after the end of each fiscal year of Borrower occurring during the Term, a copy of Borrower's federal tax return and a financial statement for such preceding fiscal year. In addition, concurrent with Borrower's payment of the annual Residual Receipts installment payable to the Commission on each March 15th in accordance with Section 2.3 above, Borrower shall deliver to the Commission, on forms prepared and provided by the Commission from time to time, a statement certified by Borrower's accountant (the **"Annual Statement"**), separately setting forth (i) the aggregate Gross Rents (as defined in the Note) received during the previous calendar year, and (ii) the aggregate Operating Expenses (as defined in the Note) expended during the previous calendar year.

9.10 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Leasehold interest or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to the Commission a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting the Commission, to the extent the Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any reasonable cost or expenditure incurred by the Commission in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.11 Relocation Requirements. If applicable, Borrower shall be responsible for assuring

compliance with all relocation requirements as governed by state relocation laws and regulations for projects funded in whole or in part with Industry Funds, including the California Relocation Assistance Law (California Government Code Section 7260 et seq.), Section 33410 et seq. of the California Health and Safety Code, the State Department of Housing and Community Development's implementing regulations known as the California Relocation Assistance and Property acquisition Guidelines (Title 25, California Code of Regulations, Section 6000 et seq.) and the Los Angeles County Community Development Commission's Relocation Policies and Procedures Manual. In circumstances where both federal and state funds are contributed to a program or Project, it is the policy of the Commission to follow the requirements that provide the displaced person or household with the greatest benefit. For example, if in a mixed-funded project, the assistance or benefit under state law is more favorable to the displaced person or household, then the state law applies, and if the opposite is the case, then applicable federal laws and regulations (e.g., Section 4601 et seq. of Title 42 of the United States Code) shall apply. Any relocation assistance shall be provided through and in the manner directed by Commission, provided, however, that Borrower shall indemnify, defend and hold harmless the **Commission**, the Housing Authority of the County of Los Angeles (**"HACOLA"**), and the County of Los Angeles (**"County"**) for relocation payments, consulting fees and expenses incurred in connection with the Project. At the Commission's election at the Commission's sole discretion, the Commission may hire a relocation consultant to coordinate the relocation. The fees and costs of the consultant shall be paid or reimbursed by Borrower.

9.12 Construction Requirements. Following the Close of Escrow, Borrower shall cause the Project construction work to commence promptly, proceed diligently, and achieve "Completion of the Project" no later than [18] months following the Close of Escrow, subject to extension for up to an additional 12 months to the extent of force majeure delays beyond Borrower's reasonable control. "Completion of the Project" shall be deemed to have occurred when the Commission has received satisfactory evidence that the Project has been completed in compliance with this Agreement and as represented in Borrower's approved funding application to the Commission, 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 Commission's review and approval: (1) a signed certificate from the general contractor, in a form reasonably acceptable to the Commission, certifying to the Commission that construction was completed substantially in accordance with the requirements of the plans and this Agreement, and all other related on-site and off-site improvements have been completed; (2) If applicable, a certificate of occupancy and 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; and (3) evidence satisfactory to the Commission that the statutory period for the filing of mechanics' liens (60 days following filing of the statutory notice of completion) has expired or the lien filing period for subcontractors has expired and the general contractor has executed an unconditional lien waiver and the Property is free from such liens. Construction shall proceed in accordance with Exhibit "L", Construction Requirements, and shall conform to the layout and design represented in Borrower's approved application for the Industry Fund Program. Borrower shall comply with any CEQA mitigation measures or other environmental conditions imposed by the Commission or any other applicable governmental authority in connection with the Project.

10.0 USE OF PROPERTY; LEASING AND MANAGEMENT.

10.1 Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants shall run with the land and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling

units and, with respect to the designated units to be assisted as consideration for the HOME Loan ("**HOME-Assisted Units**"), the tenant income levels, to be as specified in the Transaction Summary above and in the CC&Rs. All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to to "Very Low-Income Households" and "Forty Percent Income Households" as specified in the Transaction Summary above, in the CC&Rs and hereinafter deflined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). **The fourteen units for Fifty Percent Households shall be reserved for families having an adult member with a mental disability**. HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not Assisted Units. Subject to the reasonable approval of the Commission's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 10.1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty percent (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"Forty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted for family size, as defined by HUD.

"Forty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family size, as defined by HUD.

"Thirty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted for family size, as defined by HUD.

"Affordable Housing Cost" shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such "Area Median Income."

10.2 Tenant Selection Process; Reports and Records Concerning Tenancies. Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by the Commission to monitor compliance with the tenanting requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to the Commission commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by the Commission to certify such tenant's qualification for occupancy of the Project. Borrower's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.3 Management of Project. Subject to the terms and conditions contained hereinbelow, Borrower shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions (**"Manager"**) with respect to the operation of the Project including day-to-day administration, maintenance and repair. Borrower shall, before execution or any subsequent amendment or replacement thereof, submit and obtain Commission's reasonable written approval, which shall not be unreasonably withheld, conditioned or delayed, of a management contract (**"Management Contract"**) entered into between Borrower and an entity (**"Management Entity"**) reasonably acceptable to Commission. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of the Commission. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and the Commission. Borrower shall promptly terminate any Management Entity, which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or the Commission. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 10.1.

10.4 Operations and Maintenance. Borrower 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 Borrower, that Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the CC&Rs and the Deed of Trust.

Borrower covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Borrower, that during

development of the Site pursuant to this Agreement and thereafter, neither the 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 Deed of Trust. Furthermore, Borrower and its successors and assigns shall not maintain, commit, or permit the maintenance or the Commission on the 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 Site or the Project, or any portion thereof.

Borrower shall, at its expense, (i) maintain all improvements and landscaping on the Site in good working order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the plans for the Project (which must be approved by the Commission before being incorporated into the Construction Contract) (such approved plans, the "Plans") and all Applicable 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 living environment for Project residents while maximizing Residual Receipts to the extent reasonably possible consistent with applicable rent and tenant requirements (including all recorded rent restrictions affecting the Project) and without compromising the safety and attractiveness of the living environment of the Project.

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, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, nor shall Borrower itself or any person claiming under or through Borrower establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any 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 rental, sale or lease of the Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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 COMMISSION PROVISIONS.

Borrower shall comply with the provisions set forth on Exhibit "J" to this Agreement.

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 furnishing or causing the General Contractor to furnish workers' compensation benefits to any person for injuries arising from or connected with services performed on behalf of Borrower pursuant to 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 the Commission (or Commission's Executive Director), which consent may be withheld by Commission in its sole discretion. Notwithstanding anything to the contrary in this Agreement, no purported assignment of this Agreement and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. The Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by the Commission in its sole discretion including, without limitation, any and all documents deemed necessary by the Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) Commission's approval of the financial and credit-worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's obligations under this Agreement and the HOME Note and all of the other Loan Documents.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of the Commission as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the Project, occurring without the written consent of the Commission, Commission may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low-income housing tax credits, Commission hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by Commission, which approval shall not be unreasonably withheld.

15.0 EVENTS OF DEFAULT AND REMEDIES.

A. 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**"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the HOME Loan at the Maturity Date of the HOME Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from the Commission (or from any party authorized by the Commission to deliver such notice as identified by the Commission 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 nonmonetary obligation is such that it cannot be cured within a thirty- (30-) day period, it shall be deemed cured if Borrower commences the cure within said thirty- (30-) day period and diligently prosecutes such cure to completion thereafter with the cure completed in any event within 180 days after the notice. Notwithstanding anything herein to the contrary, the herein described cure periods shall not apply to any Event of Default described in Sections 15(A)(3) through 15(A)(8) below;

(3) The material falsity of any representation or warranty made by Borrower under the terms of this Agreement, the Note, or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner, or majority shareholder, 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 (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Agreement for a continuous period of more than sixty (60) days;

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

(8) Borrower shall be in default under the CC&Rs, the Senior Financing, the Junior Financing, the Other Financing, the Supportive Services Agreement (if applicable under Section 7 above) or any other secured or unsecured obligation 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.

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

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan 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 hereby expressly waived by Borrower. 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;

(2) Subject to the nonrecourse provisions of Section 5 above, 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 the Commission, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Note, Commission may, but shall not be obligated to, make such payment. If such payment is made by the Commission, Borrower shall deposit with the Commission, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by the Commission shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(4) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15(A)(4) or 15(A)(5) hereof, the Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a

claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of the Commission and its counsel to protect the interests of the Commission and to collect and receive any monies or other property in satisfaction of its claim.

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

D. Commission Default and Borrower Remedies. Upon fault or failure of the Commission 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:

(1) Demand and obtain payment from the Commission of any sums due to or for the benefit of Borrower pursuant to the express terms of this Agreement;

(2) Bring an action in equitable relief seeking the specific performance by the Commission of the terms and conditions of this Agreement or seeking to enjoin any act by the Commission which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this Agreement.

Without limiting the generality of the foregoing, Borrower shall in no event be entitled to, and hereby waives, any right to seek indirect or consequential damages of any kind or nature from the Commission 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 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this Agreement or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this Agreement or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse the Commission, upon demand by the Commission, for all costs incurred by the Commission in connection with the enforcement of this Agreement, the Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether the Commission is a creditor in such proceeding or otherwise.

18.0 RIGHT OF ACCESS AND INSPECTION.

The Commission shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If Commission in its reasonable discretion determines that any work or materials are not in conformity with this Agreement or any Applicable Governmental Restrictions, or the Project is not being operated in conformity with this Agreement or any Applicable Governmental Restrictions, the Commission may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (or without notice in the case of an emergency) and the Borrower fails to cure the matter, itself cure the matter. In addition, during the course of construction, the Commission may immediately stop the work and order replacement or correction of any work or materials not in conformity with this Agreement or any Applicable Governmental Restrictions. Inspection by the Commission of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by the Commission or the County of Los Angeles that there has been compliance with any terms or provisions of this Agreement, or that the work will be free of faulty materials or workmanship.

19.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

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

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.

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, facsimile, certified mail (return receipt requested), or overnight guaranteed delivery service and addressed or faxed as follows:

If to COMMISSION: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development COMMISSION of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: Homes for Life Foundation
8939 S. Sepulveda Blvd., Suite 460
Los Angeles, CA 90045
Attn: Executive Director
Fax No. (323) 337-7413

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); 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) 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 or fax 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 will in no way affect any other provision.

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.

25.0 NO WAIVER; CONSENTS.

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

26.0 GOVERNING LAW.

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

27.0 REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS OF BORROWER.

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

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

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

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

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

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

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 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 will the same constitute a breach of or violate any law or governmental regulation.

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

28.0 APPROVALS.

Any consent to a transfer under Section 14 or 30 of this Agreement, and any other consent or approval by the Commission under this Agreement or any of the Loan Documents, may be given by Commission's Executive Director without action of Commission's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to Commission's governing board.

Except with respect to those matters set forth hereinabove providing for Commission's approval, consent or determination to be at Commission's "sole discretion" or "sole and absolute discretion," the Commission hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Commission hereunder. The Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to the Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by the Commission or any Commission official or employee under this Agreement shall be solely for the benefit of the Commission, 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 Commission shall be solely responsible for assuring compliance with laws, and the operation of the project.

29.0 GOOD FAITH AND FAIR DEALING.

The Commission 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 the Commission (or Commission's Executive Director), which approval by the Commission may be withheld in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "**Transfer**") all or any portion of its interest in the Site or the Project (excluding tenant leases pursuant to the terms hereof); (ii) permit the Transfer of greater than forty-nine percent (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. Notwithstanding the foregoing, the Commission hereby consents to the events described in the third paragraph of Section 14.0 hereof without Borrower obtaining any further consent from the Commission. Borrower hereby agrees that any purported Transfer not approved by the Commission 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, Borrower shall notify the Commission in writing (the "**Transfer Notice**") and shall submit to the Commission 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 the Commission sufficient to establish and ensure that all requirements of this Section 30 have been and will be met. No Transfer Documents shall be approved by the Commission 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 the Commission consent to the proposed Transfer. The Commission agrees to make its decision on Borrower's request for consent to such Transfer promptly, and use reasonable efforts to respond not later than thirty (30) days after the Commission receives the last of the items required by this Section 30. In the event the Commission consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Commission receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to the Commission. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent to such effective date.

30.3 Notwithstanding anything in this Agreement to the contrary, Borrower agrees that it shall not be permitted to make any Transfer, whether or not the Commission's consent is required therefor and even if the Commission has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to the Commission or at any time thereafter until such Event of Default has been 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 HOME PROGRAM AND FEDERAL REQUIREMENTS

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the HOME Program Requirements, a summary of which is included in Exhibit "K", attached hereto. 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 of 1990 and 24 CFR Part 85.

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

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES

By:_____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:
Raymond G. Fortner, Jr.
The Office of the County Counsel

By:_____
Deputy

BORROWER:

HOMES FOR LIFE FOUNDATION,
a California non-profit corporation

By:_____
Name:_____
Title:_____

BY: _____
_____
_____

By:_____
Name:_____
Title:_____

TABLE OF EXHIBITS

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EXHIBIT "A" TO LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS
(HOME - PROJECT NO. HE_____)

Each of the following terms is defined in the section of the Loan Agreement referenced in parentheses.

Affordable Housing Cost (Section 10.1)
Agreement (Preamble)
Annual Statement (Section 9.9)
Applicable Governmental Restrictions (Section 9.1)
Applicable Percentage (Section 2.4)
Area Medium Income (Section 10.1)
Assignment (Section 2.4)
Assisted Units (Section 10.1)
Basic Rate (Section 2.2)
Borrower (Preamble)
CC&Rs (Section 6.2(3))
CDBG (Recital B)
CDBG Loan (Recital B)
Certificate of Occupancy (Section 8.4(b))
Claims (Section 9.4)
Close of Escrow (Section 6.3)
Closing Conditions (Section 6.2)
Closing Deadline (Section 6.2)
COMMISSION (Preamble)
Completion of the Project (Section 9.12)
Construction Contract (Section 6.2(12))
County (Section 9.11)
Deed of Trust (Section 5)
Default Rate (Section 2.2)
Eligible Households (Section 10.1)
Escrow (Section 6.1)
Escrow Holder (Section 6.1)
Event of Default (Section 15A)
Forty Percent Households (Section 10.1)
General Contractor (Section 6.2(12))
Gross Rents (Section 9.9)
Hazardous Materials (Section 9.7)
HOME (Recital A)
HOME Loan (Recital A)
Junior Financing (Recital C)
HOME Loan (Section 1.0)
Loan Documents (Section 6.2(5))
Management Contract (Section 10.3)
Management Entity (Section 10.3)
Manager (Section 10.3)
Maturity Date (Section 2.3)
Net Proceeds (Section 2.4)
Net Refinancing Proceeds (Section 2.4)
Note (Section 2.1)
Operating Expenses (Section 9.9)
Other Financing (Recital B)
Parties (Preamble)
Party (Preamble)
Permitted Senior Encumbrances (Section 6.2(6))
Plans (Section 10.4)
Project (Recital A)
Property (Section 5)
Refinancing (Section 2.4)
Residual Receipts (Section 2.3)
Senior Financing (Recital C)
Site (Recital A)
Subordination Agreement (Section 6.2(7))
Term (Section 2.3)
Title Company (Section 6.2(6))
Transfer (Section 30.1)
Transfer Documents (Section 30.2)
Transfer Notice (Section 30.2)
Very Low Income Households (Section 10.1)
Very Very Low-Income Households (Section 10.1)

EXHIBIT "B" TO LOAN AGREEMENT

LEGAL DESCRIPTION OF THE SITE & HOSPITAL

(HOME - PROJECT NO. HE_____)

(Please See Attached)

LEGAL DESCRIPTION OF THE SITE

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT and portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast ¼ of the Northeast ¼ and the South ½ of the Northeast ¼ of the Northeast ¼ of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No.2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89°53'10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8'31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89°53'10" West, 957.00 feet to the True point of beginning, said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded Julyn21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08'31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89°53'10" West, 359.87, more or less, to the Easterly line of Tract 19426 South 0°03'43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53'10" East, 358.95 feet, more or less, to the True point of beginning.

COMMONLY KNOW AS: STATE METROPOLITAN HOSPITAL
11401 Bloomfield Avenue,
Old Administration Building
Norwalk, CA 90650

ASSESSOR PARCEL NO.: 8025-003-902

DESCRIPTION OF THE PROPERTY

The leasehold interest in the portion of the Site is in the property described as 14400 Norwalk Blvd., Building 303 of Metropolitan State Hospital in Norwalk, California (hereinafter described as the "Property"). The Borrower has a leasehold interest in the

Site pursuant to a developmental building space lease dated October 10, 2002 (the "Lease") by and between the Borrower, as lessee, and the State of California, as lessor as shown on that certain Memorandum of Lease recorded_____, as Instrument No._____, Official Records of Los Angeles County..

EXHIBIT "C" TO LOAN AGREEMENT

PROMISSORY HOME NOTE

(HOME - PROJECT NO. HE_____)

(Please See Attached)

HOME LEASEHOLD PROMISSORY NOTE
(HOME - PROJECT NO.HE_____)

$1,152,915
_____,2005

For value received, the undersigned, HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("COMMISSION") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as COMMISSION may from time to time designate in writing), the principal sum of **One Million One Hundred Fifty two Thousand Nine Hundred Fifteen Dollars ($1,152,915)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, and all other charges due hereunder, in accordance with the terms and conditions of that certain Loan Agreement dated as of _____, _____, 2005, entered into between Borrower and COMMISSION (the "Loan Agreement"), and the terms and conditions of this HOME Promissory Leasehold Note (this "HOME Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with financing in connection with a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest. Except as provided in Section 1.4 below, the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three percent (3%) per annum, simple interest ("HOME Basic Rate"). Interest shall be computed on the basis of actual number of days elapsed and a 360-day year.

1.2 Payment Dates and Amounts. Except to the extent payable sooner pursuant to this HOME Note or Section 2.3 of the Loan Agreement, Borrower shall repay the Loan, together with accrued interest at the HOME Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2007. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2061 ("Maturity Date") shall be in an amount equal to a pro-rata percentage share of fifty percent (50%) of "Residual Receipts" for the prior calendar year, as defined herein. The pro-rata percentage share of fifty percent (50%) of all Residual Receipts shall be calculated by dividing the outstanding principal balance of the Loan by the sum of the outstanding principal balance of the Loan and the outstanding principal balances of all other residual receipts notes approved for the Project by COMMISSION. Residual Receipts shall be calculated and reported to COMMISSION annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by COMMISSION from time to time. All calculations and records are subject to audit by COMMISSION.

Notwithstanding any other provision of this Note:

(i) unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under this Note shall be due and payable in full on the Maturity Date;

(ii) fifty percent (50%) of any reserves described in Section 1.5.5 (and any interest thereon) which are remaining in a Reserve Account at the end of the applicable Reserve Period (as both terms are defined in Section 1.5.5) shall, at such time, be applied to the repayment of the Loan, and Borrower hereby authorizes the Escrow Agent to disburse such remaining funds directly to COMMISSION without the need for any further instruction or authorization from Borrower;

(iii) any reserves described in Section 15.5.5 (and any interest thereon) in a Reserve Account in excess of the Operating Reserve Cap, Replacement Reserve Cap, Transition Reserve Cap or the Monitoring Fee Reserve Cap (as these terms are defined in Section 1.5.5(c)) shall be applied to repayment of the Loan unless alternative uses of excess reserves are approved in writing by COMMISSION approval shall be in COMMISSION'S sole and absolute discretion.

Notwithstanding anything to the contrary in this Section 1.2, obligations of Borrower accruing or to be performed in any calendar year may be deemed to accrue or be performed in the Borrower's fiscal year, subject to the approval of COMMISSION'S Executive Director, which approval may be withheld in the Executive Director's sole and absolute discretion.

1.3 Calculation of Residual Receipts. Borrower shall provide to COMMISSION for inspection and copying any records, receipts, account books, ledgers, checks, or other documents or other evidence requested by COMMISSION for the purpose of verifying Borrower's calculation of Residual Receipts, and shall promptly pay to COMMISSION any further amount due but not paid as a result of any miscalculation by Borrower. In no event shall any Loan payment attributable to an Event of Default (as hereafter defined) or acceleration be deferred.

1.4 Default Rate. Any amounts (including but not limited to amounts of principal and interest on the Loan) which Borrower does not pay when due under the terms of the Loan Agreement or this HOME Note shall bear interest at the rate of ten percent (10%) per annum, simple interest ("Default Rate"), from the date due until the date paid.

1.5 Definition of Residual Receipts.

1.5.1 "Residual Receipts" shall mean, with respect to each calendar year, the amount by which "Gross Rents," as defined herein, for such calendar year exceed the "Operating Expenses", as defined herein, for that calendar year.

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, revenues, payments and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or

subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein) for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in the immediately preceding sentence, means, with respect to a person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, possession directly or indirectly of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower or its members, partners or shareholders by its or their members, partners or shareholders; (cc) condemnation or insurance proceeds constituting 'Net Proceeds' as defined in Section 1.6 below; (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial development of the Project; and, (ee) funds received specifically and exclusively for the provision of supportive services to the residents, including but not limited to funds received from the Department of Mental Health and U.S. Department of Housing and Urban Development for operating of the housing and provision of mental health services and other supportive services, (ff) receipt by an affiliate of management fees or other bona fide arms-length payments for reasonable and necessary operating expenses associated with the project; (gg) tax deductible contributions made to the Borrower for any purpose.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) nonelective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid or set aside as a reserve by Borrower during such calendar year; (iii) all amounts paid or set aside as a reserve by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees and administrative fees) properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, however, that (A) the amount included as property management fees and administrative fees in Operating Expenses shall collectively not exceed $110 per $110.00 per unit per month, as adjusted for inflation, from the Project for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower, (B) such property management fees and administrative fees shall only be paid on the basis of supporting documentation reasonably acceptable to COMMISSION, and shall be paid after the payment of all other Operating Expenses,

and (C) partnership management fees and other fees payable to a partner in a tax credit limited partnership shall only be considered Operating Expenses to the extent they do not exceed $10,000 in the aggregate in any year; and (v) deposits toward Eligible Reserves (as defined in Section 1.5.5 below).

1.5.4 Notwithstanding any provision of Section 1.5.3, the term "Operating Expenses" shall not include any of the following:

(i) salaries of employees of Borrower or Borrower's general overhead expenses, or expenses, costs and fees paid to an Affiliate of Borrower, to the extent any of the foregoing exceed the expenses, costs or fees that would be payable in a bona fide arms' length transaction between unrelated parties in the Los Angeles-Orange County area for the same work or services;

(ii) any amounts paid directly by a tenant of the Project to a third party in connection with expenses which, if incurred by Borrower, would be Operating Expenses;

(iii) optional or elective payments with respect to the Senior Financing;

(iv) any payments with respect to Junior Financing, Other Financing, or any other Project-related loan or financing other than the Senior Financing; or

(v) expenses, expenditures, and charges of any nature whatsoever arising or incurred by Borrower prior to completion of the Project with respect to the development, maintenance and upkeep of the Project, or any portion thereof, including, without limitation, all costs and expenses incurred by Borrower in connection with the acquisition of the Property, all predevelopment activities conducted by Borrower in connection with the Project, including without limitation, the preparation of all plans and the performance of any tests, studies, investigations or other work, and the construction of the Project and any on-site or off-site work in connection therewith.

1.5.5 Reserves.

(a) Definitions.

(i) "Eligible Reserves" shall mean, with respect to each calendar year or portion thereof, Operating Reserves and Replacement Reserves, which meet the requirements set forth in Subpart (b) of this Section 1.5.5.

(ii) "Operating Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Operating Reserve Account (as hereinafter defined), subject to the Operating Reserve Cap (as hereinafter defined), and actually set aside for:

(A) taxes and assessments, as described in Section 1.5.3(ii);

(B) insurance premiums, as described in Section 1.5.3(iii);

(C) operation of the Project as may, for reasons other than those described in this Subpart (a)(ii) of this Section 1.5.5,

be required in connection with Senior Financing; and

(D) any other purpose which itself constitutes an Operating Expense.

(iii) "Replacement Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)), including accumulated interest paid on the balance in the Replacement Reserve Account (as hereinafter defined), and actually set aside for capital expenditures, which reserves shall be in an amount not more than the greater of (I) Three Hundred Fifty Dollars ($350) per unit, or (II) subject to the Replacement Reserve Cap (as defined in Subsection (c) of this Section 1.5.5), such higher amount per unit as may be required by a tax creditor investor or holder of Senior Financing.

(iv) "Transition Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3 (v)) of Loan Advances (as provided for in Section 1.5.5 (e)), including accumulated interest paid on the Urban Development are not renewed. balance in the Transition Reserve account (as hereinafter defined), and actually set aside for payment of expenses in the event of termination that operating subsidies for the project from the U.S. Department of Housing and

(iv) "Monitoring Fee Reserves" shall mean reserves funded out of Loan Advances (as provided for in Section 1.5.5 (e)), including accumulated interest paid on the balance in the Monitoring Reserve account (as herein defined) and actually set aside for payment of monitoring fees to the State of California Department of Housing and Community Development under terms of a Senior Loan.

(b) Eligible Reserve Expenditure Requirements. Reserves shall be considered Eligible Reserves only if:

(i) COMMISSION has approved a written request ("Reserve Request") submitted to COMMISSION by Borrower which identifies:

(A) the specific expenditure(s) sought to be reserved for;

(B) the reasons why it is necessary to provide a reserve for the expenditure(s); and

(C) each particular period, which shall in no event be for more than five (5) years from the date COMMISSION approves the Reserve Request (the "Reserve Period"), during which the funds sought to be reserved are to be expended; and

(ii) The Reserves are segregated in a special account for Operating Reserves ("Operating Reserve Account") and/or Replacement Reserves ("Replacement Reserve Account), as the case may be (either sometimes referred to as a "Reserve Account"), established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties ("Escrow Agent").

(c) Reserve Caps. The Operating Reserves, which will include MHP required operating expense and non-contingent debt reserves, together with operating reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $20,454 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Operating Reserve Cap"). The Replacement Reserves together with replacement reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $2,330 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Replacement Reserve Cap"). The Transition Reserves together with transition reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $93,861 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Transition Reserve Cap"). The Monitoring Fee Reserves together with monitoring fee reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed $74,104 at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Monitoring Fee Reserve Cap"). The Operating Reserve, Replacement Reserve, Transition Reserve, Monitor Fee Reserve are sometimes referred to collectively herein as the "Reserves". The Reserves will be established from time to time from any Project funding source other than the Loan.

(d) Release of Eligible Reserves. Operating Reserves and Replacement Reserves, Transition Reserves and Monitoring Fee Reserves shall not be released to Borrower out of the Operating Reserve Account and Replacement Reserve Account, Transition Reserves and Monitoring Fee Reserves, respectively, unless and until:

(i) the Borrower has submitted to COMMISSION:

(A) a written disbursement request ("Disbursement Request") seeking the release of funds out of the applicable Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by COMMISSION;

(B) supporting documentation establishing, in COMMISSION's sole determination, that but for the release of the funds requested in the Disbursement Request, sufficient funds would not otherwise be available to the Borrower for the designated expenditure(s); and

(ii) COMMISSION has, in its sole and absolute discretion, approved in writing the Disbursement Request.

(e) "Up Front" Reservation of Funds. In addition to funding Project reserves out of Residual Receipts, as provided for in Section 1.5.3(v), Project reserves may be funded directly from the proceeds of the Loan, provided (i) COMMISSION has approved a "Reserve Request" (as defined in Section 1.5.5(b)(i)) which approval may be granted in COMMISSION's sole and absolute discretion; (ii) the reserves are placed into the appropriate Reserve Account (as defined in Section 1.5.5(b)(ii)); and (iii) the reserves are not released except in accordance with Section 1.5.5(d).

(f) Investment of Reserve Account. Funds in any Reserve Account established pursuant to this Section 1.5.5 shall be deposited in a banking institution whose deposits are insured by an agency of the federal government. Borrower may invest funds in a Reserve Account in domestic bank certificates which are insured by an agency of the federal government; in direct obligations of the federal government; in federal government agencies with an AA rating or better; federally guaranteed agencies, or in repurchase agreements which are direct obligations of the federal government or federal agencies; or which are collateralized by federal government obligations; or in short-term commercial paper receiving the highest rating from Moody's or from Standard and Poors. Borrower shall select the investment vehicles and maturities (not to exceed five years) on such investments so as to yield the maximum return, consistent with good business practice, including the need for available cash in the Reserve Account.

1.6 Additional Payments upon Assignments, Refinancings. In addition to the payments provided in Section 1.2 above, and subject to the terms of the Senior Financing, Borrower shall pay to COMMISSION towards (but not to exceed) any outstanding amounts associated with the Loan: (a) no later than the date of close of escrow or other consummation of any Assignment other than a Minor Assignment, the Applicable Percentage of the Net Proceeds of such Assignment; and (b) no later than the recording of a Refinancing, fifty percent (50%) of the Net Refinancing Proceeds received from any such Refinancing.

A "Minor Assignment" shall mean any lease of an individual unit in the Project for occupancy by a residential tenant and in the ordinary course of business for operation of the Project.

"Applicable Percentage" shall mean fifty percent (50%); provided, however, that the term Applicable Percentage shall mean one hundred percent (100%) with respect to a payment on the Loan attributable in whole or in part to a condemnation of, or event of damage, destruction or casualty with respect to, the Site, the Project or any portion of either.

"Assignment" means any voluntary or involuntary conveyance, disposition, assignment, taking, casualty, encumbrance (other than a Refinancing as defined below or the creation of the Senior Financing or any other Project Loan or limited partner contribution, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project), sublease, sale, license, concession, management agreement, operating agreement, transfer or similar transaction with respect to any direct or indirect interest or economic benefit of any person or entity in connection with the Project or the use or occupancy of the Site including, without limitation, any Transfer by Borrower of all or any portion of its rights under or interest in the Project or the Site, any change of ownership or control of Borrower, any condemnation or taking of the Site or the Project or any portion thereof, any event of damage to or destruction of the Site or the Project, any foreclosure of Borrower's interest in the Project or the Site, whether by judicial proceedings, or by virtue of any power contained in a deed of trust, indenture or other instrument creating a lien against the Site or the Property, or any assignment of Borrower's estate in the Project or the Site through, or in lieu of, foreclosure or other appropriate and bona fide proceedings in the nature thereof; provided, however, that the term "Assignment" as used herein shall not include bona fide transfers of an ownership interest in Borrower to any Affiliate of Borrower, so long as the consideration paid to the selling partner, member or shareholder on account of such transfer does not exceed the actual amount paid by such partner, member or shareholder for its ownership interest plus reimbursement for any out-of-pocket expenses incurred by such partner, member or shareholder in connection with its acquisition of such ownership interest.

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or

any Affiliate as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed or taken subject to by the assignee, the fair market value of any noncash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to COMMISSION), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower or any Affiliate in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower or any Affiliate in connection with any damage to or destruction of the Site or the Project or any part thereof not used for project restoration; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

"Refinancing" shall mean creation or substantial modification of a loan ("Project Loan") secured by an encumbrance on the Site, the Project, or any portion thereof. The term "Refinancing" shall not include the creation of the Senior Financing or any other Project Loan, the proceeds of which are used solely for initial acquisition of the Site by Borrower or initial development of the Project.

"Net Refinancing Proceeds" shall mean the gross face amount of the Project Loan obtained in connection with such Refinancing, after: (1) payment of the actual, documented and reasonable expenses of such Refinancing, including escrow fees, title policy expenses, legal expenses, survey fees, recording fees, commissions, and other usual and reasonable expenses of any such Refinancing (provided, that no deduction shall be allowed for payments in connection with such Refinancing which are in excess of the amounts that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably); and (2) deduction of amounts repaid (excluding voluntary payments) in connection with the Refinancing towards amounts outstanding under the Senior Financing.

2. Acceleration.

Notwithstanding the payment terms set forth in Section 1 above, upon the occurrence of any "Event of Default" as set forth in Section 9 below, the entire outstanding principal balance of this HOME Note, together with any outstanding interest and other amounts payable hereunder, shall, at the election of COMMISSION and upon notice to Borrower thereof become immediately due and payable without presentment, demand, protest or other notices of any kind, all of which are hereby waived by Borrower.

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums

outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this HOME Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the HOME Note.

4. Security and Source of Payment.

Borrower's obligations under this HOME Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which COMMISSION is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to COMMISSION pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by COMMISSION. 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 HOME Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, COMMISSION's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to COMMISSION as security for repayment of the Loan.

5. Obligation of Borrower Unconditional.

The obligation of Borrower to repay the Loan and all accrued interest thereon and all other sums due thereunder shall be absolute and unconditional, and until such time as all of the outstanding principal of, interest on and all other sums due under, this HOME Note shall have been fully paid, Borrower agrees that it: (a) will use the funds solely for the purposes set forth herein; and (b) will not terminate or suspend any payment or obligations under this HOME Note, the Loan Agreement, or any other document executed hereunder or in connection herewith for any cause, including without limitation, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, or any duty, liability or obligation arising out of or in connection with this HOME Note, the Loan Agreement or any document executed hereunder or in connection herewith.

6. Purpose of Loan.

The Loan proceeds shall be used by Borrower only to provide financing for the housing development and those specific Project purposes described in the Loan Agreement. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this HOME Note and the Loan Agreement.

7. Covenants of Borrower.

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

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by

Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

7.2 Other Loans. Borrower shall comply with all monetary and nonmonetary covenants associated with any loan secured by an interest in the Site or the Project. Borrower shall provide to COMMISSION a copy of any notice of default within five business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting COMMISSION, to the extent COMMISSION in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by COMMISSION in providing or assisting in such a cure shall be added to the outstanding principal amount of the Loan.

8. Assignment of this HOME Note.

This HOME Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of COMMISSION, which consent may be withheld by COMMISSION in its sole discretion. Notwithstanding anything to the contrary in this HOME Note, no purported assignment of this HOME Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Applicable Governmental Restrictions. COMMISSION's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by COMMISSION in its sole discretion, including, without limitation, any and all documents deemed necessary by COMMISSION to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) COMMISSION's approval of the financial and credit worthiness of such proposed assignee and the assignee's ability to perform all of the Borrower's covenants under this HOME Note and the Loan Agreement and any of the other Loan Documents. With respect to Projects funded through an allocation of state and/or federal low income housing tax credits, COMMISSION has pre-approved certain transfers as provided in the last paragraph of Section 14 of the Loan Agreement.

9. Events of Default and Remedies.

A. 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"):

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this HOME Note;

(2) The failure of Borrower to perform any nonmonetary covenant or obligation hereunder or under the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from COMMISSION (or from any party authorized by COMMISSION to deliver such notice as identified by COMMISSION 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 nonmonetary 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 with the cure completed in any event within 180 days after the notice.

Notwithstanding anything herein to the contrary, the herein described notice cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(8) below;

(3) The material falsity of any representation or warranty by Borrower under the terms of this HOME Note, the Loan Agreement or the Deed of Trust;

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder 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 (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

(6) Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this HOME Note for a continuous period of more than sixty (60) days;

(7) Borrower shall suffer or attempt to effect a Transfer, in violation of Section 14 or Section 30 of the Loan Agreement;

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation 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.

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

(1) By notice to Borrower, declare the entire then unpaid principal balance of the Loan 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 hereby expressly waived by Borrower. 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;

(2) Subject to the nonrecourse provisions of Section 4 above, 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 COMMISSION, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this HOME Note or under any other document executed in connection herewith;

(3) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default, which is occasioned by Borrower's failure to pay money, whether under this HOME Note or the Loan Agreement, COMMISSION may, but shall not be obligated to, make such payment. If such payment is made by COMMISSION, Borrower shall deposit with COMMISSION, upon written demand therefor, such sum plus interest at the Default Rate. The Event of Default with respect to which any such payment has been made by COMMISSION shall not be deemed cured until such repayment has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under this HOME Note;

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, COMMISSION 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 COMMISSION and its counsel to protect the interests of COMMISSION and to collect and receive any monies or other property in satisfaction of its claim.

C. No Remedy Exclusive. No remedy herein conferred upon or reserved to COMMISSION 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 HOME Note or now or hereafter existing at law or in equity or by statute; and may be exercised in such number, at such times and in such order as COMMISSION 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 COMMISSION. In order to entitle COMMISSION to exercise any right or remedy reserved to it under this HOME Note, no notice shall be required except as expressly provided herein.

D. COMMISSION Default and Borrower Remedies. Upon fault or failure of COMMISSION to meet any of its obligations under this HOME Note 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:

(1) Demand and obtain payment from COMMISSION of any sums due to or for the benefit of Borrower pursuant to the express terms of this HOME Note;

(2) Bring an action in equitable relief seeking the specific performance by COMMISSION of the terms and conditions of this HOME Note or seeking to enjoin any act by COMMISSION which is prohibited hereunder; and

(3) Bring an action for declaratory relief seeking judicial determination of the meaning of any provision of this HOME Note.

Without limiting the generality of 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 COMMISSION arising out of or in connection with this HOME Note, 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."

10. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto brings any action or files any proceeding in connection with the enforcement of its respective rights under this HOME Note or any of the other Loan Documents as a consequence of any breach by the other party of its obligations hereunder or thereunder, the prevailing party in such action or proceeding shall be entitled to have its reasonable attorneys' fees and out-of-pocket expenditures paid by the losing party. The attorneys' fees so recovered shall include fees for prosecuting or defending any appeal and shall be awarded for any supplemental proceedings until the final judgment is satisfied in full. In addition to the foregoing award of attorneys' fees, the prevailing party in any lawsuit on this HOME Note or any other Loan Document shall also be entitled to its attorneys' fees incurred in any post-judgment proceedings to collect or enforce the judgment. In addition to the foregoing, Borrower agrees to pay or reimburse COMMISSION, upon demand by COMMISSION, for all costs incurred by COMMISSION in connection with the enforcement of this HOME Note, and any other Loan Document, including without limitation, reasonable attorneys' fees and costs, if there shall be filed by or against Borrower any proceedings under any federal or state bankruptcy or insolvency laws, whether COMMISSION is a creditor in such proceeding or otherwise.

11. Conflict of Interest; No Individual Liability.

No official or employee of COMMISSION shall have any personal interest, direct or indirect, in this HOME Note, nor shall any official or employee of COMMISSION participate in any decision relating to this HOME Note 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 COMMISSION shall be personally liable in the event of a breach of this HOME Note by COMMISSION.

12. Amendments, Changes and Modifications.

This HOME Note may not be amended, changed, modified, or altered without the prior written consent of the parties hereto.

13. Notices.

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

If to COMMISSION: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8576

With a copy to: Community Development Commission of the
County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425

Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8576

If to Borrower: Homes for Life Foundation
8939 S. Sepulveda Blvd., Suite 460
Los Angeles, CA 90045
Attn: Executive Director
Fax No. (323) 337-7413

With a copy to:

Notices shall be effective upon receipt, if given by personal delivery; upon receipt, if faxed, provided there is written confirmation of receipt (except that if received after 5 p.m., notice shall be deemed received on the next business day); 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; and one (1) 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 HOME Note.

14. Severability.

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

15. 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 HOME Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this HOME Note by Borrower. Each Party has been represented by counsel in the negotiation of this HOME Note, 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 HOME Note, nothing herein or in this HOME 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 this HOME Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this HOME Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

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

17. Governing Law.

This HOME Note shall be governed by the laws of the State of California.

18. Representations, Warranties and Additional Covenants of Borrower.

Borrower hereby represents, warrants and covenants to COMMISSION that:

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

B. Enforceability. This HOME Note 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 HOME Note and all other instruments to be executed in connection herewith is consistent with the operating agreement, partnership agreement or articles and bylaws governing Borrower and have been duly authorized by all necessary action of Borrower's members, partners, directors, officers and shareholders.

D. Due and Valid Execution. This HOME Note 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. 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 COMMISSION) which could impair its ability to perform its obligations under this HOME Note, nor is Borrower in violation of any laws or ordinances which could materially impair Borrower's ability to perform its obligations under this HOME Note.

G. Default. There are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

H. No Violations. The execution and delivery of this HOME Note, the Loan Agreement and all other documents executed or given thereunder, and the performances hereunder and 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 will the same constitute a breach of or violate any law or governmental regulation.

19. Approvals.

Except with respect to those matters set forth hereinabove providing for COMMISSION's approval, consent or determination to be at COMMISSION's "sole discretion" or "sole and absolute discretion," COMMISSION hereby agrees to act reasonably with regard to any approval, consent, or other determination given by COMMISSION hereunder. COMMISSION agrees to give Borrower written notice of its approval or disapproval following submission of items to COMMISSION for approval, including, in the case of any disapproved item, the reasons for such disapproval.

Any review or approval of any matter by COMMISSION or any COMMISSION official or employee under this HOME Note shall be solely for the benefit of COMMISSION, 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 COMMISSION shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

Any consent to a Transfer under Section 30 of the Loan Agreement and any other consent or approval by COMMISSION under this HOME Note, the Deed of Trust, the Loan Agreement or any of the other documents executed in connection therewith, may be given by COMMISSION's Executive Director without action by COMMISSION's governing board, unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

20. Good Faith and Fair Dealing.

COMMISSION 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.

21. Waiver.

Borrower agrees that it will still be liable for repayment of this HOME Note, subject to the nonrecourse provision of Section 4 above, even if the holder hereof does not follow the procedures of presentment, protest, demand, diligence, notice of dishonor and of nonpayment, which requirements are hereby waived. Failure of COMMISSION or other holder hereof to exercise any right or remedy hereunder shall not constitute a waiver of any future or other default. No acceptance of a past due installment or indulgence granted from time to time shall be construed to be a waiver of, or to preclude the exercise of, the right to insist upon prompt payment thereafter or to impose late charges retroactively or prospectively, or to waive or preclude the exercise of any other rights which COMMISSION may have.

IN WITNESS WHEREOF, Borrower has executed this HOME Note as of the date and year first above written

BORROWER:

BY: HOMES FOR LIFE FOUNDATION,
a California non-profit corporation,

By:_____
Name:_____
Title:_____

BY: _____
_____
_____

By:_____
Name:_____
Title:_____

EXHIBIT "D" TO LOAN AGREEMENT

DEED OF TRUST

(HOME - PROJECT NO. HE_____)

(Please See Attached)

OFFICIAL BUSINESS

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

Recording Requested by and
When Recorded Mail To:

COMMUNITY DEVELOPMENT COMMISSION OF THE
COUNTY OF LOS ANGELES
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Housing
Development and Preservation

Above Space For Recorder's Use Only

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING

(HOME - PROJECT NO. HE_____)

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of _____, 2005, by and between HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Trustor") whose address is 8939 S. Sepulveda Blvd., Suite 460, Los Angeles, CA 90045; United Title Company ("Trustee"); and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

RECITALS

A. Beneficiary is making loan (collectively, the "Loan") to Trustor in the original principal amount of One Million One Hundred Fifty Two Thousand Nine Hundred Fifteen Dollars ($1,152,915) of HOME program funds (the "HOME Loan") pursuant to that certain Loan Agreement (the "Loan Agreement") entered into by Trustor and Beneficiary and dated as of _____, 2005. The HOME Loan is evidenced by a promissory note of even date herewith executed by Trustor (the "HOME Leashold Note") in the principal amount of the HOME Loan.

B. Trustor intends to use the Loan proceeds for the purpose of providing financing for the housing development described in the Loan Agreement ("**Project**"). The Project will be developed on the leasehold interest in that certain site known as Building 303 Lease No.: L-1971 (**"Site"**) as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 (**"Lease"**), lying over a portion of Metropolitan State Hospital ("**Hospital**") as legally described on Attachment "1" to this Agreement. The Lease by and between Trustor, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 (**"Amendment No. 1 to Lease"**) are attached hereto as Attachment "2" to this Agreement. Trustor's leasehold interest in the Site and the Project are hereinafter referred to collectively as the "**Property**." Trustor shall be the owner of the Project and all other improvements to be developed on the Property in accordance with the terms of the Lease.

NOW THEREFORE, in consideration of the Loan, Trustor hereby irrevocably grants, conveys, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below all of its present and future estate, right, title and interest in and to the Property, together with all right, title and interest of Trustor therein and in and to, and grants to Beneficiary a security interest in, the following:

(A) All development rights, air rights, water, water rights, and water stock relating to the Property.

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

(C) All appurtenances of the Property and all rights of Trustor in and to any streets, roads or public places, easements or rights of way, relating to the Property.

(D) All of the rents, royalties, profits and income related to the Property, to the extent not prohibited by any applicable law.

(E) All proceeds and claims arising on account of any damage to or taking of the Property and all causes of action and recoveries for any loss or diminution in value of the Property.

(F) All existing and future goods, inventory, equipment and all other personal property of any nature whatsoever now or hereafter located on the Property which are now or in the future owned by Trustor and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under Clause (B) above, including but not limited to all appliances, furniture and furnishings, building service equipment, and building materials, supplies, equipment, machinery, plumbing and plumbing material and supplies, concrete, lumber, hardware, electrical wiring and electrical material and supplies, roofing material and supplies, doors, paint, drywall, insulation, cabinets, ceramic material and supplies, flooring, attached

appliances, fencing, landscaping and all other materials, supplies and property of every kind and nature.

(G) All present and future accounts, general intangibles, chattel paper, contract rights, deposit accounts, instruments and documents as those terms are defined in the California Uniform Commercial Code, now or hereafter relating or arising with respect to the Property and/or the use thereof or any improvements thereto, including without limitation: (i) all rights to the payment of money, including escrow proceeds arising out of the sale or other disposition of all or any portion of the estate of Trustor upon the Property now or hereafter existing thereon; (ii) all plans, specifications and drawings relating to the development of the Property and/or any construction thereon; (iii) all use permits, licenses, occupancy permits, construction and building permits, and all other permits and approvals required by any governmental or quasi-governmental authority in connection with the development, construction, use, occupancy or operation of the Property; (iv) any and all agreements relating to the development, construction, use, occupancy and/or operation of the Property between Trustor and any contractor, subcontractor, project manager or supervisor, architect, engineer, laborer or supplier of materials; (v) all lease or rental agreements; (vi) all names under which the Property is now or hereafter operated or known and all rights to carry on business under any such names or any variant thereof; (vii) all trademarks relating to the Property and/or the development, construction, use, occupancy or operation thereof; (viii) all goodwill relating to the Property and/or the development, construction, use, occupancy or operation thereof; (ix) all reserves, deferred payments, deposits, refunds, cost savings, bonds, insurance policies and payments of any kind relating to the Property; (x) all loan commitments issued to Trustor in connection with any sale or financing of the Property; (xi) all funds deposited with Beneficiary by Trustor, and all accounts of Trustor with Beneficiary, including all accounts containing security deposits and prepaid rents paid to Trustor in connection with any leases of the Property, and all proceeds thereof; and (xii) all supplements, modifications and amendments to the foregoing.

(H) All of the right, title and interest of Trustor in and to all sales contracts of any nature whatsoever now or hereafter executed covering any portion of the Property, together with all deposits or other payments made in connection therewith.

(I) All of the right, title and interest of Trustor in and to any construction contracts, plans and specifications, building permits, and all other documents necessary for completion of the improvements to the construction of the Property.

(J) All water stock relating to the Property, all shares of stock or other evidence of ownership of any part of the Property that is owned by Trustor in common with others, and all documents of membership in any owner's or members' association or similar group having responsibility for managing or operating any part of the Property.

Trustor does hereby covenant with Trustee and Beneficiary, that Trustor has good right to bargain, sell and convey Trustor's interest in the Property in manner and form as above written; and Trustor warrants and will defend same to Beneficiary, forever, against all lawful claims and demands whatsoever except as stated above.

THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

(1) performance of each agreement of Trustor herein contained or incorporated herein by reference;

(2) payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Notes, and any extension or renewal or modification thereof;

(3) performance of each agreement of Trustor contained in the Loan Agreement, or any of the other "Loan Documents" (as defined in the Loan Agreement), and any extension, renewal or modification of such Loan Agreement and other Loan Documents;

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

1. Payment of Secured Obligations. To pay when due (a) the principal of, and the interest on, the indebtedness evidenced by the Notes, (b) charges, fees and all other sums as provided in the Loan Agreement, and (c) the principal of, and interest on, any future advances secured by this Deed of Trust.

2. Maintenance, Repair, Alterations. To keep the Property in good condition and repair; to complete promptly and in a good and workmanlike manner all buildings and other improvements to be constructed on the Property, including specifically all buildings and improvements described in the Loan Agreement, and promptly restore in like manner any structure that may be damaged or destroyed thereon; to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws, ordinances, regulations, covenants, conditions and restrictions now or hereafter affecting the Property or any part thereof or requiring any alterations or improvements thereon; not to commit or permit any waste or deterioration of the Property; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; not to commit, suffer or permit, to the extent Trustor is able by the exercise of commercially reasonable best efforts, any act to be done in or upon the Property in violation of any law, ordinance or regulation.

3. Insurance. To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Loan Agreement, the Notes, and the Covenants, Conditions and Restrictions recorded against the Property. In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the Property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is not then existing any material default (or such existing default will be cured by the proceeds of such insurance) in the observance or performance of any of the covenants and agreements contained herein or in the Notes or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may reasonably impose.

Trustor hereby fully assigns to Beneficiary all current and future claims it may have under any policy of insurance related to the Property or the Project, regardless of whether such insurance was required to be maintained under the Loan Documents. Any and all unexpired

insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

Further, Beneficiary may at the time in its sole discretion require Trustor to submit satisfactory evidence of insurance policies obtained pursuant to this Paragraph 3 and of Trustor's compliance with all the provisions of said policies.

4. Lawsuits. To appear in and defend, or otherwise take such action therein as the Beneficiary and Trustee or either of them may deem advisable with respect to, any action or proceeding affecting the security for the Loan in which Beneficiary or Trustee may appear.

5. Beneficiary Statement. To pay all charges for all court costs and expenses which Beneficiary may elect to advance in order to keep unimpaired, protect, and preserve the title thereto; and to pay for any statement provided for by law in effect at the date hereof regarding the obligations secured hereby, any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

6. Condemnation. That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not then in material default hereunder (or such default will be cured with the proceeds from the foregoing), and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is then in material default hereunder (and such default will not be cured with the proceeds of the foregoing), (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Notes, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Loan Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7. Permitted Acts of Beneficiary. That without affecting the liability of any person, including Trustor (other than any person released pursuant hereto), for the payment of any indebtedness secured hereby, Beneficiary is authorized and empowered as follows: Beneficiary may at any time, and from time to time, either before or after the maturity of the obligations secured hereby, and without notice (a) release any person liable for the payment of any of the indebtedness, (b) make any agreement extending the time or otherwise altering the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, or (d) release any property, real or personal, securing the indebtedness.

8. Reconveyance of Property. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Notes to Trustee for cancellation and retention, and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of

any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall thereafter bear interest at the Default Rate of interest per annum set forth in the Notes until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Notes and all documents evidencing expenditures secured hereby.

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

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Notes, not then repaid, with accrued interest at the Deferral Rate; second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

10. Substitute Trustees. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the Office of the Recorder of the County of Los Angeles, and by otherwise complying with the provisions of California Civil Code Section 2934a, or any successor section, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, right, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed of Trust is recorded and the name and address of the new Trustee.

11. Successors Bound. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, assigns, trustees and receivers. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

12. Evidence of Title. That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the Deferral Rate. Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

13. Default in Other Instruments; Bankruptcy. That default in the terms of any other instrument securing the debt secured hereby, and/or the filing or other commencement of any bankruptcy or insolvency proceedings including any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate, by, for or against Trustor shall after any applicable notice and cure period constitute default under this Deed of Trust.

14. Statute of Limitations. That the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived by the Trustor, to the full extent permissible by law.

15. Severability. That the invalidity of any one or more covenants, phrases, clauses, sentences, paragraphs or sections of this Deed of Trust shall not affect the remaining portions of this Deed of Trust or any part hereof and this Deed of Trust shall be constructed as if such invalid covenants, phrases, sentences, paragraphs or sections, if any, had not been inserted herein.

16. Order of Application. That if the indebtedness secured hereby is now or hereafter becomes further secured by a security agreement, deed of trust, pledge, contract of guaranty or other additional securities, Beneficiary may to the full extent allowed by law, at its option, exhaust any one or more of said securities as well as the security hereunder, either concurrently or independently and in such order as it may determine, and may apply the proceeds received upon the indebtedness secured hereby without affecting the status of, or waiving any right to exhaust all or any other security including the security thereunder and without waiving any breach or default in any right or power, whether exercised hereunder or contained herein, or in any such other security.

17. Covenants of Trustor.

(a) Audit by State and Federal Agencies. In the event the Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, Trustor shall comply with such inspections and pay, on behalf of itself and Beneficiary, the full amount of the cost to the inspecting agency of such inspections (unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Beneficiary).

(b) Program Evaluation and Review. Trustor shall allow Beneficiary's authorized personnel to inspect and monitor its facilities and program operations as they relate to the Project or the Loan Agreement, including the interview of Trustor's staff, tenants, and other program participants, as reasonably required by Beneficiary during the term of the Loan.

18. Default. The Trustor shall be in default under this Deed of Trust upon any of the following events which, if not cured within the applicable cure period provided, if any, shall constitute an event of default hereunder ("Event of Default"):

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Notes, the Loan Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days after the date such payment is due. Notwithstanding anything herein to the contrary, the herein described cure period shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Notes;

b. The failure of Trustor to perform any nonmonetary covenant or obligation hereunder or under the terms of the Loan Agreement, the Notes or any other documents executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) 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 nonmonetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor 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 18(c) through 18(h) below;

c. The material falsity of any representation or warranty made by Trustor under the terms of this Deed of Trust, the Notes, the Loan Agreement or any other document executed in connection therewith;

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition 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 without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, 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 Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

f. Trustor shall suffer or attempt to effect a "Transfer" (as defined in Section 33 below) other than in full compliance with the terms of this Deed of Trust (or otherwise in violation of Section 14 or 30 of the Loan Agreement);

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Loan Agreement), the Supportive Services Agreement (as defined in, and if applicable under, Section 7 of the Loan

Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured or waived within the cure period, if any, applicable thereto under the terms of the obligation which is in default; or

h. Following completion of the construction of the Project, voluntary cessation of the operation of the Project for a continuous period of more than thirty (30) days or the involuntary cessation of the operation of the Project in accordance with this Deed of Trust for a continuous period of more than sixty (60) days.

19. Acceleration. The entire principal and all accrued and unpaid interest on the Notes shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Notes, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof (except in the case of default described in Section 18 (c) or (d) , in which case no notice shall be required), become immediately due and payable upon any Event of Default as set forth in the Notes, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

20. Breach by Trustor, Cure by Beneficiary or Trustee. In the event of Trustor's failure to comply with any or all of the promises and agreements set forth in this Deed of Trust or to make any payment or to do any act as provided in this Deed of Trust, then Beneficiary or Trustee, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may make or do the same in such manner and to such extent as either in its sole judgment may deem necessary to protect the security hereof (including, without limitation, to procure insurance and pay the premiums therefor; to pay unpaid water rents, sewer service charges, and other governmental or municipal charges and rates, and all or any part of the unpaid taxes, assessments, and reassessments, if in its judgment the same are just and valid; to pay the cost of appraisals, reappraisals, and extensions of title; to enter or have its agents enter upon the Property whenever reasonably necessary for the purpose of inspecting the Property or making repairs or installations as it deems necessary to preserve the Property or to protect the same from vandalism, without thereby becoming liable as a trespasser or mortgagee or beneficiary in possession, and to pay for such repairs and installations). Beneficiary and Trustee are hereby authorized to enter upon the Property for such purposes; to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; to pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, to pay necessary expenses, employ counsel of its choice and pay the reasonable fees of such counsel. Trustor agrees to pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from the date of expenditure at the amount allowed by law in effect at the date hereof, and that Beneficiary shall have a lien upon the Property for the sums so expended and such interest thereon.

21. Security Agreement. That all property covered by this Deed of Trust be deemed to constitute real property or interests in real property to the maximum extent permitted under applicable law. To the extent that any tangible property, equipment or other property covered by this Deed of Trust constitutes personal property, such personal property shall constitute additional security. This Deed of Trust shall create in Beneficiary a security interest in such personal property and shall in respect thereof constitute a security agreement (the "Security Agreement"). Beneficiary shall be entitled to all of the rights and remedies in respect of any personal property included in the Property covered by this Deed of Trust afforded a secured party under the Uniform

Commercial Code and other applicable law. At Beneficiary's request Trustor will at any time and from time to time furnish Beneficiary for filing financing statements signed by Trustor in form satisfactory to Beneficiary. Trustor acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

22. Assumption of Liability. Except as provided in Section 33 , the assumption of liability for the payment of the indebtedness hereby secured, by any successor in interest to Trustor in the Property (in the event Beneficiary elects not to accelerate the repayment of the Loan pursuant to any transfer or disposition of the Property by operation of law or otherwise) shall not release Trustor from any liability Trustor has hereunder or under the other Loan Documents for the payment of such indebtedness or any sums advanced under and secured by this Deed of Trust. Any forbearance or indulgence of Beneficiary, or extensions of time for the payment of all or any part of the indebtedness secured hereby, or the release of a part of the Property from the lien of this Deed of Trust, for, or without, payment of a consideration, shall not in any manner diminish or reduce the liability of Trustor (subject to the nonrecourse provisions of Section 27) for the payment of the indebtedness now or hereafter secured hereby; and that any payments made upon the said indebtedness shall be deemed to have been made on behalf and for the benefit of all parties obligated to pay the same. The acceptance of payments in excess of the installments provided to be paid upon the Notes or the consideration paid for any such release shall not alter or diminish the obligation of Trustor to thereafter make payments in the amounts and on the dates provided therein, until the same are fully paid.

23. Future Advances. That upon the request of the Trustor or its successor in ownership of the Property, Beneficiary may, at its option, at any time before full payment of the Notes secured hereby, make further advances to the Trustor or its successors in ownership, and the same, with interest and late charges as permitted by law, shall be secured by this Deed of Trust; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, the Trustor or its successors in ownership agree to execute and deliver to Beneficiary a note to evidence the same, payable on or before the maturity of the indebtedness under the Notes secured hereby and bearing such other terms as Beneficiary shall require.

Trustor further acknowledges and agrees: that this Deed of Trust is intended to, and shall, secure not only the original indebtedness under the Notes, but any and all future advances made by Beneficiary to Trustor; that this Deed of Trust shall secure any unpaid balances of advances made with respect to the Property; that Beneficiary shall have the benefit of all statutes now existing or henceforth enacted to assure repayment of any such future advances plus interest thereon; that to secure the payment of said original indebtedness and future advances Beneficiary shall also have a lien upon all other personal property and securities now or hereafter in its possession belonging to Trustor; that all rights, powers and remedies conferred upon Beneficiary herein are in addition to each and every other right which Beneficiary has hereunder; that all rights, powers and remedies conferred upon Beneficiary in equity or by law may be enforced concurrently therewith; that Beneficiary shall be subrogated to the rights and seniority of any prior lien paid or released by reason of the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

24. Captions. That the captions of the sections of this Deed of Trust are for convenience only and shall not be considered in resolving questions of interpretation or construction.

25. Estoppel Certificates. That Trustor shall from time to time at Beneficiary's request furnish Beneficiary or any person designated by Beneficiary, a certified statement in form reasonably satisfactory to Beneficiary confirming as of the date of the certificate the unpaid principal balance and accrued interest on the Notes and stating that Trustor is not in default hereunder (or describing any default), and stating that Trustor has no defense, right of set off or counterclaim in the payment of the indebtedness, or any part thereof, or the observance or performance of any obligation (or describing any such defense, set off or counterclaim). Any purchaser or assignee of the Notes or this Deed of Trust or any interest therein may rely on such certificate.

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary at no expense to Trustor or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

27. Obligation Nonrecourse. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Trustor in connection with the Loan, the Loan is a nonrecourse obligation of Trustor and in the event of the occurrence of an Event of Default, Beneficiary's only recourse under the Loan Documents and this Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Beneficiary as security for repayment of the Loan.

28. Fixture Filing. This Deed of Trust is also a fixture filing with respect to the personal property which is or is to become fixtures on the Property, and is to be recorded in the real property records of Los Angeles County, California.

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compen-

sation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

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

31. Approvals. Except with respect to those matters set forth hereinabove providing for the Beneficiary's approval, consent or determination to be at the Beneficiary's "sole discretion" or "sole and absolute discretion," the Beneficiary hereby agrees to act reasonably with regard to any approval, consent, or other determination given by the Beneficiary hereunder. The Beneficiary agrees to give Trustor written notice of its approval or disapproval following submission of items to the Beneficiary for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any consent to a transfer under Section 33 of this Deed of Trust, and any other consent or approval by Beneficiary under this Deed of Trust or any of the other Loan Documents, may be given by Beneficiary's Executive Director without action of Beneficiary's governing board unless the Executive Director in his or her sole discretion elects to refer the matter to the board.

32. Good Faith and Fair Dealing. The Beneficiary and Trustor agree to perform all of their obligations and the actions required of each hereunder in good faith and in accordance with fair dealing.

33. Assignment of Interest.

a. Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property or the Project (excluding tenant leases pursuant to the terms of the Loan Agreement), (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. Notwithstanding the foregoing, Beneficiary consents to the events described in the last paragraph of Section 14.0 of the Loan Agreement without Trustor obtaining any further consent of Beneficiary. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Loan Agreement or this Deed of Trust.

Notwithstanding the foregoing, if the Project receives funding through an allocation of state and/or federal low income housing tax credits, COMMISSION hereby consents to the following transfers in furtherance of such financing: (i) syndication of limited partnership interests in Borrower to an equity investor and subsequent transfers of limited partner's interests; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to either of its general partners; and (iii) removal of any general partner of Borrower pursuant to the terms of the limited partnership agreement of Borrower, as it may be amended from time to time, provided that any replacement general partner is approved by COMMISSION, which approval shall not be

unreasonably withheld.

b. At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary 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 Trustor and the proposed transferee to the Beneficiary sufficient to establish and ensure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. From and after the effective date of any such Transfer, Trustor shall be released from its obligations under this Deed of Trust and the other Loan Documents accruing subsequent to such effective date.

c. Notwithstanding anything in this Deed of Trust to the contrary, Trustor agrees that it shall not be permitted to make any Transfer, whether or not the Beneficiary consent is required therefor and even if the Beneficiary has consented thereto, if there exists an Event of Default under this Deed of Trust at the time the Transfer Notice is tendered to the Beneficiary or at any time thereafter until such Transfer is to be effective.

d. The provisions of this Section 33 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Trustor under the terms set forth herein.

IN WITNESS WHEREOF, the undersigned have executed this Deed of Trust as of the date first above written.

TRUSTOR:

BY: HOMES FOR LIFE FOUNDATION, a California non-profit corporation

By: _____

Its: _____

By: _____

Its: _____

BENEFICIARY:

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic

By: _____
Carlos, Jackson, Executive Director

APPROVED AS TO FORM:
RAYMOND G. FORTNER
County Counsel

By: _____
Deputy

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

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

WITNESS my hand and official seal.

_____
Signature

ATTACHMENT 1

LEGAL DESCRIPTION OF PROPERTY
(HOME - PROJECT NO. HE)

LEGAL DESCRIPTION OF THE SITE

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT and portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast ¼ of the Northeast ¼ and the South ½ of the Northeast ¼ of the Northeast ¼ of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk,

County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No.2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89°53'10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8'31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89°53'10" West, 957.00 feet to the **True point of beginning**, said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded Julyn21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08'31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89°53'10" West, 359.87, more or less, to the Easterly line of Tract 19426 South 0°03'43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53'10" East, 358.95 feet, more or less, to the **True point of beginning**.

COMMONLY KNOW AS: STATE METROPOLITAN HOSPITAL
11401 Bloomfield Avenue,
Old Administration Building
Norwalk, CA 90650

ASSESSOR PARCEL NO.: 8025-003-902

DESCRIPTION OF THE PROPERTY

The leasehold interest in the portion of the Site is in the property described as 14400 Norwalk Blvd., Building 303 of Metropolitan State Hospital in Norwalk, California (hereinafter described as the "Property"). The Borrower has a leasehold interest in the Site pursuant to a developmental building space lease dated October 10, 2002 (the "Lease") by and between the Borrower, as lessee, and the State of California, as lessor as shown on that certain Memorandum of Lease recorded_____, as Instrument No._____, Official Records of Los Angeles County..

EXHIBIT "E" TO LOAN AGREEMENT

CC&RS

(HOME - PROJECT NO. HE_____)

(Please See Attached)

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
2 Coral Circle
Monterey Park, CA 91755-7425
Attn.: Director of Housing
Development and Preservation

(Space Above Line for Recorder's use)

This Agreement is recorded at the request and for the benefit of the Community Development Commission of the County of Los Angeles and is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

COVENANTS, CONDITIONS, AND RESTRICTIONS

(HOME – PROJECT NO. HE_____)

THIS AGREEMENT CONTAINING COVENANTS, CONDITIONS, AND RESTRICTIONS ("Agreement") is executed as of the ___ day of _____, 200__ by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("CDC"), and HOMES FOR LIFE FOUNDATION, a California non-profit corporation ("Owner"), with reference to the following:

A. CDC and Owner are parties to a Loan Agreement ("Loan Agreement") dated as of the ___ day of _____, 200__, on the terms and conditions of which Owner shall borrow from CDC, and CDC shall lend to Owner, the original principal amounts of **One Million One Hundred Fifty Two Thousand Nine Hundred Fifteen Dollars ($1,152,915)** ((the "Loan") for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project").

B. Owner intends to use the Loan proceeds for the purpose of providing financing for the housing development described in the Loan Agreement (the "Project"). The Project will be developed on the leasehold interest in that certain site known as Building 303 Lease No.: L-1971 (**"Site"**) as depicted in Exhibit "A" to that certain Developmental Building Space Lease dated October 10, 2002 (**"Lease"**), lying over a portion of Metropolitan State Hospital ("**Hospital**") as legally described on Exhibit "A" to this Agreement. The Lease by and between Owner, as lessee, and the State of California, as lessor, and Amendment No. 1 to the Lease, dated April 30, 2003 (**"Amendment No. 1 to Lease"**) are attached hereto as Exhibit "E" to this Agreement. Owner's leasehold interest in the Site and the Project are hereinafter referred to collectively as the "Property." Owner shall be the owner of the Project and all other improvements to be developed on the Property in accordance with the terms of the Lease.

C. 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) Use of the Property.

a. Limitations on Tenants. Notwithstanding anything to the contrary in this Agreement, Borrower hereby covenants on behalf of itself, and its successors and assigns, which covenants shall run with the leasehold and bind every successor and assign in interest of Borrower, that, throughout the 55-year term of the CC&Rs, Borrower and such successors and assigns shall use the Site solely for the purpose of operating the Project as a residential development with the number of dwelling units and, with respect to the designated units to be assisted as consideration for the Loan ("**HOME Assisted Units**"), the tenant income levels, to be as specified in the Loan Agreement and in the following table:

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
35% Income						
40% Income						
45% Income						
50% Income	14					14
Manager		1				1
Totals	14	1				15

All HOME-Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very Low-Income Households," "Forty-Five Percent Income Households," "Forty Percent Income Households," and "Thirty-Five Percent Income Households" as specified in the Transaction Summary above, in the CC&Rs and hereinafter defined (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). HOME-Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units, if any, which are not HOME-Assisted Units. Subject to the reasonable approval of COMMISSION's Executive Director (or his designee) the location of the HOME-Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 10.1 shall remain in effect throughout the 55-year term of the CC&Rs, notwithstanding the earlier repayment of the Loan by Borrower.

"Very Low-Income Households" shall mean persons and families whose gross annual household incomes do not exceed fifty (50%) of Area Median Income, adjusted for family size, as defined by the United States Department of Housing and Urban Development (HUD).

"Forty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty-five percent (45%) of Area Median Income, adjusted for family size, as defined by HUD.

"Forty Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed forty percent (40%) of Area Median Income, adjusted for family

size, as defined by HUD.

"Thirty-Five Percent Income Households" shall mean persons and families whose gross annual household incomes do not exceed thirty-five percent (35%) of Area Median Income, adjusted for family size, as defined by HUD.

"Affordable Housing Cost" shall mean, as to each Eligible Household, a rental rate which results in monthly payments which, including a reasonable utility allowance, do not exceed:

(i) for an Eligible Household within a Very Low-Income Household, the lesser of the product of thirty percent (30%) times fifty percent (50%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(ii) for an Eligible Household within a Forty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times forty-five percent (45%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD;

(iii) for an Eligible Household within a Forty Percent Income Household, the lesser of the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD; and

(iv) for an Eligible Household within a Thirty-Five Percent Income Household, the lesser of the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit, or the Low HOME Rent established by HUD.

"Area Median Income" shall mean the median income for Los Angeles/Long Beach Metropolitan Statistical Area, adjusted for family size, as periodically adjusted by HUD, or any successor entity designated under state law as responsible for establishing such "Area MedianIncome."

Owner shall specifically provide in each Assisted Unit lease and shall strictly enforce the requirement that each Assisted Unit be occupied at all times by the eligible household who has leased that Assisted Unit, and that any other occupant of the unit be another qualified member of the lessee's household. CDC shall be identified as a third party beneficiary of that covenant and shall have the right to directly enforce that restriction in the event Owner fails to do so. Prior to execution of any Assisted Unit lease with respect to the Project, Owner shall submit to CDC and obtain its written approval of a standard form occupancy lease and Owner shall thereafter use the approved form for all leases of Assisted Units in the Project, with only such further modifications thereto as are first submitted to and approved in writing by CDC.

The covenants described in this Agreement shall remain in effect through the 55-year Term of this Agreement, notwithstanding the earlier repayment of the Loan by Owner.

b. Tenant Selection Process; Reports and Records Concerning Tenancies. Owner shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by CDC to monitor compliance with the tenanting requirements described in Paragraph (1)a above, including without limitation the requirement that Owner deliver reports to CDC commencing at the close of the first full calendar year following the date of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Owner shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by CDC to certify such tenant's qualification for occupancy of the Project. Owner's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in this Paragraph (1).

c. Owner shall provide, in accordance with the Supportive Services Agreement or description of services attached to this Agreement as Exhibit "I", certain supportive services for residents of the Project, as described in the Exhibit "I" throughout the Term of this Agreement.

(2) Management of Project. Subject to the terms and conditions contained hereinbelow, Owner shall at all times during the operation of the Project pursuant to this Agreement retain an entity to perform the management and/or supervisory functions ("Manager") with respect to the operation of the Project, including day-to-day administration, maintenance and repair. Owner shall, before execution or any subsequent amendment or replacement thereof, submit and obtain CDC's written approval (which shall not be unreasonably withheld, conditioned or delayed) of a management contract ("Management Contract") entered into between Owner and an entity ("Management Entity") reasonably acceptable to CDC. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of CDC. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Owner and CDC. Owner shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding 60 days from Management Entity's receipt of notice of the failure from Owner or CDC. Owner's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Paragraph (1) of this Agreement.

(3) Operations and Maintenance. Owner hereby covenants on behalf of itself, and its successors and assigns, which covenant shall run with the leasehold and bind every successor and assign in interest of Owner, that Owner and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project and ancillary improvements thereon, in accordance with and of the quality prescribed by this Agreement, the Loan Agreement and the Deed of Trust (as defined in the Loan Agreement).

Owner covenants and agrees for itself, its successors and assigns, which covenants shall run with the land and bind every successor or assign in interest of Owner, that during development of the Site pursuant to this Agreement and thereafter, neither the Site nor 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 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 Site or the Project, or any portion thereof.

As used herein, "Applicable 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 laws specified in the Loan Agreement; fair housing laws; prevailing wage laws (e.g., Cal. Labor Code 1720 et seq., and the federal Davis Bacon Act (46 U.S.C. 276a)), and any other applicable federal, state and local laws. Owner shall indemnify, defend and hold CDC harmless for any suit, cost, attorneys' fees, claim, administrative proceeding, damage, award, fine, penalty or liability arising out of Borrower's failure to comply with any Applicable Governmental Restrictions, including, without limitation, the nonpayment of any prevailing wages required to be paid, failure to maintain wage records, failure to post prevailing wage schedules, or other acts or omissions, regardless of whether they are the responsibility of the contractor or the party awarding the contract.

Owner shall, at its expense, (i) maintain all improvements and landscaping on the Site 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 CDC in accordance with the Loan Agreement and all Applicable 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 living environment for Project residents.

(4) Performance of Maintenance.

a. Owner shall maintain in accordance with CDC Standards, as hereinafter defined, the private improvements, public improvements and landscaping to the curbline(s) on and abutting the Site. 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 Site and any and all other improvements on the Site and in the public right-of-way to the nearest curbline(s) abutting the Site.

b. To accomplish the maintenance, Owner shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Agreement.

c. CDC Standards: The following standards ("CDC Standards") shall be complied with by Owner and its maintenance staff, contractors or subcontractors

(i) Ordinary Maintenance Standards - Owner shall maintain the dwelling units and Site in good repair, order and condition at all times in order to assure that the housing on the Site 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. Owner shall perform any repairs or replacements necessary in order to maintain the Site in accordance with the Ordinary Maintenance Standards, set forth on Exhibit "B" and incorporated herein by this reference.

(ii) Annual Inspection Standards - Owner shall annually inspect the Site in accordance with the Annual Inspection Standards, set forth on Exhibit "C" and incorporated herein by this reference. The completed annual inspection will be documented and reported to CDC on an annual basis, and at the end of each year Owner shall submit to CDC a declaration certifying that the annual inspection, as set forth in Exhibit "C", was performed at the Site. Owner shall retain records of the inspection and make them available for review by CDC at the request of CDC.

(iii) Preventative Maintenance Standards - Owner shall annually inspect the Site in accordance with the Preventative Maintenance Standards, set forth on Exhibit "D" and incorporated herein by this reference. The completed preventative maintenance work will be documented and reported to CDC on an annual basis, and at the end of each year Owner shall submit to CDC a declaration certifying that the preventative maintenance, as set forth in Exhibit "D", was performed at the Site. Owner shall retain records of the inspection and make them available for review by CDC at the request of CDC.

(iv) Extraordinary Maintenance. Owner shall perform any extraordinary repairs or replacements necessary in order to maintain the Site, 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.

(v) CDC may enter and inspect the premises at any time after notifying Owner 72 hours prior to the planned inspection, and said notice shall be delivered to Owner at the address indicated in paragraph 16(e) below.

(5) Failure to Maintain Improvements. In the event Owner does not maintain the Site improvements to the curbline(s) in the manner set forth herein and in accordance with CDC Standards, CDC 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 CDC 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 CDC shall have the right to maintain such improvements. Owner agrees to pay CDC, upon demand, charges and costs incurred by CDC in connection with such maintenance. Until so paid, CDC shall have a lien on the Site for the amount of such maintenance charges and costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Upon recordation of a Notice of a Claim of Lien against the Site, such lien shall constitute a lien on the fee estate in and to the Site 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. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Owner in the Site or any portion thereof and to any easement affecting the Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of CDC created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, or record, to such lien. No lien in favor of CDC created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Site free of any lien imposed herein by CDC that has accrued up to the time of the foreclosure sale, and upon taking title to the Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Site. If the Site is ever legally divided with the written approval of CDC and fee title to various portions of the Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in the Agreement and the charges levied by CDC to reimburse CDC for the cost of undertaking such maintenance obligations of Owner and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Site under different ownerships proportionate to the square footage of the land contained in the respective portions of the Site owned by them. Upon apportionment, no separate owner of a portion of the Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Site owned in fee by the owner who is liable for the apportioned lien and against no other portion of the Site. Owner acknowledges and agrees CDC 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.

(6) [Reserved.]

(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, color, creed, religion, sex, marital status, national origin, or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site, 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 Site 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 Site or any portion thereof on the basis of race, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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, color, creed, religion, sex, marital status, national origin, or ancestry, 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."

Nothing in this Paragraph shall be construed or understood to limit, restrict or in any way waive the income requirements described in this Agreement.

(8) Covenants Run With the Leasehold Duration of Covenants. The covenants and agreements established in this Agreement shall be covenants running with the leasehold and and shall, without regard to technical classification and designation, be binding on Owner and any successor-in-interest to Owner's interest in the Site, or any part thereof, for the benefit of and in favor of CDC and its successors and assigns. The covenants of this Agreement shall remain in effect through the Term, notwithstanding the repayment of the Loan by Owner prior to the Maturity Date. The covenants contained in Paragraph 7 of this Agreement shall remain in effect in perpetuity.

The Improvements to the curbline(s) and the maintenance thereof touch and concern the Site and inure to the benefit of any and all present or successive owners of the Site. 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 and occupants of the Site, 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 Leasehold. CDC shall cause a fully executed copy of this Agreement to be recorded in the Office of the Los Angeles County Recorder. Notwithstanding the foregoing, in the event Owner or its successors or assigns shall convey its fee interest in all or any portion of the Site, the conveying owner shall be free from and after the date of recording such conveyance of all liabilities, respecting the performance of the restrictions, covenants or conditions contained in this Agreement thereafter to be performed with respect to the Site, or any part thereof, it being intended that the restrictions, covenants and conditions shall be binding upon the record owners of the Site only during such time as that person is the owner of the Site, provided that the conveying owner shall remain liable for any actions prior to the date of the conveyance.

(9) Enforcement. In amplification and not in restriction of the provisions set forth hereinabove, it is intended and agreed that CDC shall be deemed the beneficiary of the terms and provisions of this Agreement and of the restrictions and covenants running with the leasehold 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 leasehold and 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 CDC 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 CDC is for the benefit of the real property owned by CDC in the area surrounding the Site. The covenants herein running with the land shall also be equitable servitudes upon the Site and each part thereof and shall bind each and every person having any interest in the Site 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 Site or part thereof. CDC 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 CDC, the covenants and restrictions contained in this Agreement shall not benefit or be enforceable by any owner of any other real property or any person or entity having any interest in any such other real property.

(10) Compliance with Law. Owner shall comply with all Applicable Governmental Restrictions (as defined in Section (3) above) relating to the uses of or condition of the Site, including but not limited to private improvements and public improvements to the curbline(s).

(11) Indemnification and Insurance. From and after the execution of this Agreement, Owner hereby agrees to indemnify and hold harmless CDC and all its members, directors, agents, officers and employees ("CDC Representatives"), and each of them, from and against all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to CDC, and claims ("Losses and Liabilities") related directly or indirectly to, or arising out of or in connection with (i) any breach or default by Owner hereunder, (ii) any of Owner's activities on the Site (or the activities of Owner's agents, employees, lessees, representatives, licensees, guests, invitees, contractors, subcontractors or independent contractors on the Site), including without limitation the construction of any improvements on the Site or the use or condition of any such improvements, or (iii) any other fact, circumstance or event related to Owner's performance hereunder; provided, however, that the foregoing indemnity shall not extend to any Losses and Liabilities to the extent resulting from the negligence or misconduct of the CDC and/or any CDC Representatives.

Without limiting Owner's indemnification of the CDC as set forth above, upon Owner obtaining record title to the Site, Owner shall provide and maintain at its sole cost and expense for the periods stated below, the following insurance program from insurers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide:

a. Comprehensive liability insurance, including coverage for personal injury, death, property damage and contractual liability, with a combined single limit of a least one million dollars ($1,000,000) for each occurrence ($2,000,000 General Aggregate), including products and completed operations coverage. CDC and all CDC Representatives shall be carried as additional insureds with respect to liability arising from activities performed by or on behalf of Owner, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to CDC. Said insurance shall be maintained continuously for as long as Owner shall own the Site, and shall be endorsed to require thirty (30) days prior written notice from insurer to CDC before cancellation or reduction in coverage. Owner shall require its contractor to include CDC and the CDC Representatives as additional insureds on all general liability insurance covering work at the Site. The policy shall contain a waiver of subrogation for the benefit of CDC.

b. "All Risk" ISO Special Form property insurance. Coverage shall include debris removal and shall provide protection for earthquake and flood if this protection is available from responsible carriers at reasonable costs. CDC shall be the loss payee under the aforementioned policy (ies) under a standard lender's loss payable endorsement. The amount of property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property, and the insurer shall waive any coinsurance via an "agreement" endorsement.

c. Worker's Compensation insurance as required by the Labor Code of the State of California and Employer Liability limits of $1,000,000 per accident.

d. Automobile Liability insurance with a combined single limit of at least One Million Dollars ($1,000,000) per accident for bodily injury and property damage, covering owned, nonowned and hired vehicles.

Owner shall annually (or more frequently in the event of a change of insurer or policy) deliver to CDC certificates of insurance with original endorsements evidencing the coverage required by this Agreement. The certificates and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. CDC reserves the right to require complete certified copies of all policies at any time.

Said insurance may provide for such deductibles or self-insured retention as may be reasonably acceptable to CDC. In the event such insurance does provide for deductibles or self insurance, Owner agrees that it will protect CDC and CDC Representatives in the same manner as these interests would have been protected had full commercial insurance been in effect. If required by CDC from time to time, Owner shall reasonably increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to those on the Site.

Failure on the part of Owner to procure or maintain required insurance shall constitute a material breach of this Agreement under which CDC may, at the discretion of CDC, procure or renew such insurance and pay any and all reasonable premiums in connection therewith, and all monies so paid by CDC shall be repaid by Owner to CDC upon demand.

(12) Bodily Injury and Site Damage Insurance Requirements. Owner shall indemnify, defend, assume all responsibility for and hold CDC and its officers, employees, and agents 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.

Owner shall furnish a certificate of insurance and endorsement countersigned by an authorized agent of the insurance carrier on a form of the insurance carrier setting forth the general provisions of the insurance coverage. This countersigned certificate and endorsement shall name CDC, and if available, its officers, agents, and employees, as additional insureds under the policy. The certificate by the insurance carrier shall contain a statement of obligations on the part of the carrier to notify CDC of any material change, cancellation or termination. Coverage provided hereunder by Owner shall be primary insurance and not contributing with any insurance maintained by CDC, and the policy shall contain such an endorsement. The insurance policy or the certificate of insurance shall contain a waiver of subrogation for the benefit of CDC.

(13) 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 in accordance with Paragraph (16)e hereof. The defaulting party shall no longer be in default if the defaulting party cures such default within thirty (30) days after receiving the Default Notice; provided, however, that if such default cannot be reasonably cured within such thirty (30) day period, the defaulting party shall be given such longer period as reasonably necessary (which in the case of a default by Owner shall be as reasonably determined by CDC) and the defaulting party shall no longer be in default if it commences to cure such default within such thirty (30) day period and completes such cure with reasonable and due diligence.

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 CDC or Owner may have at law or at equity.

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

(15) 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.

(16) 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 recording in the Office of Los Angeles County Recorder.

e. Notices. Formal notices, demands, and communications between CDC 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 CDC or Owner, as follows:

If to CDC:	Community Development Commission of the County of Los Angeles Two Coral Circle Monterey Park, California 91755-7425 Attn: Executive Director
With a copy to:	Community Development Commission of the County of Los Angeles Two Coral Circle Monterey Park, California 91755-7425 Attn: Director of Housing Development and Preservation
If to Owner:	Homes for Life Foundation 8939 S. Sepulveda Boulevard, Suite 460 Los Angeles, CA 90045

With a copy to:

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, and one (1) 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.

IN WITNESS WHEREOF, CDC 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.

CDC:

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic

By:_____
Carlos Jackson
Executive Director

APPROVED AS TO FORM:

The Office of the County Counsel

By: _____
Deputy

OWNER:

BY: HOMES FOR LIFE FOUNDATION,
a California non-profit corporation,

By:_____
Name:_____
Title:_____

BY: _____
_____
_____

By:_____
Name:_____
Title:_____

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, 200__, 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 _____, 200__, 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 _____, 200__, 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 SITE

LEGAL DESCRIPTION OF THE SITE

Parcel 1:

The North nineteen and fifty-five hundredths (19.55) acres of the Southwest quarter of Section Seven (7), Township Three (3) South, Range Eleven (11) West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California, EXCEPT the East thirty (30) feet included in County Road.

Parcel 2:

The North half of the North 20 acres of a tract of land composed of the South half of the Southwest quarter of Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT and portion thereof included in roads.

Parcel 3:

The South half of the North 20 acres of a tract of land composed of South half of the Southwest quarter of the Northeast quarter and the North half of the Northwest quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

EXCEPT any portion thereof included in roads.

Parcel 4:

The Southeast ¼ of the Northeast ¼ and the South ½ of the Northeast ¼ of the Northeast ¼ of Section 7, Township 3 South, Range 11 West, San Bernardino Base and Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk, County of Los Angeles, State of California.

Parcel 5:

The Northeast quarter of the Southeast quarter and the Southeast quarter of the Southeast quarter of Section 7, Township 3 South, Range 11 West, San Bernardino Meridian, in the Rancho Santa Gertrudes, in the City of Norwalk,

County of Los Angeles, State of California, as per map recorded in Book 32 Page 18 of Miscellaneous Records, in the office of the County Recorder of said County.

EXCEPT therefrom that portion described in the Quitclaim Deed recorded July 21, 1976 as Instrument No.2 Official Records in said County recorder's office, as follows:

Beginning at the Southeast corner of said Section 7, said section corner also being the point of intersection of the center line of Imperial Highway and Bloomfield Avenue; thence along South line of said Section 7, being the centerline of said Imperial Highway, North 89°53'10" East, 957.00 feet to said center line of Bloomfield Avenue, said last mentioned center line also being the line dividing Section 7 and 8; thence along said last mentioned center line and the section line, South 0 8'31" West to the point of beginning.

ALSO EXCEPT therefrom that portion described in the quitclaim Deed recorded November 13, 1980 as Instrument No. 80-1143560, said Official Records as follows:

COMMENCING at the Southeast corner of said Section 7, said Section corner being the point of intersection of the center line of Imperial Highway and Bloomfield; thence along the South line of said Section 7, being also the center line of said Imperial Highway, North 89°53'10" West, 957.00 feet to the **True point of beginning,** said point of beginning being also the Southwesterly corner of that certain parcel of land described in Quitclaim Deed from the State of California to the International Business Machines Corporation recorded Julyn21, 1976, in Book D7170 Page 291 of Official Records of said County; thence along the Westerly boundary of said certain Parcel N 0° 08'31" East, 657.00 feet to the Northeasterly corner thereof; thence along the Westerly prolongation of the Northerly line of said certain Parcel N 89°53'10" West, 359.87, more or less, to the Easterly line of Tract 19426 South 0°03'43" West 657.00 feet to the Southerly line of said Section 7; thence along the Southerly line of said Section 7, South 89° 53'10" East, 358.95 feet, more or less, to the **True point of beginning**.

COMMONLY KNOW AS: STATE METROPOLITAN HOSPITAL
11401 Bloomfield Avenue,
Old Administration Building
Norwalk, CA 90650

ASSESSOR PARCEL NO.: 8025-003-902

DESCRIPTION OF THE PROPERTY

The leasehold interest in the portion of the Site is in the property described as 14400 Norwalk Blvd., Building 303 of Metropolitan State Hospital in Norwalk, California (hereinafter described as the "Property"). The Borrower has a leasehold interest in the Site pursuant to a developmental building space lease dated October 10, 2002 (the "Lease") by and between the Borrower, as lessee, and the State of California, as lessor as shown on that certain Memorandum of Lease recorded_____, as Instrument No._____, Official Records of Los Angeles County..

EXHIBIT "B" TO CC&Rs

Community Development Commission of the County of Los Angeles
ORDINARY MAINTENANCE AND REPAIRS

Ordinary maintenance is the routine work of keeping the buildings, grounds, and equipment in such condition that they may be utilized continually at their original or designed capacities and efficiencies for their intended purposes. Minor repair is the restoration of the facility to a condition substantially equivalent to its original capacity. Minor replacement is the substitution of component parts of equipment to extend its useful life.

In order to assure that the housing on the Site is kept in a decent, safe, and sanitary condition, the buildings, grounds, and equipment are to be maintained in a manner that will preserve their condition. "Grounds" includes lawns, roads, walks and other paved areas, trees and plants, fences, play areas, drainage facilities, etc. "Buildings" includes roofs, attic spaces, gutters and downspouts, walls, porches, foundations, crawl spaces, windows, floors, doors, etc. "Equipment" covers all items such as utility lines and piping, heating and plumbing equipment, pumps and tanks, ranges and refrigerators, tools, etc.

Set forth below are the standards for the degree of maintenance, repair and cleaning necessary to qualify as "safe, decent and sanitary." The Standards describe the minimum level of cosmetic repair and degree of cleanliness necessary to effectively market the dwelling units and to satisfy the needs of prospective residents. In brief, rental units are to be free of all defects (as described herein) and have an appealing and desirable appearance.

EXTERIOR PROPERTY AREAS

A. Sanitation. Yards shall be clean and sanitary. All rubbish, garbage, trash, litter, debris, and abandoned personal property are to be removed from the grass, walks, steps, parking areas, and other grounds, as well as the roofs, gutters and window wells.

B. Lawn Maintenance. Grounds shall be examined for proper drainage and, if necessary, graded to prevent the accumulation of stagnant water and to prevent water from seeping into building structures. All soil areas shall be sodded or seeded, as necessary, to prevent erosion, except garden areas at scattered sites. Weeds, saplings and uncut grass along the foundations of the house and garage, the fences, the walks, the parking areas, the sidewalk expansion joints and the window wells are to be removed. All grounds are to be free of noxious weeds. Bushes, hedges and trees are to be trimmed, if necessary. Grass shall be cut as often as necessary so that it does not exceed five (5) inches in height. The yard will be raked, as necessary.

C. Walks and Steps. Cracks and Breakage. All front walks, sidewalks, rear walks, steps, driveways and parking pads shall be maintained in such a manner that there are no cracks or heaves large enough to create a safety hazard. Remove chipped and loose pieces of concrete and asphalt, as needed. Remove all graffiti.

EXTERIOR STRUCTURES -- DWELLING AND GARAGE

D. Foundation, Walls, and Roof. All exterior surfaces shall be maintained in good repair. They shall be free of holes, significant cracks, breaks and loose materials to provide a sufficient covering for the underlying structural surface and prevent any moisture from entering the dwelling. If the protective surface is paint, and if more than 25% of the area is blistered, cracked, flaked, scaled, or chalked away, it shall be repainted, weather permitting. All dirt, unsightly stains and graffiti are to be removed. Prime doors shall open and close smoothly. Each prime door shall have a properly working dead bolt lock with a newly changed cylinder.

E. Screens. Every window shall have a screen which fits tightly and securely to the frame. Each screen shall be free of holes large enough for insects to penetrate or tears longer than 1".

F. Gutters and Downspouts. If the structure has gutters and downspouts, they are to be secured to the structure and free of leaves and other debris.

G. Garage. Overhead and service doors are to open and close smoothly and lock. Remove all loose contents from the interior. Wipe up surface oil drippings and spills. Broom sweep the floor.

H. Faucets. Faucets and handles shall work properly.

I. Miscellaneous. Mailboxes, guardrails, railings, exterior lights, fences and clothes line poles shall be properly anchored. Doorbells shall operate properly.

J. Wall Graffiti. Wall graffiti and other unsightly markings on exterior walls are to be removed daily. If the graffiti is offensive in nature (profanity, gang slogans, etc.) it will be removed immediately.

Those deficiencies that are discovered during the winter that require warm weather to properly correct are to be noted for summer repair.

INTERIOR PROPERTY AREAS

K. Walls and Ceilings. All holes over one inch in diameter are to be filled. All cracks are to be filled or taped and plastered. All holes of one inch in diameter or less are to be filled if they are present in sufficient number to give the surface an undesirable appearance. All patches are to be sanded smooth. All wet plaster shall be neatly primed. In cases of extensive repair, the entire wall shall be primed.

L. Doors, Hardware, Room Trim, and Handrails. All surfaces shall be clean and free of splashed or spilled paint. Doors shall open, close and latch smoothly and properly. Door stops shall be installed for each door and be clean and intact. Handrails shall be secure.

M. Floors, Stairs, Baseboards, and Corners. Remove all rubbish, garbage, trash, litter, debris and abandoned personal property. All surfaces shall be swept or vacuumed.

Carpet, if installed, shall be vacuumed, and, if it smells badly, has paint spills, or is dirty or stained, shall be shampooed.

N. Window Areas. Tracks shall be free from dust, dirt and debris and lubricated so that windows slide smoothly and close tightly. Frames and sills shall be free of dust, dirt and mold. Curtain rods are to be securely installed over each window opening unless drapery rods are already in place. New, or "like new", window shades are to be installed over each bedroom window and non-opaque bathroom window. Dispose of and replace drapes and curtains in poor condition or that are dirty. Window panes shall be intact, i.e., without holes, chips, missing pieces or cracks, except for short corner cracks. Reputty the windows, if necessary. Window locks and other hardware shall function properly.

O. Electrical Fixtures, Outlets, Switch Plates, and Outlet Plates. Each light fixture socket shall have a working light bulb. Each light fixture in the living areas shall have a clean globe, lens or shade. Test each switch, socket, and outlet and repair, if necessary. Light switch cover plates and electrical outlet cover plates shall be clean, i.e., free of dirt, grease, grime and paint, and shall be in good condition and intact, i.e., free of chips and cracks.

P. Plumbing Fixtures.

i. Faucets shall have adequate water flow. Handles shall turn "on" and "off" easily and smoothly. Faucets shall not leak when "on" or "off." Each faucet shall have a properly installed and functioning aerator, if so designed.

ii. Drains shall be tested by a 30-second luke warm water run to assure no leakage. Water shall empty from the sinks and tubs quickly. The drain pipe shall look and feel dry. Each drain shall have a stopper or a basket.

iii. Sinks and tubs shall be free of surface cracks or chips over one inch in length.

iv. Toilets shall operate properly. Toilet seats and covers shall be in "like new" condition with no surface finish loss whatsoever.

v. Other plumbing and related fixtures, such as kitchen sprayers, shower doors, and water main shutoffs shall work properly.

Q. Cabinets. Kitchen, medicine and other storage cabinets doors and drawers shall open and close freely. The attendant hardware shall be clean, secure, and operate properly.

R. Stoves. All parts shall work properly. The exhaust fan filter shall be changed or washed, if applicable. Each oven shall have an appliance bulb, broiler drip pan and cover and two oven racks.

S. Heat Vents, Grilles, and Cold Air Return Grates. There shall be no broken or bent grille work. Grilles and grates shall be kept free of dirt, dust, grime and debris.

T. Thermostat and Smoke Detector. The thermostat and smoke detector shall be clean, intact, free of paint and tested to operate properly.

U. Basement. The ceiling, window openings, walls, pipes, ductwork, furnace and water heater are to be free of dirt, grease, spider webs and cobwebs. The floor shall be broom swept clean of loose dirt and litter. Windows and laundry tubs shall be washed if dirty. Laundry plumbing shall operate properly. Any basement bathroom interior and fixtures shall be kept clean. The furnace and water heater shall be tested to work properly, and furnace filter replaced as needed. Cap and close valve on unused gas lines. Seal dryer vent.

V. Attic. Accessible attics shall be free of litter.

W. Common Areas. The common areas and the entrances shall be inspected, repaired, and cleaned as necessary.

X. Pest Control. The Site shall be free of all insect vermin. Remove all insect vermin. Inspect for other vermin and exterminate, if necessary.

EXHIBIT "C" TO CC&Rs

Community Development Commission of the County of Los Angeles
ANNUAL INSPECTION STANDARDS

In order to ensure that all units are maintained in a safe, sanitary, decent condition, CDC shall conduct a planned annual physical inspection of each dwelling unit, every building, and all other facilities with a record of any item requiring repair or replacement. This will include such items as plaster repairs, painting, termite inspection, roof deterioration, overloading of electric circuits, corrosion control, floors, windows and screens, ranges, refrigerators, fixtures and equipment. The inspection shall be made to the following standard:

DWELLING UNIT -

FLOORS (CARPET): Clean; no tears; no readily noticed marks or stains.

FLOORS (VINYL TILE): Clean; unbroken; no cracks; no unmatched tiles.

WALLS (PAINTED): Clean; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

WALLS (CERAMIC TILE): Tiles in place, secure, uncracked, unmarked (and free of paint); grout intact, uncracked, clean; covering at floor intact, clean.

CEILINGS (SPACKLED): Clean, consistent texture; no marks; no surface breaks.

WINDOWS: Clean; glass unbroken, uncracked; frames secure; latches secure and easily operated; movable parts operate smoothly and easily; screens in place, untorn, movable parts operate smoothly and easily; weather stripping intact and secure.

DRAPES: In place; clean, uniform appearance; no holes, tears; operating mechanism in place, opens/closes smoothly and easily.

DOORS: Door and jambs intact and secure; surface unbroken and uniform, finished appearance; hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

CLOSET FIXTURES: Rods, shelves in place, clean, unbroken and unmarked.

ELECTRIC RECEPTACLES AND WALL SWITCHES: Fixtures and cover plates intact and unbroken; 110 volt service available; surfaces clean with no evidence of burns on the cover plates. Bathroom and kitchen receptacles protected by Ground Fault Interrupters.

LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

HEATING, AIR COOLING EQUIPMENT: Thermostat operating properly (room temperature within 5 degrees of setting); heating zone valve leak-free; base-board heating fixtures intact, clean.

VENTILATION FANS/HOODS: Fans and lights operable without excessive noise or vibration; filters in place, intact and clean.

KITCHEN CABINETS: Doors, drawers, shelves and hardware in place, clean, intact; surfaces of smooth, unbroken, uniform appearance; all movable parts operate smoothly and easily.

KITCHEN COUNTERTOPS: Surface smooth, unbroken, unmarked, uniform color.

KITCHEN RANGE: External and internal surfaces intact and clean (including under top cover); controls function smoothly and easily, surface burners, bake and broil elements ignite and maintain design performance; doors and drawers operate smoothly and easily.

GARBAGE DISPOSER: Clean, intact, working properly without excessive nose; splashguard in place, intact, firm.

SINKS: Faucets operate providing a sufficient flow of water (2 to 3 gallons/minute) and shut off free of drips; no evidence of water leakage on top of sink or at drain under sink; drains flow freely with no backup with faucets open fully; sink surface clean, unbroken with no marks or discoloration.

BATHTUB/SHOWER: Faucets operate providing a sufficient flow of water (3 to 5 gallons/minute) and shut off free of drips; drains flow freely with no backup with faucets open fully; tub surface clean, unbroken with no marks or discoloration; grout intact, clean and unbroken; hot water temperature between 105 and 120 degrees (110 degrees at the tap recommended).

MEDICINE CABINET: In place, intact, mounted securely; surface unbroken; mirror intact, clean, uncracked; shelves in place, clean, intact; door intact, operates smoothly and easily, closes securely.

BATHROOM SINK COUNTERTOP: Clean, intact; surfaces of smooth, unbroken, uniform appearance.

BATHROOM TOWEL BARS, GRAB BARS, SOAP DISH AND TOILET PAPER HOLDER: In place, clean, intact and secure.

TOILET: Intact, mounted securely; no evidence of leakage at the wax ring; no evidence of softness or spring in the toilet base; flushed properly draining all solid waste; after flush, tank refills quickly (20 to 30 seconds); no water leakage into the tank or into the bowl at completion of the flush cycle; seat secure, with clean unbroken surface.

PESTS, VERMIN: No evidence of presence/infestation.

SMOKE DETECTORS: Operate when tested with approved smoke-tester.

SAFETY EQUIPMENT: Fire extinguishers inspected and adequately charged.

INTERCOM AND REMOTE DOOR OPENER: Audible transmission and effective door latch operation.

COMMON AREAS, GROUNDS AND STRUCTURES -

LOBBY AND HALLWAY FLOORS (CARPET): Free of obstruction and litter; clean; no tears, marks, stains; carpet seams secure.

LOBBY AND HALLWAY FLOORS (VINYL TILE): Free of obstruction and litter; clean; unbroken; no cracks; no unmatched tiles.

WALLS AND CEILINGS (PAINTED): Clean; free of defacing; smooth, unbroken surface (no holes); no marks; no peeling paint; covering at floor intact, clean.

INTERIOR AND EXTERIOR LIGHT FIXTURES: Lamps, sockets, covers and control devices in place, intact, clean, secure, unbroken and operable.

DOORS: Door and frames intact and secure; surface unbroken and with uniform, finished appearance (free of defacing); hardware (hinges, knobs, locks) operate smoothly and easily; door stops in place, secure.

MAILBOXES: Clean; clearly labeled; individual boxes secure.

FIRE EXITS: Doors and exits smoothly and easily operable; signs clearly marked, visible secure and intact.

UNIT ENTRANCES: Unit number clearly identified; doors secure (see Unit Inspection Form).

TRASH ROOMS, MAINTENANCE SHOP AND STOREROOM AND UTILITY ROOMS: Clean, free of odors; doors in place and secure; stored items orderly.

FIRE ALARM SYSTEMS: Inspected by safety inspectors within specified frequency.

FIRE EXTINGUISHERS: In place; filled; inspected with specified frequency.

ELEVATORS: Odor-free; floors and walls of cab clean, free of defacing, smooth, unbroken surface (no holes), no marks; doors working properly; floor buttons working properly; floor number clearly marked and visible in each hallway at the elevator exit; ventilation fan operating quietly; emergency call system functioning as designed; equipment inspected and maintenance work performed on contract schedule.

DRIVEWAYS AND PARKING LOTS: Clean; litter and graffiti-free; free of obstructions (especially abandoned or inoperable vehicles); surface unbroken, free of oil stains; painted stripes clearly visible; handicapped parking signs clearly visible.

GROUNDS AND STRUCTURES

SIDEWALKS AND STAIRWELLS: Clean; litter and graffiti-free; free of obstructions; smooth, unbroken surface (free of tripping hazards).

UTILITY METERS: Intact, covers secure.

TRASH AREAS: Free of debris; containers and covers secure, free of graffiti, in good repair.

ROOFS: Surface unbroken; no sign of puddling; free of litter, foreign objects; flashing intact and sealed; stacks and vents free of obstruction; gutters and downspouts clean, clear and secure.

LAWNS: Grass trimmed to no more than 3" high; litter-free; borders edged; weed-free; no bare spots.

TREES AND SHRUBS: Trimmed and pruned in season; no obstruction of walkways or overhang.

EXHIBIT "D" TO CC&RS

Community Development Commission of the County of Los Angeles
PREVENTIVE MAINTENANCE STANDARDS

Preventive maintenance based on regular methodical inspections is the action taken to avoid or minimize the need for more costly measures at some future time. It is performed prior to actual breakdown thereby preventing costly replacements and, in the case of operating equipment, lengthy shutdown. Effective preventive maintenance reduces long-range operating costs and lessens the necessity for major restorations and improvements. Preventive maintenance shall include, but is not limited to, the following, and shall include all other items affecting the health and safety of the tenants (pursuant to California Health & Safety Code 17910 *et seq.*):

Scheduled checking, adjusting, cleaning, and lubricating heating equipment.

Periodic inspection of ranges, hot water heaters, and space heaters for mechanical performance and for needed replacement of worn or broken parts.

Inspecting, servicing, and replacing worn parts in electro-mechanical equipment.

Checking and repairing plumbing fixtures, toilet tanks, drains, condition of porcelain, etc.

Termite and vermin inspection and elimination, by a Commission licensed firm.

Periodic interior and exterior painting.

Inspecting and patching roofs, gutters, downspouts, and flashing.

Inspecting underground facilities for corrosion and control thereof.

Inspecting for condensation, dampness, and fungus in wood and for rust in iron components and taking appropriate corrective measures.

Patching paved surfaces and sealcoating, as needed.

Correcting erosion and drainage deficiencies.

Fertilizing and cultivating planted areas.

Installing protective barriers, where needed, for planted areas and trees.

Checking fire safety equipment for operable use.

Caulking around bathtubs, tiles, countertops, windows, and doors to avoid water damage. Administration and implementation of the preventive maintenance program shall be performed on the following schedule or a schedule approved by the Commission prior to implementation:

1.	Annual Dwelling Inspections and Corrections	1 year
2.	Heating Furnace Services:	
	Minor Inspections and Services	3 months
	Major Inspections and Services	2 years
3.	Fire Extinguisher and Alarm Inspections and Services	1 month
4.	Range Hood and Motor Inspections and Services	1 year
5.	Project Site Inspections and Corrections	1 year
6.	Roofing Inspections and Corrections	1 year
7.	Project Fencing Inspection	1 year
8.	Security Lighting Inspections and Services	1 year
9.	Trees and Shrubbery Inspections and Corrections	1 year
10.	Water Heater Inspections and Services	1 year
11.	Sewer Lift Station Inspections and Services	6 months
12.	Septic Tank Inspections and Services	1 year
13.	Street Pavement Inspections and Corrections	1 year
14.	Weather Stripping and Caulking	1 year
15.	Interior Painting of Units	5 years
16.	Exterior Painting of Units:	
	Wood siding and trim	3 years
	Brick walls, stucco walls and steel sash	5 years

EXHIBIT "E TO CC&RS

LEASE & AMENDMENT NO. 1 TO LEASE

EXHIBIT "F" TO LOAN AGREEMENT

SUBORDINATION AGREEMENT

(HOME - PROJECT NO. HE_____)

(NOT APPLICABLE)

EXHIBIT "G" TO LOAN AGREEMENT

PROJECT DESCRIPTION

(HOME - PROJECT NO. HE_____)

(Please See Attached)

Project Description

The proposed development is to rehabilitate and adapt for reuse the **existing** "Old Administration Building", located on the grounds of the Metropolitan State Hospital, to create fifteen-unit SRO housing facility for homeless adults with chronic mental illness.

The Old Administration Building is a two-story masonry and wood frame building constructed in 1920. The original structure was designed as an administration office. The entry foyer and open stair are located in the center of the building; a central hallway bisects the building creating four quadrants that were used for offices.

The exterior of the building is in good condition and has not been altered from the original plans. The building's general structural condition is sound. The structure is in good shape and suitable for continued use and upgrading. South of Old Administration Building is a large parking area that is currently not utilized by the Hospital. The building currently does not allow for disabled access. The building entry, at the south, adjacent to the parking area, provides ample space for the development of handicap access to the ground floor.

Fourteen SRO units and one one-bedroom manager's unit with five common baths and one private bathroom will be created from the existing offices in the four quadrants. The unit sizes were determined by the building organization and existing fenestration. The facility will include one common kitchen, dining room, an entrance lobby, laundry, and exterior patio area. The existing building organization, and the resultant circulation created by the open stair, entry foyer area and central hall, will be retained in the adaptive reuse work of creating SRO units from offices
The Old Administration Building is currently **vacant** and it has been vacant for the past thirty years. Prior to that, it was used as administrative offices.

The Old Administration Building is located on the northeastern sector of the Metropolitan State Hospital grounds in Norwalk, California. This site is perfectly suited for the target population because it offers a peaceful environment and the soothing and calming atmosphere these residents require to prevent relapsing. HFLF is also leasing two adjacent structures in which it will develop transitional (HFL Cedar Street Homes) and permanent housing (HFL Birch Grove Homes) for the same target population. This will provide a continuum of care in which graduates of the adjacent HFL Cedar Street Homes may move on to permanent independent living within the same community.

Due to the historical status of the building, the existing windows, exterior doors, and molding will be saved. The majority of the rehabilitation work will consist of construction of the new interior layout, structural seismic upgrading to the primary building structure, life safety upgrading (exit stairs and smoke/fire alarms), and

new mechanical, plumbing and electrical systems. Presence of asbestos and lead-based paint has been found in the building. Abatement will be performed by a specialized consultant as part of the rehabilitation work.

Homes For Life Foundation will provide ten (10) parking spaces, including handicap parking.

The most significant design feature of this project is its historical status and historic preservation requirements that have guided the design process. This structure, together with twenty other structures, is included in the Master List of State-Owned Historic Structures by the Department of Parks and Recreation, Office of Historic Preservation, State of California. As such, it is subject to the guidelines for rehabilitation issued by the Department of Interior.

Fourteen SRO units and one one-bedroom manager's unit with five common baths and one private bathroom will be created from the existing offices in the four quadrants. The unit sizes were determined by the building organization and existing fenestration. The facility will include one common kitchen, dining room, an entrance lobby, laundry, and exterior patio area. Parking is provided in an adjacent lot. Access to the grounds of Metropolitan State Hospital is controlled by a guard at the gate near this development site and fencing around the perimeter. No commercial space is located at this site. Total square footage of all units and common areas is 6,372 square feet.

To preserve the historical character of the building, much of the original construction and architectural features will remain intact, with relatively little change to the original configuration of spaces. The building exterior is **defined** by a ground-to-second floor brick band, a second floor band of cement plaster and a steeply pitched terracotta shingle tile roof. These elements are unique features and historically relevant, so any details and materials in poor condition will be repaired or replaced to preserve the exterior's architectural integrity.

The Homes for Life Foundation proposed adaptive reuse of the Old Administration Building has been developed to provide an intimate residential setting and new facilities that were not available in the original building. Due to the historical status of the building, the existing windows, exterior doors, and molding will be saved. The unit sizes are determined by the building organization and existing fenestration. To preserve the windows and take advantage of the light and ventilation they offer, the bathroom and kitchen are located in the interior of each unit, allowing the living spaces natural light and views of the landscape.

Organizing the building in this fashion provides for the greatest efficiency in terms of space utilization. The apartment units will be vertically stacked adding to the overall utility and providing structural integrity.

The long circulation corridor is broken up with small vestibules. Color, ceiling and floor treatments will enhance the small alcoves created along the corridor. The single corridor is convenient from a standpoint of security, because it permits easy visual access.

The building will have a private open space that allows resident to congregate in a semi-private way while enjoying the park-like setting of the surroundings. Special care will be taken in the landscape design in order to provide a more intimate sense of scale and place. Pedestrian walkways will be added to improve access to parking and the outdoor patio.

The future residents of HFL Elm Street Homes will be homeless individuals with chronic mental illness. Some of them may also be physically handicapped. In general, these individuals need supportive housing that allows them to learn the skills necessary to maintain their independent living. To this end, the main goals of our design are: to create an stimulating environment that allows the resident to feel at home, socialize and learn independent living skills; to provide personal space and territory; to provide views of nature from inside to help soothe/calm the resident; to provide adequate apartments that improve quality of living for the residents; to create visual connections with outdoor space to avoid feelings of being enclosed; to provide community spaces that allows flexibility of use (i.e. group therapy, games, resident meetings, etc.); to provide a safe, clear, sheltered entry; and to provide security systems that allow both, staff control of residents and feeling of safety.

These will be also rehabilitated to provide permanent and transitional housing for the chronically mentally ill. It is expected that the three buildings and their immediate surrounding form a community on themselves. These buildings help form a large open landscaped quadrangle, and give a campus-like feeling to the hospital grounds.

Residents will have access to services on the hospital grounds, including medical and dental services, religious worship, adult education through Golden Vista School and Rio Hondo Adult Education, an Industrial Therapy program, a barber/beauty shop, a library, a recreational center, and other services. In addition, Pacific Clinics will also provide residents of HFL Birch Grove Homes with access to a wide range of services, including its Vocational Day Treatment Center, where residents can develop job skills and participate in individual and group psychotherapy and a transitional employment program. Pacific Clinics' El Camino Mental Health Center is located about four miles from HFL Birch Grove Homes, and is accessible by public transportation. Van service will be provided for persons for whom use of public transportation is not feasible.

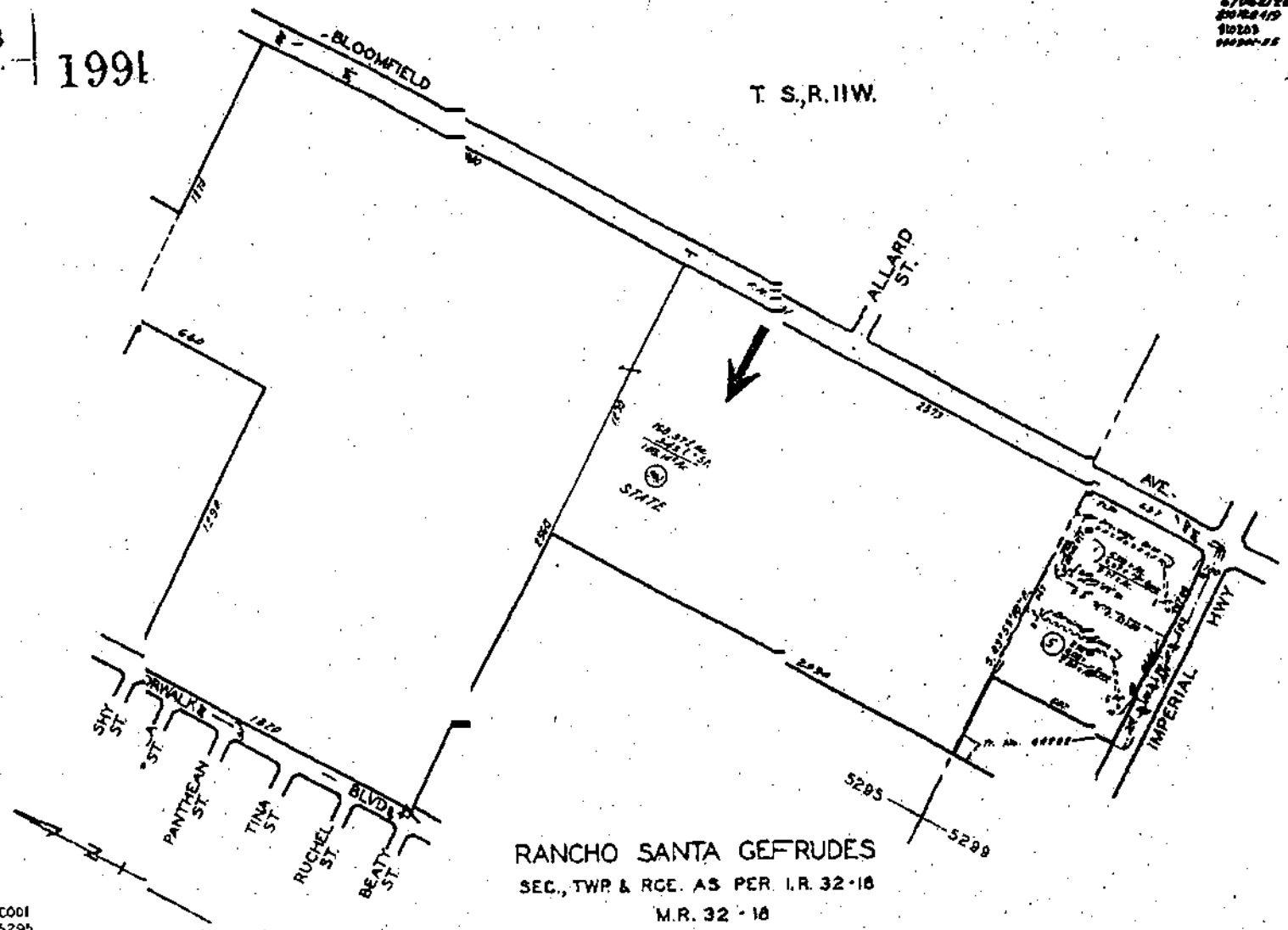
EXHIBIT "H" TO LOAN AGREEMENT

SITE PLANS AND ELEVATIONS

(HOME - PROJECT NO. HE_____)

(Please See Attached)

8025 | 3 | 1991



RANCHO SANTA GEFRUDES
SEC., TWP. & RGE. AS PER I.R. 32-18
M.R. 32-18

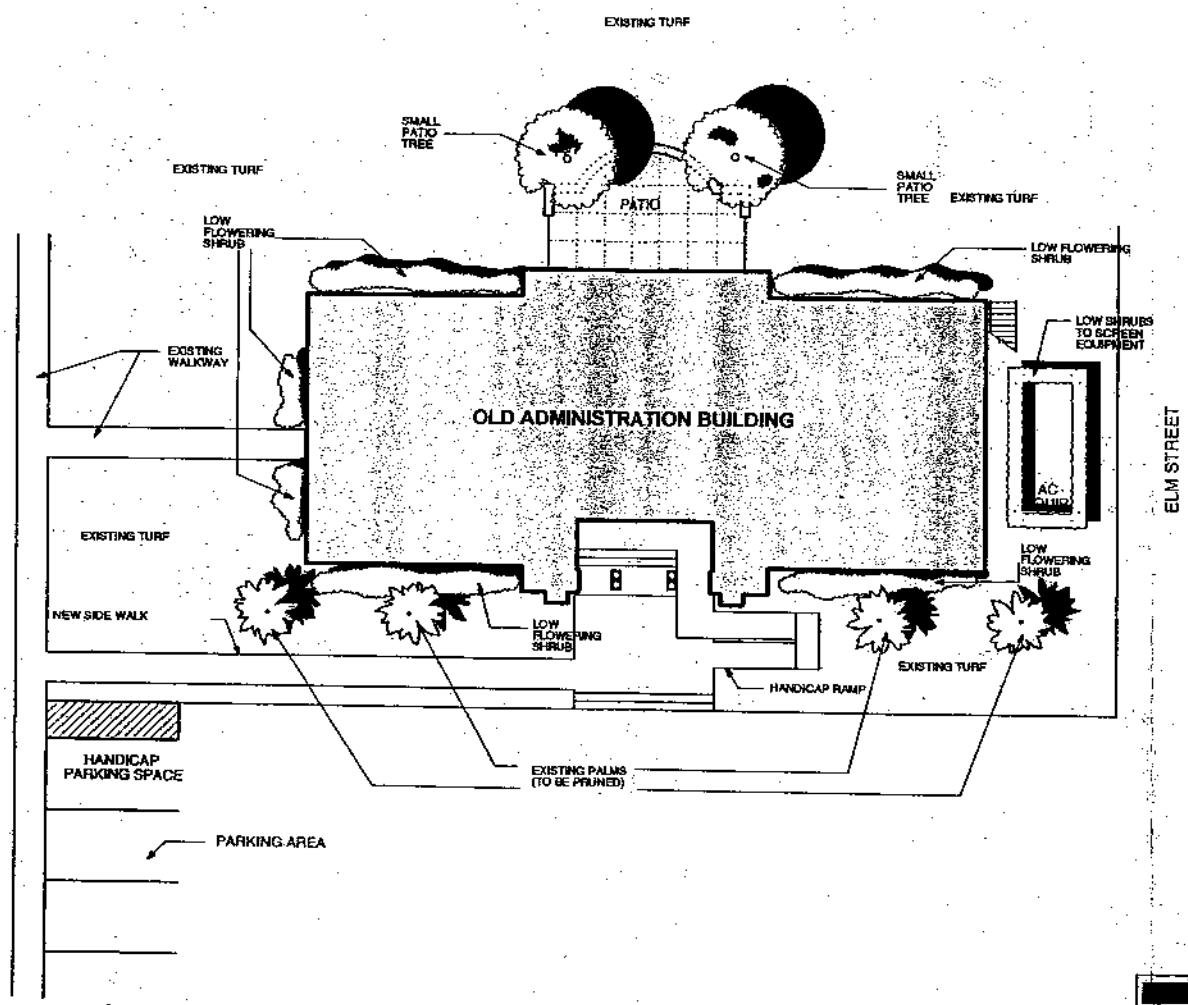
CODE
5295
5299

FOR PREV. ASSM'T. SEE: 29-202 & 203

ASSESSOR'S MAP
COUNTY OF LOS ANGELES, CAT.

Order: EXP-AB-00004075 Description: 8025.3 Page 1 of 1 Comment:

8185020633



SITE / LANDSCAPE PLAN

1/16 INCH = 1' - 0"

[redacted]
RICHARD BARRON
ARCHITECTS
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EMAIL: [illegible]

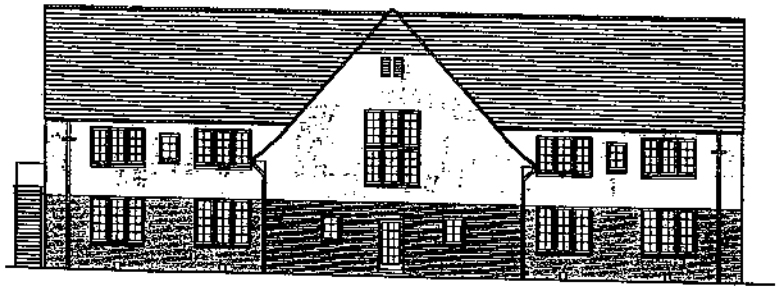
PROJECT: Metropolitan State Hospital
Old Administration Building

DATE: 10/28/99

DEVELOPER: Homes for Life Foundation

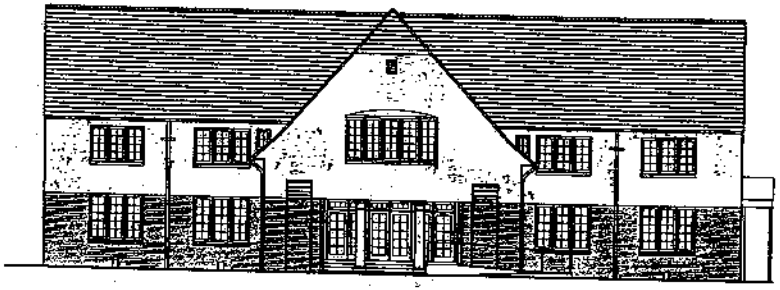
DRAWING: Site / Landscape Plan

SCALE: 1/16"=1'



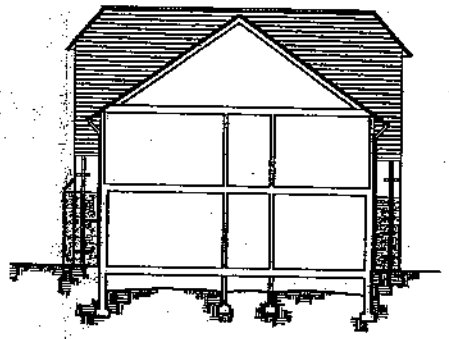
NORTH ELEVATION
1/16 INCH = 1' - 0"

WEST ELEVATION
1/16 INCH = 1' - 0"



SOUTH ELEVATION
1/16 INCH = 1' - 0"

EAST ELEVATION
1/16 INCH = 1' - 0"



CROSS SECTION
1/16 INCH = 1' - 0"

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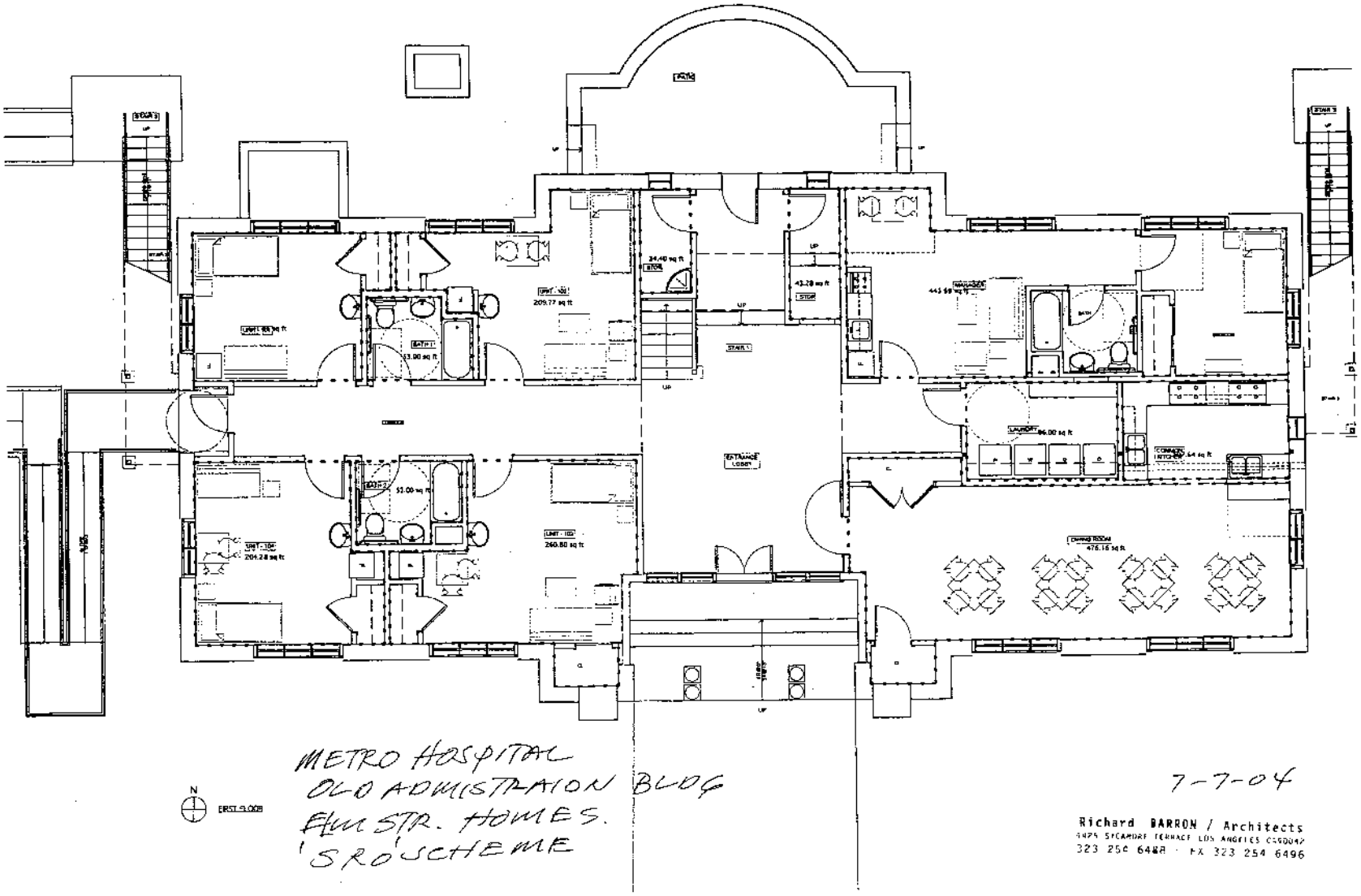
PROJECT: Metropolitan State Hospital
Old Administration Building

DATE: 10/23/99

DEVELOPER: Homes for Life Foundation

DRAWING: Exterior Elevations/Section

SCALE: 1/16"=1'

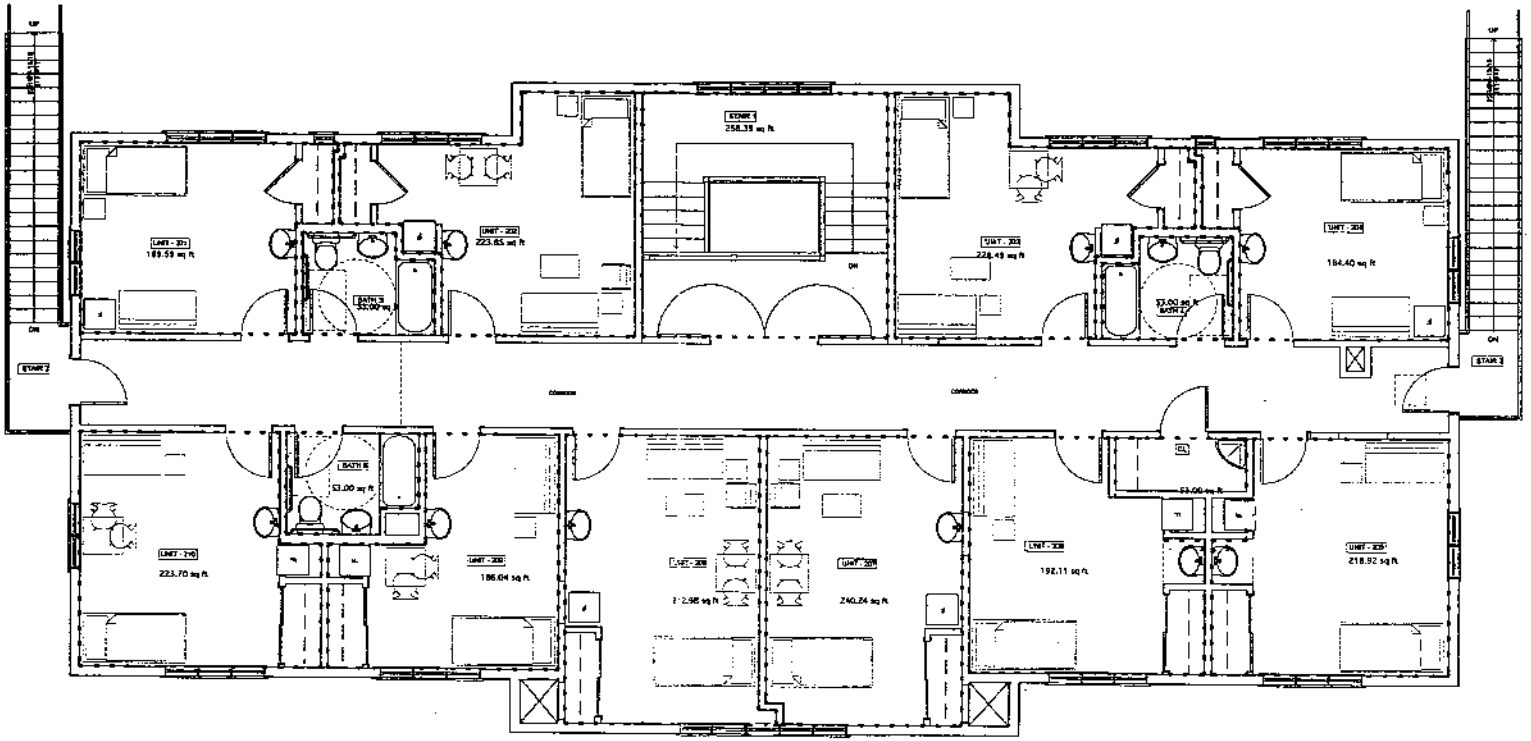


METRO HOSPITAL
OLD ADMISTRAION BLDG
FIRST STR. HOMES.
'SRO' SCHEME

N
FIRST FLOOR

7-7-04

Richard BARRON / Architects
5475 SYCAMORE TERRACE LOS ANGELES CA90042
323 256 6488 · FAX 323 254 6496



N

SECOND FLOOR

METRO HOSPITAL
OLD ADMINISTRATION BLDG.
P ELM STR. HOMES.
'SRO' SCHEME

7-7-04

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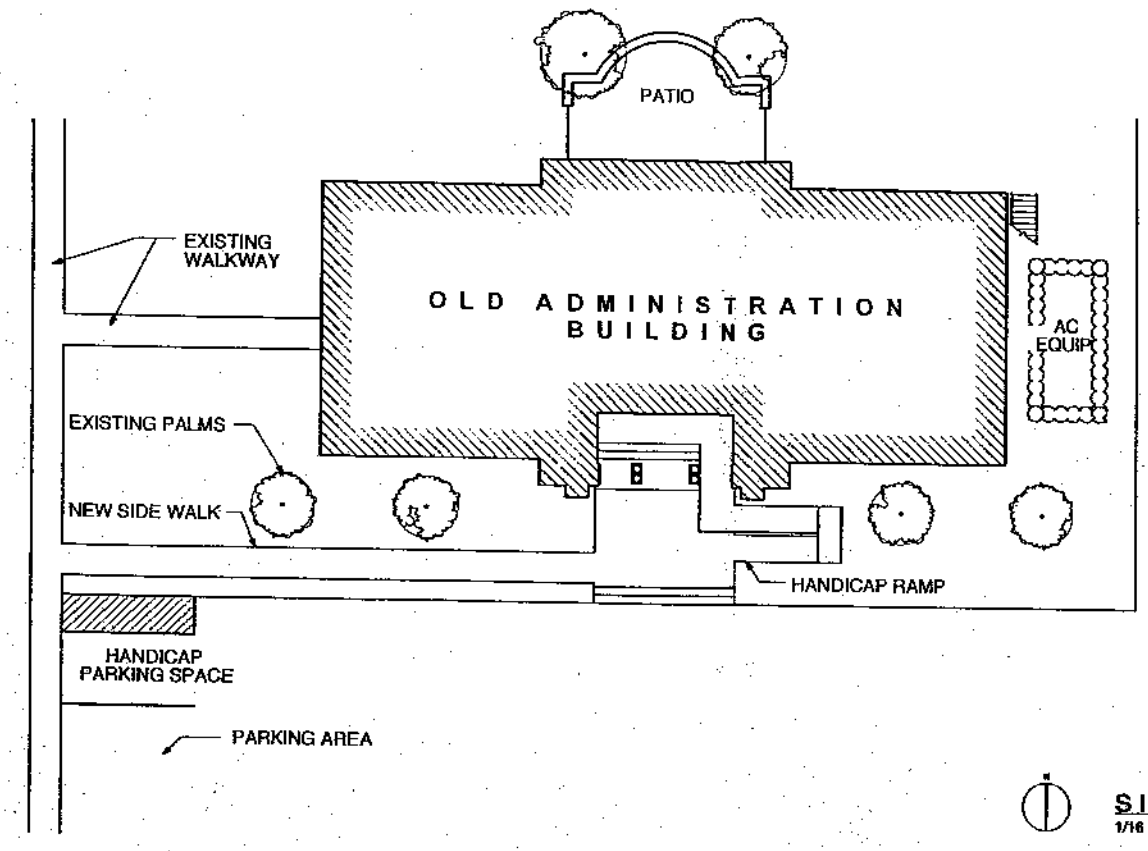

SITE PLAN
1/16 INCH = 1' - 0"

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PROJECT: Metropolitan State Hospital
Old Administration Building

DATE: 10/23/99

DEVELOPER: Homes for Life Foundation

DRAWING: Site Plan

SCALE: 1/16"=1'

[If Applicable]

EXHIBIT "I" TO LOAN AGREEMENT

SUPPORTIVE SERVICES AGREEMENT

(HOME - PROJECT NO. HE_____)

(Please See Attached)

Birch Grove Homes will provide homeless persons with chronic mental illness permanent housing and an ongoing system of support to help them overcome the causes of their homelessness, and to cope with the periodic problems that would otherwise put them at risk of becoming homeless again. HFLF will integrate on-site and off-site supportive services into the daily lives of homeless clients who have been placed in permanent housing.

Beginning with acceptance into the project and continuing after occupancy, program staff will meet with the client, family members, and mental health providers to define problem areas and assess strengths, interests, and competencies in concrete and behavioral terms. A Personal Services Plan will be developed within 60 days of enrollment, emphasizing rehabilitation, community and family support, self help and medical services and strategies needed to improve the quality of life for the individual.

The program staff will assist the client in arranging for available services and programs, and will initiate contacts with outside service providers and monitor delivery of services on an ongoing basis as well as on-site services. The Service Coordinator will review the service plan with the resident on a semi-annual basis.

The Coordinator will act as a "match-maker," screening programs for clients and clients for programs; following up with the clients and service providers to ascertain whether the client participated in the program and whether the program is successful in assisting clients. The coordinate will also act as an advocate for the clients, providing assistance in securing available benefits for the clients and in resolving issues regarding benefit eligibility and payment.

In addition, support services will be provided on-site on an as-needed basis, including:

1. Home Maintenance: upkeep of the apartment, including cleaning and operation of appliances;
2. Cooking: Nutrition, meal planning, shopping and meal preparation;
3. Money Management/Consumer Awareness: Developing budgets, establishing checking and savings accounts, planning for major purchases, and general consumer awareness;
4. Self Care: Hygiene, personal appearance, health education;
5. Leisure Skills: Planning of leisure time activities and social events;
6. Problem Solving & Communication Skills: Learning to resolve differences with other tenants. Assertiveness training, listening skills, and conflict resolution; and
7. Independent Living: Support and problem solving in independent living issues.
8. Transportation and bus passes: Assistance in purchasing passes and van transportation when necessary.

EXHIBIT "J" TO LOAN AGREEMENT

COMMISSION PROVISIONS

(HOME - PROJECT NO. HE_____)

EXHIBIT "J" TO LOAN AGREEMENT

COMMISSION PROVISIONS

The Borrower agrees to comply with the following Commission requirements:

1. Termination for Improper Consideration

   Commission may, by written notice to the Borrower, immediately terminate the right of the 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 Commission officer, employee or agent with the intent of securing this Agreement or securing favorable treatment with respect to the award, amendment or extension of this Agreement or the making of any determinations with respect to the Borrower's performance pursuant to this Agreement. In the event of such termination, Commission shall be entitled to pursue the same remedies against the Borrower as it could pursue in the event of default by the Borrower.

   The Borrower shall immediately report any attempt by a Commission officer or employee to solicit such improper consideration. The report shall be made either to Commission's Executive Director or his designee.

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

2. Confidentiality of Reports

   The Borrower shall keep confidential all reports, information and data received, prepared or assembled pursuant to performance hereunder. Such information shall not be made available to any person, firm, corporation or entity without the prior written consent of Commission.

3. Commission's Quality Assurance Plan

   Commission will evaluate Borrower's performance under this Agreement on not less than an annual basis. Such evaluation will include assessing Borrower's compliance with all contract terms and performance standards. Borrower deficiencies which Commission determines are severe or continuing and that may place performance of the Agreement in jeopardy, if not corrected, will be reported to the Board of Commissioners. The report will include improvement/corrective action measures taken by Commission and Borrower. If improvement does not occur consistent with the corrective measure, Commission may terminate this Agreement or seek other remedies as specified in this Agreement.

4. Borrower's Warranty of Adherence to Commission's Child Support Compliance Program

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

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

5. Termination For Breach of Warranty to Maintain Compliance With Commission's Child Support Compliance Program

Failure of Borrower to maintain compliance with the requirements set forth in Paragraph 4, "Borrower's Warranty of Adherence to Commission's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to the Commission under any other provision of this Agreement, failure to cure such default within 90 calendar days of written notice shall be grounds upon which the Commission may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of Borrower, pursuant to Commission policy.

6. Independent Contractor

This Agreement does not, is not intended to, nor shall it be construed to create the relationship of agent, employee or joint venture between the Commission and the Borrower.

7. Drug-Free Workplace Act of the State of California

Borrower certifies under penalty of perjury under the laws of the State of California that the Borrower will comply with the requirements of the Drug-Free Workplace Act of 1990.

8. Compliance with Laws

The Borrower agrees to be bound by applicable federal, state and local laws, regulations, and directives as they pertain to the performance of this Agreement. If the compensation under this Agreement is in excess of $100,000 then Borrower shall comply with applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 18579h), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency Regulations (40 CFR part 15).

The Borrower must obtain and present all relevant state and local insurance, training and licensing pursuant to services required within this Agreement.

Borrower shall comply with the following laws:

9. Civil Rights Act of 1964, Title VI (Non-discrimination in Federally Assisted Programs)

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.

10. Section 109 of the Housing and Community Development Act of 1974

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, national origin, or sex 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.

11. Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973

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 subject to discrimination under this Agreement on the basis of age or with respect to an otherwise qualified disabled individual.

12. Executive Order 11246 and 11375, Equal Opportunity in Employment (Non-discrimination in Employment by Government Contractors and Subcontractors)

Borrower shall comply with Executive Order 11246 and 11375, Equal Opportunity in Employment which requires 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, national origin, age, ancestry, marital status, or disability. 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, upgrading, 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.

The 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.

The 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 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. The 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.

The Borrower will furnish all information and reports required by the Executive Order 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 Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of Borrower's noncompliance 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 Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

The 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 will be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as Commission 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 by a subcontractor or vendor as a result of such direction by Commission, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.

13. Notice to Employees Regarding the Federal Earned Income Credit

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

14. Use of Recycled-Content Paper Products

Borrower agrees to use recycled-content paper to the maximum extent possible on the Project in order to reduce the amount of solid waste deposited at the County landfills.

15. Borrower Responsibility and Debarment

A. A responsible Borrower is a Borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the Commission to conduct business only with responsible Borrowers.

B. The Borrower is hereby notified that if the Commission acquires information concerning the performance of the Borrower on this or other contracts which indicates that the Borrower is not responsible, the Commission may, in addition to other remedies provided in the contract, debar the Borrower from bidding on Commission contracts for a specified period of time not to exceed 3 years, and terminate any or all existing contracts the Borrower may have with the Commission.

C. Commission may debar a Borrower if the Board of Commissioners finds, in its discretion, that the Borrower has done any of the following: (1) violated any term of a contract with the County, the Commission or the Housing Authority of the County of Los Angeles (HACOLA), (2) committed any act or omission which negatively reflects on the Borrower's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.

D. If there is evidence that the Borrower may be subject to debarment, Commission will notify the Borrower in writing of the evidence which is the basis for the proposed debarment and will advise the Borrower of the scheduled date for a debarment hearing before the Contractor Hearing Board.

E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Borrower and/or the Borrower's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the Borrower should be debarred, and, if so, the appropriate length of time of the debarment. If the Borrower fails to avail itself of the opportunity to submit evidence to the Contractor Hearing Board, the Borrower may be deemed to have waived all rights of appeal.

F. A record of the hearing, the proposed decision and any other recommendation of the Contractor Hearing Board shall be presented to the Board of Commissioners. The Board of Commissioners shall have the right to modify, deny or adopt the proposed decision and recommendation of the Contractor Hearing Board.

G. These terms shall also apply to subcontractors of Commission Borrowers.

16. Section 3 of the Housing and Community Development Act of 1968, as Amended

A. The work to be performed under this Agreement is subject to the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3). The purpose of Section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by Section 3, shall, to the greatest extent feasible, be directed to low-and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this 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.

C. The Borrower agrees to send to each labor organization or representative of workers with which the Borrower has a collective bargaining Agreement 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; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The 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.

E. The Borrower will certify that any vacant employment positions, including training positions, that are filled (1) after the Borrower is selected but before the Agreement 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.

F. 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.

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

17. Barriers For the Disabled

The Project shall be developed to comply with all applicable federal, state and local requirements for access for disabled persons.

18. Lead-Based Paint

Borrower and 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 Site which involve the application of paint.

19. Notice To Employees Regarding The Safely Surrendered Baby Law

Borrower shall notify and provide to its employees, and shall require each subcontractor to notify and provide to its employees, a fact sheet regarding the

Safely Surrendered Baby Law, its implementation in Los Angeles County, and where and how to safely surrender a baby. The fact sheet is set forth in Exhibit___ (title) of this Agreement and is also available on the Internet at www.babysafela.org for printing purposes.

20. Borrower's Acknowledgment of Commission's Commitment To The Safely Surrendered Baby Law

Borrower acknowledges that the Commission places a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is the Commission's policy to encourage all Commission Borrowers to voluntarily post the "Safely Surrendered Baby Law" poster in a prominent position at the Borrower's place of business. Borrower will also encourage its Subcontractors, if any, to post this poster in a prominent position in the Subcontractor's place of business. The Department of Children and Family Services of the County of Los Angeles will supply Borrower with the poster to be used.

21. Lobbyist Ordinances

Federal Lobbyist Requirements: 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 Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

Borrower must certify in writing on the Federal Lobbyist Requirements Certification form that they are familiar with the Federal Lobbyist Requirements and that all persons and/or subcontractors acting on behalf of the Borrower will comply with the Lobbyist Requirements.

Failure on the part of the Borrower or persons/subcontractors acting on behalf of the Borrower to fully comply with the Federal Lobbyist Requirements may be subject to civil penalties.

EXHIBIT "K" TO LOAN AGREEMENT

HOME PROGRAM REQUIREMENTS

(HOME - PROJECT NO. HE_____)

EXHIBIT "K" TO LOAN AGREEMENT

HOME PROGRAM REQUIREMENTS

(HOME - PROJECT NO. HE_____)

EXHIBIT "K"

HOME PROGRAM REQUIREMENTS

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

All developments which are assisted using HOME program funds must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity, as set forth in 24 CFR part 5, subpart A.

Title VI of the Civil Rights Act of 1964, As Amended (42 U.S.C. 2000d) -- States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance on the basis of race, color, or national origin. Its implementing regulations may be found in 28 CFR Part 1.

Title VIII of the Civil Rights Act of 1968, As Amended "the Fair Housing Act" (42 U.S.C. 3601) -- Prohibits discrimination in the sale or rent of units in the private housing market against any person on the basis of race, color, religion, sex, national origin, familial status or handicap. Its implementing regulations may be found in 24 CFR Part 100-115.

Equal Opportunity in Housing (Executive Order 11063, As Amended by Executive Order 12259) -- Prohibits discrimination in housing or residential property financing related to any federally assisted activity against individuals on the basis of race, color, religion, sex or national origin. Implementing regulations may be found in 24 CFR part 107.

Age Discrimination Act of 1975, As Amended (42 U.S.C. 6101) -- Prohibits age discrimination in programs receiving federal financial assistance. Its implementing regulations may be found in 24 CFR Part 146.

Equal Employment Opportunity, Executive Order 11246, As Amended -- Prohibits discrimination against any employee or applicant for employment because of race, color, religion, sex, or national origin. Provisions to effectuate this prohibition must be included in all construction contracts exceeding $10,000. Implementing regulations may be found at 41 CFR Part 60.

HOME PROGRAM TENANT MONITORING

All HOME projects must comply with the tenant monitoring procedures established by the Commission in compliance with the HOME Program pursuant to 24 CFR Part 92 Sections 252 and 253.

AFFIRMATIVE MARKETING

Use of the Fair Housing logo, or equal opportunity language

A description of what the developer will do to affirmatively market housing assisted with HOME funds.

A description of what developer will do to inform persons not likely to apply for housing without special outreach.

Maintenance of records to document actions taken to affirmatively market HOME-assisted units and to assess marketing effectiveness.

Description of how efforts will be assessed and what corrective actions will be taken where requirements are not met.

CONFLICT OF INTEREST

No owner, developer, or sponsor of a project assisted with HOME funds, or any officer, employee, agent, or consultant of such may occupy a HOME-assisted unit in the project, unless a waiver in writing is first obtained from the Commission. This provision does not apply to an employee or agent who occupies the unit as the project manager or maintenance worker.

SUMMARY OF FEDERAL PROGRAM REQUIREMENTS

WHAT SECTION 504 REQUIRES

HUD's Section 504 regulations require that a recipient of Federal financial assistance ensure that its program, when viewed in its entirety, is accessible to persons with disabilities. (24 CFR 8.20) In order to meet this obligation, participants in the HOME Program must:

- To the maximum extent feasible, distribute accessible units throughout the projects and sites, and make them available in a sufficient range of sizes and amenities so as not to limit choice.

- Adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with disabilities. They must also take reasonable nondiscriminatory steps to maximize use of such units by eligible individuals.

- When an accessible unit becomes vacant, before offering the unit to an individual without a disability, offer the unit: first, to a current occupant of the project requiring the accessibility feature; and second, to an eligible qualified applicant on the waiting list requiring the accessibility features.

- When an applicant or tenant requires an accessible feature or policy modification to accommodate a disability, a federally assisted provider

must provide such feature or policy modification unless doing so would result in a fundamental alternation in the nature of its program or an undue financial and administrative burden. See 24 CFR 8.4, 8.24, and 8.33 for further requirements and guidance.

- Providers are required to ensure that information about their programs is disseminated in a manner that is accessible to persons with disabilities. For example, special communication systems can greatly increase the effectiveness of outreach and ongoing communication (e.g., Telecommunications Devices for the Deaf (TTY), materials on tape or in Braille).

- Providers must ensure that activities and meetings are conducted in accessible locations.

Participants in the HOME Program may:

- Ask applicants for information that can demonstrate that they can meet the obligations of tenancy including financial information, references, prior tenancy history, etc. However, housing providers may not inquire into the nature and severity of an applicant or tenant's disability, nor may they ask persons with disabilities questions not asked of all applicants, apply different types of screening criteria, or assess an applicant's ability to live independently.

- Ask if the applicant qualifies for a housing program or unit designed for persons with a disability, when the housing program or unit is designed for such persons.

- Consider including a lease provision that requires a non-disabled family occupying an accessible unit to move if a family with a disability needing that size unit applies and there is an appropriately sized non-accessible unit available for the relocating family.

All recipients and sub-recipients must conduct self-evaluations of compliance with Section 504

COMMUNITY BUSINESS ENTERPRISE

Executive Orders 11625, 12432, and 12138 (Community Business Enterprise)

Developer must prescribe procedures acceptable to HUD for a minority outreach program to ensure the inclusion, to the maximum extent possible, of minorities and women and entities owned by minorities and women in all contracts. See 24 CFR 85.36(e) of which its appendices provide guidance from HUD on acceptable outreach practices.

SITE AND NEIGHBORHOOD STANDARDS

Housing provided through the HOME program must promote greater choice of housing opportunities. Specific rules are as follows:

HOME-provided housing must be suitable from the standpoint of facilitating and furthering full compliance with the Title VI of the Civil Rights Act - 1964, the Fair Housing Act, and Executive Order 11063.

EXHIBIT "L" TO LOAN AGREEMENT

CONSTRUCTION REQUIREMENTS

(HOME - PROJECT NO. HE_____)

EXHIBIT "L" TO LOAN AGREEMENT

CONSTRUCTION REQUIREMENTS

The Borrower's receipt of the Loan proceeds for purposes of paying construction and permanent costs in connection with the Project is conditioned upon the Borrower's adherence to certain construction requirements imposed by the Commission in connection with the Project, including, without limitation, the requirements set forth in this EXHIBIT "L". The Borrower covenants to comply with each and every construction requirement set forth in this EXHIBIT "L" or as otherwise imposed by any applicable Governmental Restriction, including, without limitation, any regulations or administrative procedures established by the Commission for the disbursement of funds for the construction of affordable housing projects in the County of Los Angeles.

1. Submittals and Review Procedure; Construction Monitoring

(a) For purposes of this EXHIBIT "L":

(i) "Construction Documents" shall mean all documents necessary to construct the Project including but not limited to plans, standard drawings, details, specifications, construction contract, schedules, addenda, reference standards, calculations, reports, cost estimates, value engineering studies, constructability reviews, and related documents; and

(ii) "Empirical Cost Model" shall mean a cost model which the Commission may elect to prepare based on the Construction Documents for the purpose of evaluating the proposed construction budget against the database of construction costs maintained by the Commission.

(b) The Borrower's submittal requirements shall include the following:

(i) The Borrower shall submit to the Commission within 20 days of the execution of this Agreement a Project team-staffing plan ("Staffing Plan") for review and approval by the Commission. The Staffing Plan shall contain an organizational chart showing all component functions and reporting relationships, and the related staff for all activities, including a separate narrative describing the roles and responsibilities of all participants. Where the Staffing Plan utilizes organizations other than the Borrower, a company profile must be provided for each. A detailed resume for each individual on the organizational chart must be included.

(ii) The Borrower shall submit to the Commission within 20 days of the execution of this Agreement a detailed development schedule ("Development Schedule") for review and approval by the Commission. The Borrower shall incorporate any changes or corrections requested by the Commission in a revised schedule to be submitted to the Commission within 10 days after receiving comments from the Commission with respect to the original schedule submitted, as provided above. The Development Schedule shall be developed and submitted in CPM network configuration using MS Project, or approved equivalent. The scope of the Development Schedule will comprise all discrete functions, from Project start to completion, necessary to deliver the Project per the requirements of the Construction Contract, as defined in Section 1(c) of this EXHIBIT "L". The construction portion of the Development Schedule will be a summary of the more detailed Construction Schedule defined in Section 1(b)(iii) of this EXHIBIT "L".

(iii) The Borrower shall submit to the Commission within 20 days of the approval of the Construction Contract a detailed construction schedule ("Construction Schedule") for review and approval by the Commission. The Borrower shall incorporate any changes or corrections requested

by the Commission in a revised schedule to be submitted to the Commission within 10 days after receiving comments from the Commission with respect to the original schedule submitted, as provided above. The Construction Schedule shall be developed and submitted in CPM network configuration using MS Project, or approved equivalent. The Construction Schedule shall follow the recommendations of the latest edition of the Associated General Contractors of America book, Using CPM in Construction. The original submittal and required monthly updates shall be submitted on floppy disk and two plotted hard copies (this will include both Gantt chart and CPM network plots).

(iv) The Borrower shall provide to the Commission a draft completed regulatory "Entitlement Review" package for the Commission review and approval prior to any formal submittal to the controlling land use jurisdiction or other regulatory agency. This package shall be submitted to the Commission not later than 14 days prior to the submittal to the regulatory body.

(v) The Borrower shall submit to the Commission within 30 days of the execution of this Agreement basic concept drawings ("Basic Concept Drawings") for review and approval by the Commission. The Basic Concept Drawings shall be in form and content as directed from time to time by the Commission.

(vi) Based on, and within 60 days of the Commission's approval of, the Basic Concept Drawings, the Borrower and its design team shall submit to the Commission for review and approval by the Commission certain design development plans and related documents ("Design Development Plans") for the following phases of design: expanded conceptual design; schematic design; design development; construction cost estimates for schematic design and design development, including any value engineering analysis; value engineering review; and constructability analysis review. The Borrower will include ten (10) business days for each review in the Development Schedule and adequate redesign time to respond to the Commission comments as required.

(vii) Based on the approved Design Development Plans, the Borrower and its design team shall prepare and submit to the Commission for review and approval by the Commission the preliminary drawings 50% construction documents (the "Preliminary Drawings"). The 50% submittal shall include a detailed cost estimate and a list of value engineering considerations representing a saving goal of 10% of the overall Project budget.

(viii) The final working drawings 100% construction documents (the "Final Drawings") submittal shall contain a complete and coordinated package adequate to obtain building permits and build the Project with a minimum of change orders. If required by the Commission, the Borrower and its design team shall submit evidence of a constructability review from a licensed contractor knowledgeable in the type of construction and project proposed. A final cost estimate shall be submitted reflective of the various value engineering and constructability review efforts to date. If the final construction document package cost estimate exceeds the Empirical Cost Model the Borrower shall be required to demonstrate to the Commission the reason why the cost overrun occurred and may be required to make adjustments to meet the Empirical Cost Model.

(ix) The Construction Documents shall include all related work for the Project, including but not limited to the buildings, grading, landscaping, site improvements, off-site improvements (if included). All Construction Documents (including both the Preliminary Drawings and the Final Drawings) shall be prepared and submitted within the times established in the Development Schedule, subject to extensions as they are authorized herein or as mutually agreed to by the parties. During the preparation of all Construction Documents, the Commission staff and the Borrower shall hold regular meetings to coordinate the preparation of, submission to, and review of Construction

Documents by the Commission. The Commission and the Borrower shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to the Commission can receive prompt and speedy consideration. The Borrower will incorporate CDC CM Division AF101 specifications sections into the Construction Documents, as required by law.

(c) The Borrower shall submit to the Commission in accordance with the Development Schedule a construction contract ("Construction Contract") for review and approval by the Commission. The Construction Contract shall utilize the appropriate and most recent AIA form of Standard Agreement and General Conditions and shall contain such modifications and additions to such AIA forms as the Commission may require.

(d) The Construction Management Division of the Commission will provide oversight monitoring of the Project. The Borrower shall maintain at the job site adequate records and shall permit site access to the Commission at all reasonable times to accommodate the monitoring activities. The monitoring program may include, but is not limited to, the following: establishment of various reporting requirement formats and frequencies; review of scheduling documents for conformance and performance; review of QA/QC program results; review of Project budgets and cash flows; attendance at job site meetings; review of job correspondence; review of change order requests; review of submittals to architect; site inspections; pay request reviews and approvals; review of job site safety conditions; review of construction documents for compliance with actual construction; review of labor compliance documents and compliance of same; monitoring of any and all Agreement conditions, and other related activities. The Borrower acknowledges that the Commission's review, inspection and monitoring activities as set forth in the subsection (d) shall be solely for the Commission's benefit, and that the Borrower shall not rely in any manner on any statements (oral or written) or actions or omissions by the Commission in connection with its review, inspection and monitoring activities, but that the Borrower shall at all times be wholly responsible for all aspects of the construction of the Project.

(e) Intentionally Omitted.

2. Loan Disbursement and Requisitions.

(a) Requests for funds available to the Borrower under the terms of this Agreement are to be made on the basis of a need or requirement established by this Agreement. Requests shall be made in a form approved by the Commission and shall include all necessary documentation provided for in the Construction Contract or as otherwise requested by the Commission required to establish the amount and time lines of the payment requested, together with a certificate from the Project architect pursuant to the Construction Contract certifying that all disbursements requested are properly due. Unless otherwise specified by the Commission, payments made by or on behalf of the Commission in response to these requests are to be in the form of two-party checks, listing the Borrower and the additional party requesting payment as payees and requiring the signatures of each. In addition, the recipient(s) of the disbursement checks for services rendered or materials provided, shall be required to sign, as applicable, conditional or unconditional waivers and releases, both in statutory form, warranting that no further claims will be made of the Commission for those services or materials. Exception to this requirement is made for checks made to government entities. All disbursements pursuant to this EXHIBIT "L" shall be made through a Commission-approved construction disbursement agency, as set forth below.

(b) The Loan funds provided by the Commission hereunder are to be disbursed through a Commission-selected construction disbursement agency (the "Agency") pursuant to (i) an agreement between the Commission and the Agency; and (ii) an agreement between the

Commission, the Agency, the General Contractor and the Borrower (the "Multi-Party Agreement"). At the request of the Commission, the Borrower shall enter into the Multi-Party Agreement. The Borrower shall also require the General Contractor under the Construction Contract to enter into the Multi-Party Agreement at the request of the Commission. The Multi- Party Agreement shall set forth all the terms and conditions under which the Agency, on behalf of the Commission, shall fund construction draw requests with respect to the Project. The Multi-Party Agreement shall include, without limitation, a disbursement schedule, a list of payees to whom disbursement may be made, and a procedure for the approval by the Commission of any additional payees not specifically enumerated in the Multi-Party Agreement. Alternatively, the Commission may enter into an agreement ("Intercreditor Agreement") with the provider of any Senior Financing whereby such provider agrees to disburse the Loan funds and act as the Disbursement Agent under this Agreement in which case Borrower and Borrower's General Contractor shall comply with all applicable requirements of the Intercreditor Agreement and any Multi-Party Agreement or other implementing agreement entered into pursuant thereto.

(c) Whenever the funding source for any procurement described herein imposes additional or different requirements than those established herein, such additional or different requirements shall be complied with.

3. Insurance and Bonding.

(a) The purpose of this Section is to establish insurance and bonding procedures to protect the Commission's personal and property rights and purchases of supplies, equipment, construction and contractual services.

(b) The insurance and bonding procedures shall be conducted in full compliance with Federal standards as stated in 24 CFR 85.36 and all state and county laws and procedures and other Governmental Restrictions. The insurance coverage will include comprehensive general liability, automobile liability and workers compensation. The bonding coverage will include a bid guarantee, performance and payment bond and completion guaranty for construction or facility improvement contracts or subcontracts exceeding $100,000. See (d) below.

(c) The Borrower shall require in the Construction Contract that the contractor ("Contractor") shall procure and maintain at Contractor's expense (and require all subcontractors and sub-subcontractors to procure and maintain at their expense) for the duration of the Construction Contract the following insurance against claims for injuries to persons or damage to property which may arise from or in connection with the performance of the work by Contractor, its agents, representatives, employees, subcontractors or sub-sub contractors, and that the Contractor and all subcontractors and sub-subcontractors shall otherwise meet the insurance requirements set forth below:

(i) Comprehensive General Liability: $1,000,000 combined single limit for each occurrence ($2,000,000 General Aggregate) for bodily injury, personal injury and property damage, including products and completed operations coverage.

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

(iii) Workers Compensation as required by the Labor Code of the State of California and Employers Liability limits of $1,000,000 per accident.

(iv) Contractor shall furnish the Commission with certificates of insurance maintained by it (and all subcontractors and sub-subcontractors) with original endorsements affecting coverage as required above. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

(v) Each insurance policy shall be endorsed to state that coverage shall not be canceled by either party, reduced in coverage or in limits except after (30) days prior written notice has been given to the Commission.

(vi) Acceptable insurance coverage shall be placed with carriers admitted to write insurance in California or carriers with a rating of our equivalent to A:VIII by A.M. Best Company. Any deviations from this rule shall require specific approval in writing.

(vii) All coverage for subcontractors and sub-subcontractors, as set forth in this Section 3, shall be subject to the requirements stated herein and shall be maintained at no expense to the Commission.

(viii) Any self-insurance program and self-insured retention must be separately approved by the Commission.

(ix) Failure on the part of the Contractor or any other subcontractor or other person rendering services in connection with the Project to procure and maintain insurance required by this EXHIBIT "L" shall constitute an Event of Default under this Agreement and the Commission may immediately terminate this Agreement and accelerate the payment of all sums due hereunder.

(x) Any questions inquiries or variance relating to insurance must be referred to Risk Management department of the Commission.

(xi) The Community Development Commission and the County of Los Angeles, and their officials and employees are to be covered as additional insureds under all policies to be obtained pursuant to this Section 3 of this EXHIBIT "L", including insurance coverage to be obtained as respects liability arising out of activities performed by or on behalf of the Contractor, premises owned, leased or used by or on behalf of the Contractor.

(d) The following bonding and guaranty procedures and requirements must be adhered to:

(i) For construction contracts exceeding $100,000, the Borrower shall require its Contractor pursuant to the Construction Contract to submit to the Commission the following, unless otherwise required by State or local laws or regulations:

(A) a performance and payment bond for 100% of the contract price; or
(B) a 20% cash escrow; or
(C) a 25% irrevocable letter of credit.

4. Labor Requirements

Borrower and General Contractor shall comply with all applicable Federal, State, and Local labor codes and standards. All contracts must be subject to the overtime provisions, as applicable, of the Contract Work Hours and Safety Standards Act (40 U.S.C § 327-332) and the Copeland Act (Anti-Kickback Act) requirements pursuant to 29 CFR Part 3, and the Community Development

Commission's Labor Compliance Guidelines incorporated herein by reference and made a part of this Agreement.

Borrrower and General Contractor shall comply with California prevailing wage requirements, if applicable. Prevailing wage laws include, among others, California Labor Code Section 1720 et seq. These requirements may include, among others, the requirement that prevailing wages be paid, that prevailing wage schedules be posted at the jobsite, and that detailed wage records be maintained. The Community Development Commission has available on file prevailing wage schedules promulgated by the California State Department of Industrial Relations. Borrrower and General Contractor shall indemnify, defend and hold the COUNTY and Community Development Commission harmless of any suit, cost, attorneys' fees, claim, administrative proceeding, damage, wage award, fine, penalty or liability arising out of or relating to the payment or non-payment of prevailing wages in connection with the Project. If applicable, Borrrower and General Contractor shall also comply with federal Davis Bacon Act (40 U.S.C. §276a).

This construction project is funded in whole or in part with Federal funds. The Borrower and General Contractor shall comply with the Federal Labor Standard Provisions, including prevailing wage requirements of the Davis-Bacon and Related Acts (DBRA), which will be enforced. Whenever a discrepancy between Federal Regulations and State Law is found to exist, the more stringent of the two shall prevail. The applicable wage determination for this project is General Wage Decision CA2004---, Modification #- dated (month/day/year). The General Contractor and each Subcontractor shall submit all required Labor Compliance forms to the Commission before the start of construction. The General Contractor shall submit to the Commission all of its payrolls for each pay period within seven (7) days after the pay period has ended. The General Contractor shall also collect, review and submit to the Commission all of its subcontractors' payrolls for each pay period within seven (7) days after the pay period has ended. Contractor's failure to submit its payrolls or any subcontractor payrolls within seven (7) days after the pay period has ended, is a violation of this contract and entitles the Commission to withhold up to ten percent (10%) from any pending progress payment until all such payrolls are received. Repeated, ongoing or flagrant failures by the contractor to submit the required forms, its payrolls or the payrolls of its subcontractors in a timely manner and in accordance with this provision constitutes a material breach of this contract which may result in the Commission terminating the contract for default. The Community Development Commission's Labor Compliance Guidelines are incorporated herein by reference and made apart of this agreement.

EXHIBIT "M" TO LOAN AGREEMENT

DEVELOPMENT PROFORMA

(HOME - PROJECT NO. HE_____)

State of California
Department of Housing and Community Development

Business, Transportation, and Housing Agency
Committee Meeting Date: 9/24/2004
Action Item: VII.A.3

Development Budget

Item		Total Project Costs	Residential Costs	Residential Costs Analysis Per Unit	Per Sq. Ft.	Per Bdrm.[1]
Land Cost or Value		$0	$0	$0	$0.00	$0
Environmental		$0	$0	$0	$0.00	$0
Legal		$0	$0	$0	$0.00	$0
Existing Improvements Value		$0	$0	$0	$0.00	$0
Off-Site Improvements		$0	$0	$0	$0.00	$0
Total Land Cost or Value		**$0**	$0	$0	$0.00	$0
REHABILITATION			$0			
Site Work		$19,390	$19,390	$1,293	$4.70	$1,293
Structures		$1,290,577	$1,290,577	$86,038	$312.94	$86,038
General Requirements	0.04	$51,623	$51,623	$3,442	$12.52	$3,442
Contractor Overhead	0.08	$103,246	$103,246	$6,883	$25.04	$6,883
Contractor Profit	0.02	$25,812	$25,812	$1,721	$6.26	$1,721
Subtotal Rehab		**$1,490,648**	$1,490,648	$99,377	$361.46	$99,377
Relocation Expenses		$0	$0	$0	$0.00	$0
NEW CONSTRUCTION			$0			
Site Work		$0	$0	$0	$0.00	$0
Structures		$0	$0	$0	$0.00	$0
General Requirements		$0	$0	$0	$0.00	$0
Contractor Overhead		$0	$0	$0	$0.00	$0
Contractor Profit		$0	$0	$0	$0.00	$0
Subtotal New Construction		$0	$0	$0	$0.00	$0
Total Architectural Costs		$138,900	$138,900	$9,260	$33.68	$9,260
Const. Interest & Fees		$18,000	$18,000	$1,200	$4.36	$1,200
Perm. Financing Costs		$0	$0	$0	$0.00	$0
Lender Legal Pd. by Applicant		$0	$0	$0	$0.00	$0
Legal Fees		$10,000	$10,000	$667	$2.42	$667
Other Legal - (SPECIFY)		$0	$0	$0	$0.00	$0
Capitalized Transition Reserves[2]		$93,861	$93,861	$6,257	$22.76	$6,257
Capitalized Operating Reserve[3]		$28,363	$28,363	$1,891	$6.88	$1,891
Capitalized Replacement Reserves		$0	$0	$0	$0.00	$0
Appraisal		$0	$0	$0	$0.00	$0
Operating Reserve #2[4]		$39,547	$39,547	$2,636	$9.59	$2,636
Lease-up Reserve		$9,702	$9,702	$647	$2.35	$647
MHP .42% Loan Payment Reserve[5]		$74,104	$74,104	$4,940	$17.97	$4,940
Survey and Engineering		$22,000	$22,000	$1,467	$5.33	$1,467
Construction Contingency		$200,488	$200,488	$13,366	$48.61	$13,366
TCAC App/Alloc/Monitor Fees		$0	$0	$0	$0.00	$0
Environmental Audit		$0	$0	$0	$0.00	$0
Environmental Audit		$4,043	$4,043			
Local Dev. Impact Fees		$0	$0	$0	$0.00	$0
Permit Processing Fees		$38,930	$38,930	$2,595	$9.44	$2,595
Capital Fees		$0	$0	$0	$0.00	$0
Utility Fees, Meters and Hook-ups		$6,028	$6,028	$402	$1.46	$402
Marketing		$5,000	$5,000	$333	$1.21	$333
Furnishings		$26,250	$26,250	$1,750	$6.37	$1,750
Inspection/testing		$0	$0	$0	$0.00	$0
Insurance		$20,000	$20,000	$1,333	$4.85	$1,333

Title and Recording	$12,000	$12,000	$800	$2.91	$800
Soft Cost Contingency	$17,644	$17,644	$1,176	$4.28	$1,176
Construction Bond	$31,694	$31,694	$2,113	$7.69	$2,113
Accounting	$5,000	$5,000	$333	$1.21	$333
Historic Consultant	$5,000	$5,000	$333	$1.21	$333
Developer Overhead/Profit	$90,000	$90,000	$6,000	$21.82	$6,000
Consultant/Processing Agent	$50,000	$50,000	$3,333	$12.12	$3,333
Project Administration	$0	$0	$0	$0.00	$0
Broker Fees Paid by Owner	$0	$0	$0	$0.00	$0
Const. Mngmt Oversight	$33,800	$33,800	$2,253	$8.20	$2,253
Subtotal Developer Costs	**$173,800**	**$173,800**	$11,587	$42.14	$11,587
TOTAL PROJECT COST	**$2,471,002**	**$2,471,002**	**$164,464**	**$598.20**	**$164,733**
Total Developer Fee (equals *Subtotal Developer Costs* above):			$173,800		
Sponsor capital contribution:			$0		
Maximum allowable MHP Developer Fee:			$280,000		
Developer Fee paid from development funding sources:			$170,000		
Deferred Developer Fee to be paid from Available Cash Flow:			$0		
Deferred Developer Fee to be paid from Distributions			$0		

Notes:

[1] For purposes of calculating cost/bedroom, efficiency units are calculated as 1-bedroom units.

[2] A Capitalized Transition Reserve is necessary to comply with MHP Regulations Section 7312(f)(2).

[3] Capitalized Operating Reserve funded in accordance with UMR Section 8308.

[4] Operating Reserve #2 is necessary to ensure project financial feasibility.

[5] MHP .42% Loan Payment Reserve - the future value of this amount calculated at 5% provides 30 years of annual payments in the amount of $4,821.

EXHIBIT "N" TO LOAN AGREEMENT

SPECIAL ENVIRONMENTAL CONDITIONS

(HOME - PROJECT NO. HE_____)

CA16B800-027

Environmental Assessment and Compliance Findings for the Related Laws

U.S. Department of Housing and Urban Development

1. Project Number: CA16B900-050
HUD Program: SHP
2. Date Received: 12-12-2000

RMS: HI-00487R

Findings and Recommendations are to be prepared after the environmental analysis is completed. Complete items 1 through 15 as appropriate for all projects. For projects requiring an environmental assessment, also complete Parts A and B. For projects categorically excluded under 24 CFR 50.20, complete Part A. Attach notes and source documentation that support the findings.

3. Project Name and Location: (Street, City, County, State)
HOMES FOR LIFE (2 PROJECTS - BIRCH GROVES HOMES AND ELM STREET HOMES) BLDGS. #303 AND OLD ADMIN. BLDG.
11401 BLOOMFIELD AVE.
NORWALK, CA 90650

4. Applicant Name and Address (Street, City, State, Zip Code)
LOS ANGELES HOMELESS SERVICE AUTHORITY (LAHSA)
548 S. SPRING ST., SUITE 400
LOS ANGELES, CA 90013

5. ☐ Multifamily ☐ Elderly ☒ Other
(If Other, explain)
HOMELESS MENTALLY ILL

6. Number of: 29 Dwelling Units
2 Buildings 2 Stories ___ Acres

7. Displacement: ☒ No ☐ Yes
(If Yes, explain)
VACANT BUILDINGS

8. ☐ New Construction ☒ Rehabilitation ☐ Other
(If Other, explain) 20 UNITS FOR BIRCH GROVE # CA16B800-027; 8 UNITS FOR ELM STREET # CA16B900-050.

9. Has an environmental report (Federal, State, or local) been used in completing this form? ☐ No ☒ Yes
(If Yes, identify) PHASE I ENVIRONMENTAL ASSESSMENT BY ADVANCED GEOENVIRONMENTAL, INC. DATED 9-2-1999 AND UPDATED REPORT OF 4-12-2001

10. Planning Findings: Is the project in compliance or conformance with the following plans?

Local Zoning:	☒ Yes	☐ No	☐ Not Applicable
Coastal Zone:	☐ Yes	☐ No	☒ Not Applicable
Air Quality (SIP):	☒ Yes	☐ No	☐ Not Applicable

Explain any "No" answer: ___

Are there any unresolved conflicts concerning the use of the site? (If Yes, explain) ☒ No ☐ Yes

11. Environmental Finding: (check one)
☐ Categorical exclusion is made in accordance with § 50.20 or
☒ Environmental Assessment and a Finding of No Significant Impact (FONSI) is made in accordance with § 50.33 or
☐ Environmental Assessment and a Finding of Significant Impact is made, and an Environmental Impact Statement is required in accordance with §§ 50.33(d) and 50.41.

☒ Project is recommended for approval (List any conditions and requirements): ☐ Project is recommended for rejection (State reasons):

- NARRATIVE REPORT ATTACHED
- CONDITIONS OF APPROVAL ATTACHED UNDER #20 - HAZARDOUS OPERATIONS AND #23 TOXIC CHEMICALS AND RADIOACTIVE MATERIALS - ASBESTOS AND LEAD-BASED PAINT ARE LOCATED THROUGHOUT THE PROJECT BUILDINGS AND MUST BE ABATED.

12. Preparer: (signature) [signature] SR CPD REP — Date: 7-17-2001

13. Supervisor: (signature) [signature] — Date: 7/17/01

14. Comments by Environmental Clearance Officer (ECO): (required for projects over 200 lots/units)

ECO: (signature) X N/A — Date:

14. Comments (if any) by HUD Approving Official:

HUD Approving Official: (signature) X [signature] — Date: 7/20/01

form HUD-4128 (10/96)
ref. Handbook 1390.2

Part A. Compliance Findings for §50.4 Related Laws and Authorities

§50.4 Laws and Authorities	Project is in Compliance Yes	No	Source Documentation and Requirements for Approval
16. Coastal Barrier Resources	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT
17. Floodplain Management (24 CFR Part 55)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT
18. Historic Preservation (36 CFR Part 800)	✓		MEMORANDUM OF AGREEMENT DATED WITH SHPO TO BE COMPLIED WITH.
19. Noise Abatement (24 CFR Part 51 Subpart B)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
20. Hazardous Operations (24 CFR Part 51 Subpart C)	✓		SEE ATTACHED ENVIRONMENTAL ASSESSMENT FOR DISASTER PLAN AND EMERGENCY CONDITIONS.
21. Airport Hazards (24 CFR Part 51 Subpart D)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
22. Protection of Wetlands (E. O. 11990)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT.
23. Toxic Chemicals & Radioactive Materials (§ 50.3(i))		✓	SEE ATTACHED ENVIRONMENTAL ASSESSMENT, PROJECT BUILDINGS CONTAIN LEAD-BASED PAINT AND ASBESTOS WHICH WILL HAVE TO BE ABATED.
24. Other § 50.4 authorities (e.g., endangered species, sole source aquifers, farmlands protection, flood insurance, environmental justice)	✓		SEE DETAILS IN ATTACHED ENVIRONMENTAL ASSESSMENT; SITE VISITED ON 1-4-2001.

Part B. Environmental/Program Factors

Factors	Anticipated Impact/Deficiencies None	Minor	Major	Source Documentation and Requirements for Approval
25. Unique Natural Features and Areas				
26. Site Suitability, Access, and Compatibility with surrounding development				
27. Soil Stability, Erosion, and Drainage				LITTLE OR NO IMPACT PER ATTACHED
28. Nuisances and Hazards (natural and built)				ENVIRONMENTAL ASSESSMENT AND PHASE I
29. Water Supply / Sanitary Sewers				ENVIRONMENTAL SITE ASSESSMENT BY
30. Solid Waste Disposal				ADVANCED GEOENVIRONMENTAL, INC. DATED 9-2-1999
31. Schools, Parks, Recreation, and Social Services				
32. Emergency Health Care, Fire and Police Services				
33. Commercial/Retail and Transportation				
34. Other			✓	

U.S. Department of Housing and Urban Development
Los Angeles Area Office, Pacific/Hawaii
611 West Sixth Street
Los Angeles, California 90017

ENVIRONMENTAL ASSESSMENT AND COMPLIANCE FINDINGS FOR THE RELATED LAWS - FORM HUD-4128

PROJECT: Homes for Life, Metropolitan State Hospital, Buildings 303 and Old Administration Building, 11401 Bloomfield Avenue, Norwalk, CA 90650

PROGRAM: Supportive Housing Program (SHP), CA16B800027 and CA16B900050

APPLICANT: Homes for Life, 8726 S. Sepulveda Boulevard, Suite 2331, Los Angeles, CA 90045

DESCRIPTION: This project involves the lease of two buildings, located on the grounds of the Metropolitan State Hospital in Norwalk, CA. The project sponsor, Homes for Life, will lease the buildings from the State of California, rehabilitate the (historic) structures to fit their needs and supply permanent housing to homeless, adult individuals with chronic mental illnesses. HUD Supportive Housing funds will be utilized for rehabilitation, operating expenses, supportive services and administrative costs.

This attachment details source documentation for all laws/authorities listed on the form HUD-4128, for this proposed project, determined to be Categorically Excluded from NEPA [24CFR50.20(a)(4)].

24CFR 50.4 Laws and Authorities

16. Coastal Barrier Resources: The FEMA has not identified such resources in the State of California. No impact is anticipated.

17. Floodplain Management: According to FEMA Community Status List, the City of Norwalk has No Special Flood Hazard Areas (NSFHA). The 8-step decision making process is not required. Flood insurance is not required. Impacts from flood hazards are not anticipated.

18. Historic Preservation: This property is eligible for listing in the National Register of historic places as a contributor to the Metropolitan State Hospital Historic District. In order to comply with Section 106 of the National Historic Preservation Act and take into account the effect of the undertaking on historic properties, HUD and the California SHPO have agreed that the undertaking shall be implemented in accordance with stipulations of a Memorandum of Agreement (MOA). The MOA was fully executed on July 9, 2001. The project grantee and sponsor shall comply with stipulations as concurred to.

19. Noise Abatement: The structures are located approximately 200 feet from the thoroughfare, Bloomfield Avenue. Although Bloomfield Avenue is a four-lane roadway, the subject buildings are situated at such a distance so as to reduce exposure to the traffic noise generated. All services will take place inside the buildings or off-site. Outdoor activities will likely take place in areas not exposed to roadways. Impacts from traffic noise are not anticipated. However, there will be short-term impacts from construction noise. To mitigate potential short-term impacts, construction on the building shall begin no sooner than 7:00 AM and end no later than 6:00 PM (or times indicated by the Metropolitan State Hospital).

20. Hazardous Operations: The subject buildings are located on the grounds of the Metropolitan State Hospital. To the immediate north, south and west of the buildings are other State Hospital facilities. Immediately to the east, across Bloomfield Avenue, are located light industrial and manufacturing commercial enterprises. During an on-site visit made on January 4, 2001, no above-ground tanks containing explosive or flammable materials was in line-of-sight or within a range that would cause reason for concern. However, due to the potential health and safety risks of industrial areas surrounding the State Hospital grounds, the sponsor shall become familiar with the established Disaster Plan and Emergency Services Program. All employees of the subject facility shall attend or request Metropolitan State Hospital to provide appropriate disaster training, as set forth in the Disaster Plan. As a leasing agent, Homes for Life is responsible for preparing and implementing disaster/emergency plans. All plans shall be consistent with Metropolitan State plans, so as to avoid potential conflict or compounded emergency situations.

21. Airport Hazards: As a result of site and area investigations, it was determined that municipal, civil or military airfields will not affect the project. No impacts are anticipated.

22. Wetlands: The Executive Order 11990 applies only to new construction on wetlands. The subject proposal involves the adaptive reuse of existing historic structures, located in a developed, urban area. Construction will be limited to the building and immediately surrounding public spaces. The site is absent of indigenous habitats that would be conducive to supporting any threatened or endangered species. No biological impacts are anticipated.

23. Toxic Chemicals and Radioactive Materials: Due to the potential impacts from hazardous waste generators, TSD and oil refinery facilities in the surrounding vicinity, a Phase I Environmental Site Assessment was required. Advanced GeoEnvironmental, Inc. conducted a Phase I Environmental Assessment, dated September 2, 1999 for the subject site. A Phase I Environmental Assessment Update, dated April 12, 2001, did not identify any additional recognized environmental conditions during a site visit on March 16, 2001. The results of lead-based paint and asbestos sampling at the project properties were published in a separate report dated September 3, 1999. Except for the following items, the Phase I assessment did not reveal evidence of recognized environmental conditions in connection with the subject property:

. Asbestos containing material is located throughout the buildings.

. Lead-based paint is located throughout the buildings.

. It is our professional opinion that the project site may be located within an area of regional groundwater contamination. This condition may be the product of various industrial facilities having reported leaking underground and aboveground storage tanks in the vicinity of the site. It is apparent that the local regulatory agencies are working with identified principal responsible parties to resolve the problem.

. It is our professional opinion that the project site may be subject to air contaminants as a result of future uncontrolled releases from local industrial facilities. This, of course, is dependent upon airflow at the time of release. It is apparent that the local regulatory agencies are working with identified principal responsible parties to limit any future problems.

In order to reduce potential impacts from the items listed above, the sponsor shall implement the following mitigation measures:

. Comply with all applicable federal, state and local laws or procedures for the testing, treatment and disposal of asbestos-containing materials and lead-based paint, prior to demolition or construction activities. The sponsor shall submit to HUD all further (identification) samples and analysis reports and abatement or control techniques (specified in contract with abatement contractors) incorporated into the renovation of the subject site.

. Should future uncontrolled releases from local industrial facilities pose an immediate threat, Homes for Life shall implement its Disaster and/or Emergency Response or Evacuation Plan.

Impacts from contaminated groundwater are not anticipated because there is no pathway of exposure to the subject site/residents.

24. Other: Environmental Justice - This project is not located in an area that suffers from adverse human health or environmental conditions that are not currently being addressed by local, state or federal agencies. Also, the project does not suffer from a disproportionate adverse environmental affect on minorities or low-income populations relevant to the community at large.

The following reports are contained in the official Environmental Review Record and have been referenced above as source documentation which supports findings, conclusions and mitigation measures which are designed to reduce potential or real significant impacts to the human and/or natural environment, to a less than significant level:

. Historic Preservation Memorandum of Agreement

. Phase I Environmental Site Assessment by Advanced GeoEnvironmental, Inc.

. Lead and Asbestos Surveys by Advanced GeoEnvironmental, Inc.

. Architectural Feasibility Studies by Richard Barron/Architects

PREPARER: Joseph M. Lisante **DATE: July 17, 2001**
Senior Community Planning and Development Representative

HUD approving official signature on form HUD-4128

EXHIBIT "O" TO LOAN AGREEMENT

DAVIS BACON WAGE DETERMINATION

(HOME – PROJECT NO. HE_____)

(TO BE DETERMINED AT LOAN EXECUTION)

EXHIBIT "O" TO LOAN AGREEMENT

DAVIS BACON WAGE DETERMINATION

(HOME – PROJECT NO. HE_____)

(TO BE DETERMINED AT LOAN EXECUTION)

EXHIBIT "P" TO LOAN AGREEMENT

DEVELOPMENTAL BUILDING SPACE LEASE AND AMENDMENT NO. 1 TO LEASE

(HOME – PROJECT NO. HE_____)

AGENCY: California Department of General Services
PROJECT: Developmental Building Space Lease

LEASE No.: L-1971

AMENDMENT NO. 1 TO LEASE

This Amendment to Lease, dated for reference purposes only April 30, 2003, is made and entered into by and between the STATE OF CALIFORNIA, acting by and through the Department of General Services, with the approval of the Department of Mental Health, hereinafter called STATE, and Homes for Life Foundation, a nonprofit California corporation, hereinafter called "Lessee".

W I T N E S S E T H

WHEREAS, the parties hereto entered into that certain Lease, dated October 10, 2002, for approximately 6,480 square feet of building space at Metropolitan State Hospital, 11401 So. Bloomfield Avenue in the City of Norwalk, situated in the County of Los Angeles, State of California, in the unit identified as Old Administration Building, to make certain capital improvements and renovations and thereafter use the Premises as housing for persons with chronic mental illness and related supportive services in compliance with Section 14671.2 of the California Government Code, hereinafter referred to as Lease.

WHEREAS, the parties hereto desire to amend said Lease to extend the term of the Lease.

NOW, THEREFORE, it is mutually agreed between the parties hereto as follows:

1. Effective July 1, 2003, Paragraph 2 of said Lease is amended to extend the term of the lease to June 30, 2067..

2. Effective July 1, 2003, the monthly rent payable under Paragraph 3 of said Lease shall be adjusted as follows:

   The annual rental rate shall be $11,916.00 payable monthly in advance as follows:

   Effective July 1, 2002 through June 30, 2005 (the plan review and construction period) Zero and No/100 Dollars ($0.00); and

   Effective July 1, 2005, or upon occupancy, whichever comes sooner, through June 30, 2067, Nine Hundred Ninety Three and No/100 Dollars ($993.00).

Except as expressly amended herein, all of the terms and conditions of said Lease shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, this amendment No. 1 to the Lease has been fully executed by the parties hereto as of the date written below.

STATE OF CALIFORNIA

APPROVED

DIRECTOR OF THE DEPARTMENT OF GENERAL SERVICES

By: _____
CHERYL L. ALLEN, Manager
State Owned Leasing and Development

EXECUTED DATE: 6-25-2003

LESSEE:

HOMES FOR LIFE FOUNDATION,
a nonprofit California corporation

By: _____
CAROL M. LIESS, Executive Director

By: _____
DANIEL EGDAL, President

REVIEWED BY:

STATE PUBLIC WORKS BOARD

By: _____
IRENE T. ANDERSON
Assistant Administrative Secretary

CONSENT

DEPARTMENT OF MENTAL HEALTH

By: _____
~~LINDA A. POWELL, Deputy Director~~ WILLIAM AVRITT, ACTING DIRECTOR
Administrative Services

METROPOLITAN STATE HOSPITAL

By: _____
TRUDA J. BROWN
Hospital Administrator

STATE OF CALIFORNIA

DEPARTMENT OF GENERAL SERVICES
REAL ESTATE SERVICES DIVISION

DEVELOPMENTAL BUILDING SPACE LEASE

LEASE COVERING PREMISES LOCATED AT
Metropolitan State Hospital 11401 So. Bloomfield Ave. (aka 11400 Norwalk Blvd.) Old AdministrationBuilding Norwalk, CA 90650
AGENCY Department of Mental Health

Lease No.: L-1971

THIS LEASE, is being entered into pursuant to California Government Code Section 14671.2, dated for reference purposes only this 10th day of October 2002, by and between the State of California, acting by and through its Director of General Services, with the approval of the Department of Mental Health, hereinafter called STATE, and Homes for Life Foundation, a nonprofit California corporation, hereinafter called LESSEE. The parties agree as follows:

DESCRIPTION

1. STATE does hereby lease to LESSEE, and LESSEE hereby hires from STATE approximately 6,480 square feet of building space at Metropolitan State Hospital, 11401 So. Bloomfield Avenue, City of Norwalk, situated in the County of Los Angeles, State of California, hereinafter called the Premises, more particularly described as follows:

2. That unit identified as Old Administration Building and further identified as an historic structure, including the parking spaces in the circle lot and the adjacent grounds located on the grounds of Metropolitan State Hospital, hereinafter referred to as Hospital, as outlined in red on the attached **Exhibit "A"**, and the access road as described in the metes and bounds description attached as **Exhibit "A-2"**, which by this reference are made a part hereof.

TERM

2. The term of this Lease shall commence on the 1st day of July 2002, and shall terminate on the 30th day of June 2022, with such rights of termination as may be hereinafter expressly set forth.

RENT

3. The annual rental rate shall be $11,916.00 payable monthly in advance as follows.

Effective July 1, 2002, through the plan review and construction period Zero and No/100 Dollars ($0.00); and

Effective July 1, 2005, or upon occupancy, whichever comes sooner, through June 30, 2022, Nine Hundred Ninety Three and No/100 Dollars, ($993.00).

Rental payments shall be made and delivered to:

Department of General Services
Attn: Accounts Receivable PAL (L-1971)
P. O. Box 989053
West Sacramento, CA 95798-9053

$993.00 Monthly

USE

4. LESSEE agrees to make certain capital improvements and renovations and thereafter use the Premises as housing for persons with chronic mental illness and related supportive services in compliance with Section 14671.2 of the California Government Code, attached hereto as **Exhibit "H"**, which by this reference is made a part hereof, and for no other purposes.

ROAD ACCESS

5. Due to the relocation of the main entrance to the facility, the existing access to the Old Administration Building shall not be available for LESSEE's use. LESSEE shall at LESSEE's sole cost and expense construct a new access road to the Premises off Cedar Street as designated by the Hospital Administrator and in compliance with the construction specifications as provided in the attached **Exhibit "G"**, which by this reference is made a part hereof. Upon completion of the new access road to the Old Administration Building, STATE shall be responsible for the ongoing maintenance of said access road.

The Metropolitan State Hospital is a 24-hour facility and is generally open to the public. The STATE allows pedestrian and vehicular ingress and egress to the Premises from the public right-of-way on private streets or driveways located on the grounds of the Hospital; however, STATE reserves the right to temporarily restrict or close all or part of said access for maintenance and/or security purposes. STATE shall provide LESSEE with advance notice of any temporary maintenance closures.

TERMINATION

6. Except as otherwise provided herein, the parties hereto agree that LESSEE may terminate this lease at any time during the term hereof by giving sixty (60) days written notice to the STATE.

RELOCATION

7. LESSEE, upon termination of lease, shall be solely responsible to relocate all persons utilizing LESSEE's housing program on the Premises. Furthermore, the STATE assumes no repayment of LESSEE's financial obligations created by virtue of this Lease, in the event the STATE ceases operation and/or vacates the Metropolitan State Hospital facility.

HOLDING OVER

8. Any holding over after the expiration of the said term or any extension thereof, with the written consent of the STATE expressed or implied, shall be deemed a tenancy only from month to month and shall otherwise be on the terms and conditions specified so far as applicable.

NOTICES

9. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service) or sent by overnight courier, or sent by registered or certified mail, postage prepaid, return receipt requested to the addresses set forth below, or sent by electronic facsimile to the telefacsimile numbers set forth below. All such notices or other communications shall be deemed received upon the earlier of (i) if personally delivered or sent by overnight courier, the date of delivery to the address of the person to receive such notice, (ii) if mailed as provided above, on the date of receipt or rejection, or (iii) if given by electronic facsimile, when received by the other party if received Monday through Friday between 6:00 a.m. and 5:00 p.m. Pacific Standard Time so long as such day is not a state or federal holiday and otherwise on the next day provided that if the next day is Saturday, Sunday, or a state or federal holiday, such notice shall be effective on the following business day.

To the LESSEE: Homes for Life Foundation
8929 So. Sepulveda Blvd., Suite 506
Los Angeles, CA 90045
Telephone: (310) 337-7417
Telefacsimile: (310) 337-4314

To the STATE: Metropolitan State Hospital
Office of Hospital Administrator
11401 So. Bloomfield Avenue
Norwalk, CA 90650
Telephone: (562) 651-2221
Telefacsimile: (562) 929-3131

To the STATE: Department of General Services
Real Estate Services Division-SOLD
707 Third Street, Fifth Floor
P. O. Box 989052
West Sacramento, CA 95798-9052
Telephone: (916) 375-4026
Telefacsimile: (916) 375-4029

Notice of change of address or telefacsimile number shall be given by written notice in the manner described in this section. LESSEE is obligated to notify all state offices listed above and the failure to provide notice to all State offices will be deemed to constitute a lack of notice.

The address to which notices may be mailed as aforesaid to either party, may be changed by written notice given by subject party to the other, as hereinbefore provided; but nothing herein contained shall preclude the giving of any such notice by personal service.

CONSTRUCTION/ IMPROVEMENTS

10. (A) It is agreed by the parties hereto that the Premises are in poor condition and in need of major renovation. LESSEE shall make capital improvements and renovations as described in Exhibit "B" at its sole cost and expense, which exhibit is attached hereto and incorporated herein. Any capital improvements and renovations must be consistent with recommended approaches to rehabilitation set forth in The Secretary of the Interior's Standards for Rehabilitation and Guidelines for Rehabilitating Historic Buildings (Standards), (U.S. Department of the Interior, National Park Service, 1990), and that the design and specifications for the project are developed in consultation with the State Office of Historic Preservation (SHPO) and submitted to the SHPO for approval.

(B) Within one hundred and eighty (180) days following the execution date of this Lease, LESSEE shall submit schematic drawings and written specifications, completed by a licensed architect/registered engineer, hereinafter referred to as the Preliminary Plans, to the STATE and SHPO describing those capital improvements and renovations to be completed by LESSEE pursuant to subparagraph 9A above, along with a construction schedule, hereinafter referred to as the "Schedule", for completing such improvements and renovations. In addition, said Preliminary Plans shall include an estimate of what LESSEE's costs will be for completing said improvements and renovations, hereinafter referred to as the "Estimated Budget".

CONSTRUCTION/ IMPROVEMENTS (CONT.)

(C). Within sixty (60) days following submission of said Preliminary Plans, Schedule and Estimated Budget to the STATE and SHPO by LESSEE, the STATE shall approve said Preliminary Plans, or require LESSEE to modify said Preliminary Plans as the STATE and SHPO may deem reasonable; provided, however, the STATE may only require those modifications it deems necessary in order for LESSEE to comply with STATE building codes or other applicable laws, or to prevent LESSEE from significantly disrupting or interfering with ongoing operations of the Hospital or other programs operating on the campus on which the Hospital is located.

(D) (i) Upon obtaining written approval for said Preliminary Plans, Schedule and Estimated Budget from the STATE and SHPO, with modifications, if any, and agreed to by LESSEE, Construction Documents shall be prepared within one hundred and eighty (180) days and submitted to STATE and SHPO for review and approval as described in subparagraph 9C. Should modifications be required to the Construction Documents, LESSEE shall diligently pursue and resubmit said documents to STATE and SHPO, which shall diligently pursue further review and approval.

(ii) Subsequent to obtaining final written approval for said Construction Documents, hereinafter referred to as "Plans", LESSEE shall begin to make those improvements and renovations set forth in the Plans according to the Schedule. In making those improvements and renovations, LESSEE shall not materially deviate from the Plans without obtaining written approval from the STATE Hospital Administrator. The STATE and SHPO shall give written approval for such material deviations and amendments of the Plans proposed by the LESSEE unless the STATE and SHPO determines that such material deviations shall not comply with STATE building codes or other applicable laws or would otherwise materially disrupt or interfere with ongoing operations of the Hospital or other programs operating at the facility. No modification, amendment or alterations to Plans shall be valid unless it is in writing and signed by the parties hereto.

(E) Except as may be otherwise agreed to in writing by the parties, all capital improvements and renovations set forth in the Plans shall be completed within eighteen (18) months following commencement of the Remodeling Phase. For purposes of this Lease, the term "Remodeling Phase" shall mean the eighteen (18) month period which begins when the following three (3) conditions have been satisfied: (i) LESSEE has received written approval by STATE and SHPO of said Plans; (ii) LESSEE has received valid and written approval by the STATE of same Plans for conformance with the approved Preliminary Plans and compliance with applicable codes and regulations; to include the California Building Code (Title 24); and (iii) LESSEE issues a Notice to Proceed to the General Contractor for completion of the proposed work.

(F) Prior to the commencement of any work on the Premises, LESSEE or its general contractor shall obtain at its sole cost and expense and submit to State a Performance Bond in an amount equal to 100% of the construction costs as set forth in the Construction Contract between LESSEE and the general contractor, whereby surety binds itself unto the LESSEE and the State of California for performance by the general contractor, which is for LESSEE and/or the general contractor to commence and diligently prosecute construction to completion in accordance with the requirements set out in the Plans and to otherwise carry out and comply with all other terms and conditions of this Agreement. In lieu of said performance bond, LESSEE may elect to secure its performance by an alternate plan of security, provided such plan is approved in writing by the STATE.

CONSTRUCTION/ IMPROVEMENTS (CONT.)

(G) Prior to commencement of work, LESSEE shall obtain or cause to be obtained, at its sole expense, and submit to STATE a Payment Bond in the amount of 50% of the cost of construction and covering the payment of any and all contractors, subcontractors, material suppliers, services, materials or supplies for or in connection with the construction of the improvements.

(H) The bonds referred to in subparagraphs 10(F) and 10(G) above shall be issued by a corporation or corporations admitted to do business in the State of California.

(I) (i) Should STATE determine during the Plan review period that new or additional utility installations are needed on the grounds of the Hospital, or that the capacity of the infrastructure of the Hospital otherwise needs to be increased, resulting from LESSEE's activities, LESSEE shall, at LESSEE's sole cost and expense, construct or add such utility installations and/or increase capacity of the infrastructure on the Hospital grounds, provided LESSEE shall first obtain written approval of the STATE for plans furnished by LESSEE for the construction to be undertaken by LESSEE pursuant to this subparagraph 10(I), such prior written approval of STATE not to be unreasonably withheld.

(ii) In connection with constructing new or additional utilities and/or increasing the infrastructure on the Hospital grounds pursuant to this subparagraph 10(I), LESSEE shall not materially deviate from the Plans, as approved by the STATE, without obtaining prior written approval from the STATE for such material deviations, such prior written approval of STATE not to be unreasonably withheld.

(iii) For purposes of clarification, it is hereby stated and expressly understood and agreed to by the parties that notwithstanding any other terms of this Lease, the amount of rent to be paid by LESSEE to the STATE during the term of this Lease pursuant to Paragraph 3 shall be neither affected by nor related to whether or not LESSEE constructs or adds new utilities and/or increases the infrastructure on the Hospital grounds pursuant to this provision (i.e., there will be no increase in rent because Lessee constructs and/or adds new utilities or increases infrastructure of the Hospital grounds).

(J) LESSEE shall submit to the STATE two (2) sets of "Record Drawings" within sixty (60) days of completion of the capital improvements and renovations in reproducible Mylar format and in electronic Computer Assisted Drafting and Design (CADD) format (AutoCAD 2000).

(K) During construction, said work shall be inspected by the STATE for conformance with the approved plans and compliance with applicable codes and regulations. The cost of said inspection, including materials testing, shall be paid by LESSEE in advance of the start of construction.

SEISMIC DISCLOSURE

11. LESSEE, by acceptance of this Lease, hereby acknowledges that LESSEE has been notified and informed of seismic deficiency of the leased structure. LESSEE acknowledges that LESSEE is leasing and accepting said structure in its "as is" condition and shall hold harmless the State of California; its officers, agents and employees from any liability which may occur to any real or personal property or persons in connection with any seismic failure in or on the Premises. LESSEE shall not occupy the building until seismic retrofit work shown in the final construction documents has been completed and certification submitted as hereinafter required by this Lease.

SEISMIC RETROFIT REQUIREMENTS

12. LESSEE, at LESSEE's sole cost and expense, shall evaluate said building utilizing the current FEMA-310 Document. If subject building does not pass Tier 1 of FEMA-310 Document, said building shall be retrofitted in accordance with final construction documents. LESSEE's Registered Structural Engineer shall (i) prepare said plans in accordance with standards as provided in **Exhibit "C"**, which by this reference is made a part hereof; (ii) submit construction plans, calculations, testing reports, and specifications to Department of General Services at the address listed in the Notices Paragraph; and (iii) cooperate with the structural Peer Review process.

The cost of the Peer Review is estimated to be $8,000.00, including Historical consultation as it pertains to seismic retrofit. LESSEE shall submit, upon receipt of invoice, the full amount due for the Peer Review. Should the cost to the STATE be less than the estimated amount, STATE shall return to LESSEE the unused portion of said estimated amount.

LESSEE shall submit certification by the Registered Structural Engineer prior to construction certifying that the retrofit design is in compliance within the guidelines provided. LESSEE shall submit certification by the Registered Structural Engineer and contractor after construction is completed, certifying that all construction is in general conformance with the final construction documents and that all required testing and inspections have been satisfactorily performed in accordance with the Testing and Inspection Requirements as shown in **Exhibit "D"**, which by this reference is made a part hereof. Said certification shall be in a format that has been approved by the STATE. Certification shall be submitted to the Department of General Services at the address listed in the Notices Paragraph.

ASBESTOS DISCLOSURE

13. LESSEE, by acceptance of this Lease, is hereby notified and informed that the leased structure may contain asbestos. LESSEE, at LESSEE's sole cost and expense, shall be responsible for any and all asbestos containment and/or removal requirements.

LESSEE acknowledges that LESSEE is leasing and accepting said structure in its "as is" condition and shall hold harmless the State of California, its officers, agents and employees from any liability which may occur to any real or personal property or persons by the presence of any asbestos currently in or on the Premises.

LESSEE shall not occupy the Structure until all asbestos abatement work is completed and then approved and certified by a Certified Asbestos Consultant. Said certification shall be submitted to the Department of General Services at the address listed in the Notices Paragraph.

UTILITIES

14. LESSEE agrees to pay said rent as herein provided and to pay all water, electric, gas and other utility charges or any other charges payable in connection with LESSEE's use of said Premises during the term of this Lease.

(A) Upon the start of construction LESSEE shall, at its sole cost and expense, install separate meters, pursuant to STATE approval of any and all meters, at or upon the Premises for the purpose of measuring the amount of utilities (steam, water and electricity) consumed by LESSEE and, at its sole cost and expense, continue to arrange for separate utilities metering during the entire term of this Lease.

(B) Upon start of construction and during the entire remaining term of this Lease, the STATE shall furnish all reasonable quantities of electricity, water and steam as required

UTILITIES (CONT.) for LESSEE's use of the Premises; provided, however, LESSEE shall be responsible, at its sole cost and expense, for obtaining and maintaining an electrical transformer and related equipment and materials if an electrical and/or mechanical engineer, who has been mutually agreed upon by STATE and LESSEE, should determine that such transformer and/or equipment and material is needed by the STATE to furnish such utilities to LESSEE. In return for the STATE furnishing electricity, water and steam, LESSEE shall pay to STATE the amount specified within a monthly electricity, water and steam (annual for sewer) statement furnished to LESSEE by the STATE pursuant to subparagraphs 14(C), 14(D), 14(E), and 14(F) immediately below, within fifteen (15) days of LESSEE's receipt of such statement:

(C) On or before the tenth (10th) day after receipt by the STATE of the utility company statement, each month after the start of construction, the STATE shall furnish Lessee with an electricity usage statement which shall therein calculate the amount to be paid by the LESSEE to the STATE as follows: The total dollar amount of the STATE's electric bill from the Southern California Edison Company (or successor utility) for the previous month, divided by the total kilowatt hours consumed by the STATE on the entire campus of the Hospital (which includes but is not limited to the amounts consumed by LESSEE on such campus), times the kilowatt hours consumed by LESSEE on Hospital grounds during the previous month.

(D) On or before the tenth (10th) day after receipt of the utility company's statement, each month after the start of construction, the STATE shall furnish LESSEE with a water statement which shall therein calculate the amount to be paid by LESSEE to the STATE as follows: the total dollar amount of the STATE's water bill from Southern California Water Company (or successor utility) for the previous month, divided by the total number of gallons of water consumed by the STATE on Hospital grounds (which includes but is not limited to the amounts consumed by LESSEE on Hospital grounds) times the number of gallons of water consumed by LESSEE on Hospital grounds during the previous month.

(E) The LESSEE shall be responsible for the cost of sanitary sewage charges from the County Sanitation district at the same rate that the Hospital is billed based on the number of residents and staff in occupancy.

(F) On or before the tenth (10th) day after receipt of the Co-generation Plant's steam usage statement, each month, after the start of construction, the STATE shall furnish LESSEE with a steam usage statement which shall therein calculate the amount to be paid by LESSEE to the STATE as follows: The dollar amount of the STATE's steam and condensate statement from Whitelabrator Norwalk Energy Company Inc. (or successor utility) for the previous month, divided by the total number of BTU's of steam/condensate consumed by the STATE on Hospital grounds (which includes but is not limited to the amounts consumed by LESSEE on Hospital grounds) times the number of BTU's of steam/condensate consumed by LESSEE on Hospital grounds during the previous month.

(G) Further, each statement furnished hereunder by the STATE to LESSEE shall accurately set forth amount of water, steam and electricity consumed by LESSEE during the previous month as taken from a reading of the LESSEE's meters by the STATE. Further, no offsets for capital improvements, shall be made by LESSEE against payments due from LESSEE to STATE for utility usage pursuant to this provision.

(H) Nothing contained within this Lease shall be construed or understood to interfere with the right of STATE, with no liability to LESSEE, to temporarily interrupt LESSEE's use of such utilities from time to time as reasonably deemed necessary or advisable by

UTILITIES (CONT.)

STATE in order to perform, or cause to be performed, maintenance on such utilities and/or to respond to emergencies involving such utilities; provided, however, in non-emergency situations the STATE shall give LESSEE prior actual notice of the interruption of such utility service, anticipated length of such interruption and reason(s) therefore, and in emergency situations the STATE shall endeavor to give LESSEE similar notice as soon as possible.

(I) With respect to all other utilities, LESSEE shall, at its sole cost and expense, make all arrangements for and pay for all such utilities used by LESSEE at or upon the Premises, including but not limited to telephone service, gas, hazardous waste, infectious waste handling, removal and disposal.

CEQA REQUIREMENTS

15. LESSEE acknowledges that environmental documents are required for the proposed project. LESSEE shall comply with the California Environmental Quality Act (CEQA) and all CEQA guidelines. As a part of the CEQA process, any proposed alterations must be reviewed by State Office of Historic Preservation. (Public Resources Code 5024.5)

REGULATION BY STATE

16. In order to protect the operation and safety of State activities conducted on the Hospital grounds, Lessee hereby covenants and warrants that it shall not disrupt or interfere with ongoing operations of the Hospital or other programs and services operating on the Hospital grounds. STATE shall inform LESSEE in writing of any and all such activities which in the opinion of the STATE disrupts or interferes with ongoing operations of the Hospital or other programs and services operating on the Hospital grounds, and upon request of the LESSEE, shall meet with LESSEE in order to resolve any such problems.

The Hospital Administrator is hereby designated as the representative of the STATE authorized to give the approval of the STATE whenever such approval is required by the conditions of this Lease, except, approval of any extensions or changes to the terms of the Lease must be executed by the Director of General Services.

SECURITY CLEARANCE

17. All persons employed by LESSEE, including contracted construction personnel, who are assigned to work on the Premises shall be required to undergo a finger print background check conducted by the State Department of Justice before said persons will be permitted to work on the grounds of the Hospital. The security clearance shall be at LESSEE's cost and expense and LESSEE agrees to comply with the requirements of Metropolitan State Hospital Administrative Directive (A.D. No. 2100) identified as **Exhibit "E"**, which by this reference is made a part hereof. The Hospital police and/or Executive Director shall make all clearance determinations.

STAFF AVAILABILITY

18. STATE and LESSEE shall each have a person readily available either on or offsite at all times when the facility is in use who has authority to make any and all decisions on behalf of STATE and LESSEE in the event of an emergency that immediately jeopardizes life or health. A list of persons of authority shall be updated on a regular basis and this list shall be on file in the Administration Office of the Hospital, Central Nursing Services Section, for use in an emergency.

SUBLETTING

19. LESSEE shall not assign this Lease in any event and shall not sublet the Premises or any part thereof and will not permit the use of the Premises by anyone other than the LESSEE without prior written consent by the STATE. Nothing contained in this paragraph, however, shall prohibit LESSEE from entering into subleases or agreements with persons with mental illness to reside at the facility.

TEMPORARY TENANCY

20. LESSEE acknowledges that LESSEE, it's employees, contractors, subordinates and assigns are not entitled to any Relocation Payment or Relocation Advisory Assistance due to their occupancy in the state-owned property identified in this Lease.

In the event subleasing is permitted, LESSEE shall incorporate the above paragraph into each sublease. Failure to do so may obligate LESSEE for damages and costs resulting from claims for relocation payment by sublessees.

LEASEHOLD FINANCING

21.(A) Non-Subordination, Hypothecation and Security Interests. STATE will not subordinate its interest in the Lease as security for any loans or financing. STATE will agree that the interests of LESSEE and/or SUBLESSEES may be pledged as security for loans or financing.

(B) Estoppel Certificate. STATE shall, from time to time, upon not less than thirty (30) days prior written request by LESSEE or LESSEE's lender, execute, acknowledge and deliver to LESSEE or LESSEE's lender a statement in writing attached as **Exhibit "F"**, consisting of two (2) pages incorporated herein by reference, certifying to LESSEE's lender or to an independent third party designated by LESSEE that this Lease is unmodified and in full force and effect and that STATE has no knowledge of any uncured defaults of LESSEE under this Lease or, if there have been any modifications that the same are in full force and effect as modified and stating the modifications and if there are any defaults, setting them forth in reasonable detail, the commencement date of the initial term, and the dates to which the rent and other charges under this Lease have been paid. Any such statement delivered pursuant to this paragraph may be relied upon by any prospective lender.

(C) Lender's Rights. With respect to any lender who shall have delivered to STATE, pursuant to the Notice provision, a written notice which shall state the name, address and a general description of the type of lien it holds on the Premises or subleased premises, the following provisions shall apply:

(i) STATE, when giving notice to LESSEE with respect to any default or termination under the provisions of this Lease shall also serve a copy of such notice upon any known lender.

(ii) Any lender may do any act or thing required of LESSEE hereunder and shall have the right to enter upon the Premises for the purpose of performing any such act or doing any such thing. All such acts or things done and performed shall be accepted by STATE and be as effective to prevent a forfeiture of LESSEE's rights hereunder as if done or performed by LESSEE. As a condition of site access, lender(s) must comply with all STATE security procedures.

(iii) Any lender may acquire and succeed to the interest of LESSEE hereunder by foreclosure of the Leasehold Mortgage or by assignment in lieu of foreclosure and may assign the leased Premises to a bona fide purchaser for value with STATE's consent; provided, however, any such purchaser for value shall execute an agreement assuming all of LESSEE obligations of any nature under this Lease arising from and after the effective date of assignment. Any lender shall submit information concerning the purchase for value for review by consent to any assignment to a bona-fide purchaser for value. Upon execution of the assumption agreement, lender shall thereupon be released from its obligation to perform the obligations of LESSEE whose interest has been so acquired to prevent a termination or forfeiture of this Lease except for any

LEASEHOLD FINANCING (CONT.)

indemnity and hold harmless obligations, such lender may owe to the STATE. The STATE must approve, in writing, any assumption agreement.

(iv) In the event of a default by LESSEE in the payment of rental or other sums, any lender may pay such rental or other sums to STATE, and such rental payment alone, without further requirement, shall be sufficient to prevent a termination or forfeiture of the leased Premises; provided, however, that such right to prevent such termination or forfeiture shall exist only for a period of thirty (30) days after expiration of the cure period during which LESSEE or Sublessee may cure a default in payment of rental which default was a subject of a notice given by STATE to LESSEE and LESSEE or Sublessee's lender.

(v) STATE's right to full recovery or performance on behalf of LESSEE will not be hindered by lack of notice provided to any lender, not of official record, as established in this section and as required in Notice paragraph of this Lease.

(D) Cure by Lender. Upon the occurrence of an event of default other than a rental default, STATE shall take no action to finalize a termination and forfeiture of this Lease without first giving to lender a reasonable time period (or lesser time period as required by an emergency) within which (i) to obtain control by receivership which shall not exceed forty-five (45) days, (ii) to obtain possession of the property and cure such default or (iii) to immediately and diligently institute foreclosure proceedings and complete such foreclosure, or otherwise acquire the Leased Premises. However, such reasonable period to obtain possession or complete a foreclosure shall not exceed one hundred eighty (180) days. STATE's covenant herein to take no action to finalize a termination and forfeiture shall not prevent STATE from exercising other remedies reserved to STATE under this Lease or allowed by law.

(E) If LESSEE's lender(s) requests additional terms and conditions to those already provided herein, STATE agrees to consider any such requests, but may refuse such requests in its sole and absolute discretion and may unreasonably withhold consent or approval of such additional terms and conditions.

PARTNERSHIP DISCLAIMER

22. LESSEE and any and all agents and employees of LESSEE shall act in an independent capacity and not as officers or employees of STATE. Nothing herein contained shall be construed as constituting the parties herein as partners.

HOLD HARMLESS

23. This Lease is made upon the express condition that the State of California is to be free from all liability and claims for damages by reason of any injury to any person or persons, including LESSEE, or property of any kind whatsoever and to whomsoever belonging, including LESSEE, from any cause or causes whatsoever while in, upon, or in any way connected with the Premises during the term of this Lease or any occupancy hereunder, except those arising out of the sole negligence of the STATE. Each party agrees to indemnify and defend the other in the event of any claim, demand, causes of action, judgments, obligations or liabilities, and all reasonable litigation and attorneys' expenses which each party may suffer as a direct and proximate result of the violation of any law, breach of any term of this Lease, negligence or other wrongful act by a party to this Lease or such party's employees, representatives, contractors, or any other person or persons acting within the direct control or authority of such party or its employees. LESSEE further agrees to provide necessary Workers Compensation Insurance for all employees of LESSEE upon said Premises at the LESSEE's own cost and expense.

INSURANCE

24. LESSEE shall maintain general liability insurance with a limit of not less than $5,000,000 per occurrence for bodily injury and property damage combined. Such insurance shall also cover all liabilities arising out of the use of the Premises and the performance of any work of improvement on the Premises. LESSEE shall maintain adequate insurance to demolish and remove the buildings in the event of any loss or damage which renders the building unusable by LESSEE, and coverage adequate to repair the premises as required by this Lease. The insurance company(s) must be acceptable to the Department of General Services, Office of Risk and Insurance Management. LESSEE is responsible for any deductible and all premiums, and the STATE shall not be liable for the payment of any premiums or assessments on the insurance policy.

LESSEE agrees that the insurance shall be in effect at all times during the term of this Lease. The insurance shall provide that the insurer will not cancel the policy without thirty (30) days prior written notice to the STATE. In the event of cancellation, LESSEE agrees to provide STATE evidence of new coverage for not less than one (1) year at least thirty (30) days prior to the expiration of the prior policy. If LESSEE fails to keep insurance in effect at all times as required, then STATE may in addition to any other remedy it may have, terminate this Lease.

LESSEE shall furnish a certificate of insurance with the STATE's Lease number indicated on the face of the certificate naming the State of California, its officers, departments, employees and agents as additional insureds. At the request of STATE, a duplicate original and/or copy of the policy(ies) of insurance shall be provided to the STATE.

NON-DISCRIMINATION

25. In the performance of this Lease, LESSEE shall not discriminate, harass, or allow harassment against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability (including HIV and AIDS), mental disability, medical condition, age (over 40), marital status, sex, sexual orientation, or use of family care leave. LESSEE shall insure that the evaluation and treatment of its employees and applicants for employment are free from such discrimination and harassment. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

LESSEE shall comply with the provisions of the Fair Employment and Housing Act (California Government Code Sections 12990 (a-f) et seq.) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Section 7285 et seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990 (a-f), set forth in Chapter 5 of Division 4 of Title 2 of the California Code of Regulations, are incorporated into this Agreement by reference and made a part hereof as if set forth in full. LESSEE shall give written notice of its obligations under this clause to any labor organizations with which they have a collective bargaining or other Agreement. Further, LESSEE shall post in conspicuous places available to employees and applicants for employment, notices to be provided by the STATE setting for the provisions of this Fair Employment Practices Section. (California Government Code, Section 12920-12994).

NON-DISCRIMINATION (CONT.)

Remedies for willful violations:

a. The STATE may determine a willful violation of the Fair Employment Practices provision to have occurred upon the receipt of a final judgment having that effect from a court in an action to which LESSEE was a party, or upon receipt of a written notice from the Fair Employment Practices Commission that it has investigated and determined that the LESEE has violated the Fair Employment Practices Act and has issued an order pursuant to the appropriate provisions of the Government Code.

b. The STATE shall have the right to terminate this Lease and any loss or damage sustained by the STATE by reason thereof shall be borne and paid for by the LESSEE.

LOSSES

26. The STATE will not be responsible for losses or damage to personal property, equipment or materials of the LESSEE and all losses shall be reported to the STATE immediately upon discovery.

DEBT LIABILITY DISCLAIMER

27. The STATE will not be liable for any debts or claims that arise from the operation of this Lease.

TAXES / ASSESSMENTS

28. LESSEE agrees to pay all lawful taxes, assessments, or charges, which at any time may be levied upon interest in this agreement. It is understood that this Lease may create a possessory interest subject to property taxation and LESSEE may be subject to the payment of property taxes levied on such interest.

COMPLIANCE WITH LAWS

29. LESSEE shall, at his sole cost and expense, comply with all of the requirements of all municipal, state, and federal authorities now in force, or which may be in force, pertaining to the Premises and use of the Premises as provided by this Lease.

CONDITION OF PREMISES

30. LESSEE accepts the Premises in its present condition and agrees that upon expiration of this Lease or sooner termination, LESSEE shall deliver the Premises and all capital improvements located thereon to the STATE in good and clean condition, reasonable use and wear thereof and damage by act of God or by the elements excepted; provided, however, that this paragraph shall not apply in the event LESSEE elects not to restore the Premises pursuant to Paragraph 33 Restoration hereunder.

LESSEE has visited and inspected said Premises and it is agreed that the square footage stated herein and on the attached Exhibit "A" is only approximate and the STATE does not hereby warrant or guarantee the actual square footage included hereunder.

MAINTAINING PREMISES

31. LESSEE agrees to maintain said Premises in compliance with the sanitation laws and regulations of the State of California, and in compliance with all other laws of the STATE and the rules and regulations of the Hospital.

LESSEE shall maintain the Premises in a decent, safe and sanitary condition, including structural repair and restoration of damaged or worn improvements. The STATE shall provide landscape maintenance around the building, maintenance to the equipment and systems located in the crawl space and equipment room, and maintenance of the STATE owned utility systems supplying the building. Maintenance of any additional equipment installed in the equipment room or crawl space by the LESSEE shall be at the sole cost and responsibility of the LESSEE. The STATE shall not be obligated by this Lease to make any improvements or alterations to the Premises, or to perform any maintenance work beyond what is stated herein.

MAINTAINING PREMISES (CONT.)

Subsequent to occupying the Premises, LESSEE shall not without prior written consent of the STATE and SHPO:

(A) Make further material or substantial structural changes or alterations to the Premises, except as required to repair or restore damage or worn improvements;

(B) Make material or substantial structural or architectural design changes to the Premises; or

(C) Construct any new building(s) or structure(s) on the Premises, other than those specified in the Plans without first obtaining written consent of the STATE which consent shall not be unreasonably withheld. Nothing within this provision shall be construed or understood to modify or amend the terms of subparagraph 10(I) above.

PROTECTION OF PREMISES

32. No dumping of refuse by LESSEE is permitted in any area of the Premises, and LESSEE shall not commit or suffer to be committed any waste or nuisance upon the Premises. LESSEE further agrees that he shall at all times exercise due diligence in the protection of the Premises against damage or destruction by fire or other causes.

RESTORATION OF PREMISES

33.(A) Lessee is relieved of the obligation to, but may repair and restore the Building and improvements if damage or destruction of the Building is uninsured, is not caused by LESSEE's acts or negligence, and is not required to be insured under any provision of this Lease, or the cost of repairing such damage or destruction exceeds twenty-five (25%) of the then replacement value of the Building. Any building or improvements not restored shall immediately be demolished and removed at LESSEE's sole expense and LESSEE shall then have the right to terminate this Lease without liability to either party hereto.

(B) Should LESSEE elect to continue this Lease in full force and effect, LESSEE at its sole cost and expense, shall promptly and diligently repair and restore the damaged or destroyed Building and/or improvements in conformance with the intent of the Plans, subject to obtaining written approval by STATE and SHPO for said repairs and/or restoration. STATE shall give written approval unless the STATE reasonably and in good faith should determine that said repairs and/or restoration as proposed by the LESSEE will not comply with STATE building codes or other applicable laws or would otherwise significantly disrupt or interfere with ongoing operations of the Hospital or other programs operating on the Hospital grounds to a greater extent than before the Building was damaged or destroyed.

(C) Any and all fire or other insurance proceeds that become payable at any time during the term hereof because of damage to or destruction of the leased Building and improvements on the Premises shall be paid to LESSEE and applied by LESSEE toward the cost of repairing and restoring the damaged or destroyed Buildings and improvements in the manner required by subparagraph 33(B). Should LESSEE elect to exercise the option described in subparagraph 33(A) to not repair and restore the damaged Premises and to terminate this Lease, then, in that event, any and all fire or other insurance proceeds that become payable because of such damage or destruction, after deducting LESSEE's costs incurred pursuant to subparagraph 33(A) for demolishing/removal, shall be payable to the State.

SURRENDER OF PREMISES

34. Upon termination of this Lease for any cause other than termination under Paragraph 33, the LESSEE shall remove any and all equipment and personal property of the LESSEE and restore the entire Premises to a broom clean, safe and habitable condition, except however, the STATE may approve, in writing, any deviation from this requirement. STATE shall provide LESSEE within seven (7) days after notice of termination, with a punch-list of any special conditions and shall walk-thru the Premises with LESSEE prior to vacancy. All capital improvements shall become the property of the STATE.

DISPOSITION OF FIXTURES

35. At the expiration of the term or sooner termination of this Lease, provided LESSEE is not then in default, LESSEE shall have the right to remove any and all trade fixtures, provided LESSEE shall perform all restorations made necessary by the removal of such trade fixtures. Trade fixtures for the purposes of this Lease shall include all machinery, moveable partitions, furniture, furnishings, bins, racks, window-mounted or portable air conditioners, special lighting fixtures, exterior and interior signs, and other equipment and personal property installed or placed in, on or about the Premises, but shall not include elevators, radiators, boilers or air-conditioning equipment.

OWNERSHIP OF IMPROVEMENTS

36. Except as provided herein, during the term of this Lease all structural improvements constructed on the Premises by LESSEE shall be vested in LESSEE. At the expiration or termination of this Lease all building improvements constructed on the Premises by LESSEE shall vest in STATE. LESSEE shall deliver said buildings, structures and improvements to STATE broom clean and in safe and habitable condition, reasonable wear and tear excepted, without compensation to LESSEE, any subtenant or third party, free and clear of all claims to or against them by LESSEE, any subtenant or third party, and LESSEE shall defend and hold STATE harmless from all liability arising from such claims or from the exercise by STATE of its rights under this paragraph.

In the event said buildings, structures and improvements are not delivered to STATE broom clean and in safe and habitable condition, reasonable wear and tear excepted, STATE shall make the necessary maintenance and repairs and LESSEE shall be liable to and shall reimburse STATE for any such expenditures made plus interest at a rate equal to the Federal Reserve Board discount rate per annum from the date of completion of work.

FAILURE TO PERFORM

37. In the event of the failure, neglect, or refusal of LESSEE to do or perform work, or any part thereof, or any act or thing in this Lease provided to be done and performed by LESSEE following receipt of thirty (30) day notice and LESSEE's failure to perform same within said thirty (30) days, STATE shall, at its option, have the right to do and perform the same, and LESSEE hereby covenants and agrees to pay STATE the cost thereof on demand.

LIENS

38. LESSEE shall keep the Premises free from all liens and claims of mechanics, material suppliers, and others from work done and material furnished at the request of LESSEE. Should any lien or claim of lien be filed or notice given, LESSEE shall cause the same to be immediately cancelled and removed, and if so removed, LESSEE shall not be in default under the terms of this Lease.

CANCELLATION

39.(A) Except as may otherwise be expressly provided herein, LESSEE shall materially breach this Lease and be in default and the STATE may forthwith terminate this Lease, if any of the following occurs during the term hereof:

(i) The failure by LESSEE to pay rent as set forth in Paragraph 3 herein

when the same is due, if such failure shall continue for a period of ten (10) days after written notice thereof from STATE to LESSEE.

(ii) The failure of LESSEE to observe or perform any of the covenants or provisions of this Agreement where such failure shall continue for a period of sixty (60) days after written notice thereof from the STATE to LESSEE or such additional time as is reasonably required in the event that such cure cannot be completed within sixty (60) days and LESSEE continues to diligently prosecute such cure to completion.

(iii) The making by LESSEE of an assignment for the benefit of creditors or the filing of a voluntary petition in bankruptcy or for reorganization under the United States Bankruptcy Act, or the filing by LESSEE of a petition for an arrangement or other debtor's relief under any provision of the laws of the United States or of any State.

(iv) The filing of an involuntary petition in bankruptcy against LESSEE under the United States Bankruptcy Act if the same is not dismissed within sixty (60) days after the date of filing.

(v) The appointment of a permanent receiver, trustee or liquidator for LESSEE or of or for the property of LESSEE if such receiver, trustee or liquidator is not discharged within sixty (60) days after the date of his or her appointment.

(vi) Except as otherwise provided herein, the occurrence of any contingency whereby the rights of LESSEE under this Lease would by operation of law or otherwise, without the written consent of the STATE, pass to any person, firm or corporation other than LESSEE.

(B) Except as may otherwise be expressly provided herein, the STATE shall materially breach this Lease and be in default and LESSEE may forthwith terminate this Lease in the event the STATE fails to observe or perform any of the covenants, provisions or terms of this Lease where such failure shall continue for a period of sixty (60) days after written notice thereof from LESSEE to the STATE.

(C) In addition, LESSEE may terminate this Agreement by giving written notice to the STATE thirty (30) days prior to the date when such termination shall become effective, upon:

(i) The voluntary or involuntary bankruptcy of Lessee as set forth in subparagraphs 39(A)(iii) and (iv) above;

(ii) Changes/amendments in applicable statutes, regulations or reimbursement law or reimbursement practice of third party payee(s) and/or enactment of new statutes, regulations or reimbursement law or reimbursement practice of third party payee(s), which render it uneconomic or impractical for LESSEE, or its successor, to continue to rent the Premises pursuant to the terms and conditions of this Agreement;

(iii) The LESSEE going out of business for any reason and/or ceasing to provide a housing program.

(iv) LESSEE receiving notification from STATE that STATE intends to cease operation of and/or vacate the Metropolitan State Hospital facility.

RIGHT TO ENTER

40. During continuance in force of this Lease, there shall be and is hereby expressly reserved to STATE and to any of its agencies, contractors, agents, employees, representatives or licensees, the right at any and all times, and any and all places, to temporarily enter upon said Premises for survey, inspection, or any other lawful STATE purposes. STATE shall use its best efforts to provide reasonable notice of such entry and to allow accompaniment of LESSEE's authorized representative.

EASEMENTS AND RIGHTS OF WAY

41. This Lease is subject to all existing easements and rights of way. STATE further reserves the right to grant additional public utility easements as may be necessary and LESSEE hereby consents to the granting of any such easement. The public utility will be required to reimburse LESSEE for any damages caused by the construction work on the easement area. The STATE will not be liable for any such damage.

The location of any new utility easement created by LESSEE, as referenced in subparagraph 10(I), shall be mutually agreed to by STATE and LESSEE and shall be described by a licensed Surveyor and recorded in the County of Los Angeles at LESSEE's cost and expense.

CONTRACTING

42. Notwithstanding any other term of this Lease, no provision of this Lease shall prohibit LESSEE from contracting with or otherwise engaging third parties, independent contractors, and/or subcontractors to assist it in making those capital improvements and renovations on the Premises as required or permitted under terms of this Lease and to assist in furnishing services on the Premises.

LESSEE'S PROGRAM

43. LESSEE will conduct its program in such a manner so as not to interfere with Hospital activities. A maximum of 8 adults (not including staff) will reside in the Building as program participants at any one time, except with written consent of the STATE, which shall not be unreasonably withheld. The program conducted within the Premises will function under the total responsibility of the LESSEE. Except as may otherwise be provided herein, LESSEE will obtain all appropriate licensing permits, including a valid fire clearance from the appropriate authority, based on compliance with applicable state regulations then in effect, as adopted by the State Fire Marshal.

FIRE/POLICE PROTECTION

44. LESSEE is a separate and distinct entity from the Hospital and shall so inform the local Fire and Police Agencies. The STATE shall in no way be responsible or liable for such protection to LESSEE.

LESSEE SECURITY

45. LESSEE will be responsible for the security of the Building and all persons in its program, while such persons are in, on or about the Premises; provided, however, nothing herein shall be understood to modify or amend Paragraph 23 herein. In the event of a serious security emergency, the STATE shall cooperate with the staff of LESSEE, but such assistance shall not interfere with the STATE's normal treatment program. All rules and regulations governing employees and residents of the Hospital, which are applicable to LESSEE, shall be strictly adhered to by LESSEE's staff.

EMERGENCY PREPAREDNESS

46. LESSEE agrees to be responsible for maintaining LESSEE's own emergency preparedness program. The LESSEE shall not assume the STATE will provide food or supplies during a local or area wide disaster. The STATE will, if time and material allow, assist during a disaster.

ENVIRONMENTAL COMPLIANCE

47.(A) The LESSEE agrees to comply with all applicable Federal, State, and local regulations pertaining to hazardous materials' use, storage, and disposal. The LESSEE shall indemnify and hold harmless the STATE and its agents and representatives for any violation of hazardous materials law caused by LESSEE or LESSEE'S representatives. Furthermore, LESSEE shall reimburse the STATE for any and all costs related to investigation, clean up, and/or fines incurred by the STATE for environmental regulation non-compliance by the LESSEE or LESSEE's representative.

(B) If the LESSEE is required to prepare a Business Plan, as specified by Health and Safety Code Section 25500 et seq., or a Hazardous Waste Contingency Plan, as specified in 22 CCR 66264.51 et seq., then a copy of the plan shall be submitted first to the Chief of Plant Operations.

(C) If LESSEE or LESSEE's representative generates any regulated hazardous wastes on the STATE's property, LESSEE agrees to dispose of such wastes in accordance with all applicable Federal, State, and local regulations. Copies of all hazardous waste manifests or disposal certificates shall be submitted to the Chief of Plant Operations.

(D) Storage of hazardous waste shall comply with 22 CCR 66264 et al., and all applicable fire regulations. The LESSEE shall not apply to become a "permitted" hazardous waste storage facility without written permission from the Chief of Plant Operations.

(E) The STATE or its representatives reserves the right to inspect all areas which are leased or rented by LESSEE, for the purpose of verifying environmental compliance.

(F) At the request of the Chief of Plant Operations, the LESSEE shall provide copies of Material Safety Data Sheets (MSDS) for all hazardous materials used on STATE's property.

(G) Any violation in Federal, State, or local environmental law deemed serious by the STATE will be grounds for termination of Lease in accordance with applicable sections herein. Termination of Lease by either party or evacuation of leased property by LESSEE shall not relieve LESSEE of environmental or hazardous materials related liabilities incurred by the STATE during LESSEE's occupancy or incurred as a result of LESSEE's actions.

MEDICAL

48. No medical support will be provided by the Hospital or by the STATE.

SMOKING RESTRICTIONS

49. Smoking is not allowed in or upon the Premises. LESSEE is required to clearly post signage at all entrances, exits, and other conspicuous locations notifying occupants that smoking is prohibited within the Building, and within 15 feet of any entrance. The signs shall be in bold print and legible from a distance of 25 feet.

SIGNS

50. All signs shall be under the control of the STATE, including placement, size, color, and working; provided, however, nothing herein shall prohibit LESSEE from placing one (1) distinctly visible sign on the building or near the entrance to the building, and the STATE shall not unreasonably withhold approval of such sign. LESSEE shall obtain any and all permits from the City of Norwalk as may be required for LESSEE to place said sign at or near the entrance to the Hospital.

CPI ESCALATOR OPERATING EXPENSE

51. Beginning on July 1, 2007, and on July 1st of every fifth year thereafter during the term of this Lease, the STATE will automatically increase or decrease the monthly rent payable under this Lease. The amount of the monthly rental adjustment shall be determined by multiplying $993.00 by the percentage which the Consumer's Price Index** for the preceding April increased over or decreased under the same Index for the month of April 2002 which shall be the base period. Notwithstanding any other provisions contained herein, no CPI adjustments will accrue or be paid during any agreed periods of free rent.

In the event the above-mentioned Index is discontinued prior to the expiration of this Lease, the STATE shall immediately request the Bureau of Labor Statistics of the U.S. Department of Labor to supply a formula for the conversion of the above-mentioned Index to a similar Index then available, and said formula shall thenceforth be the basis for computation.

**U.S. Bureau of Statistics, Los Angeles-Anaheim-Riverside, CA, All Items Series (1982-1984=100), "All Urban Consumers."

MUTUAL CONSENT

52. This Lease and the provisions of this Agreement may be altered, changed, or amended only by mutual written consent of the parties hereto.

UNDERSTANDING OF LEASE

53. This Lease contains the entire understanding of the parties and the parties agree that there is no other written or oral understanding between the parties in respect to the Premises.

SEVERABILITY

54. The unenforceability, invalidity, or illegality of any provision of this Lease shall not render the other provisions unenforceable, invalid or illegal.

CUMULATIVE REMEDIES

55. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

RECORDATION

56. This Lease shall not be recorded, provided however a short form, Memorandum of Lease may be recorded at the request of the STATE or LESSEE. The party recording the Memorandum of Lease shall, upon expiration or termination of this Lease, file a Quitclaim Deed at their sole cost and expense.

PUBLIC WORKS BOARD APPROVAL

57. LESSEE acknowledges that this Lease is contingent upon the approval of the State Public Works Board.

BINDING

58. The terms of this Lease and covenants and agreements herein contained shall apply to and shall bind and inure to the benefit of the heirs, representatives, assigns and successors in interest of the parties hereto.

SECTION HEADINGS

59. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Lease.

ESSENCE OF TIME

60. Time is of the essence of each and all of the provisions, covenants and conditions of this Lease.

APPROVAL RECITAL

61. The Director of General Services has determined that the letting of the Premises under the terms and conditions of this agreement serves the required beneficial public purpose of the development of housing and complies with the provision of California Government Code Section 14671.2.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto as of the Executed Date written below.

STATE OF CALIFORNIA

DIRECTOR OF THE DEPARTMENT OF GENERAL SERVICES

By: _____
CHERYL L. ALLEN, Manager
State Owned Leasing and Development

Executed Date: 12-23-2002

LESSEE:

HOMES FOR LIFE FOUNDATION, a nonprofit California corporation

By: _____
CAROL M. LIESS, Executive Director

By: _____
DANIEL EGDAL, President

CONSENT:

DEPARTMENT OF MENTAL HEALTH

By: _____
LINDA A. POWELL, Deputy Director
Administrative Services

METROPOLITAN STATE HOSPITAL

By: _____
TRUDA J. BROWN
Hospital Administrator

REVIEWED BY:

STATE PUBLIC WORKS BOARD

By: _____
IRENE T. ANDERSON
Assistant Administrative Secretary

Date: December 19, 2002

LIST OF EXHIBITS

METROPOLITAN STATE HOSPITAL
OLD ADMINISTRATIVE BUILDING

L-1971

EXHIBIT A	PLOT PLAN – GROUNDS OF METROPOLITAN STATE HOSPITAL
EXHIBIT B	DESCRIPTION OF CAPITAL IMPROVEMENTS AND RENOVATIONS
EXHIBIT C	SEISMIC RETROFIT GUIDELINE FOR STATE OWNED BUILDING
EXHIBIT D	TESTING AND INSPECTION REQUIREMENTS
EXHIBIT E	METROPOLITAN STATE HOSPITAL ADMINISTRATIVE DIRECTIVE (A.D. NO. 2100)
EXHIBIT F	ESTOPPEL CERTIFICATE
EXHIBIT G	CONSTRUCTION SPECIFICATIONS FOR NORTH CIRCLE ROAD WORK
EXHIBIT H	(14671.2) LEASE LESS THAN MARKET VALUE; PREFERENCE TO PROJECTS PROVIDING MORE AFFORDABLE UNITS (WAISdoc ID=201616742+1+0+0 & WAISaction=retrieve)

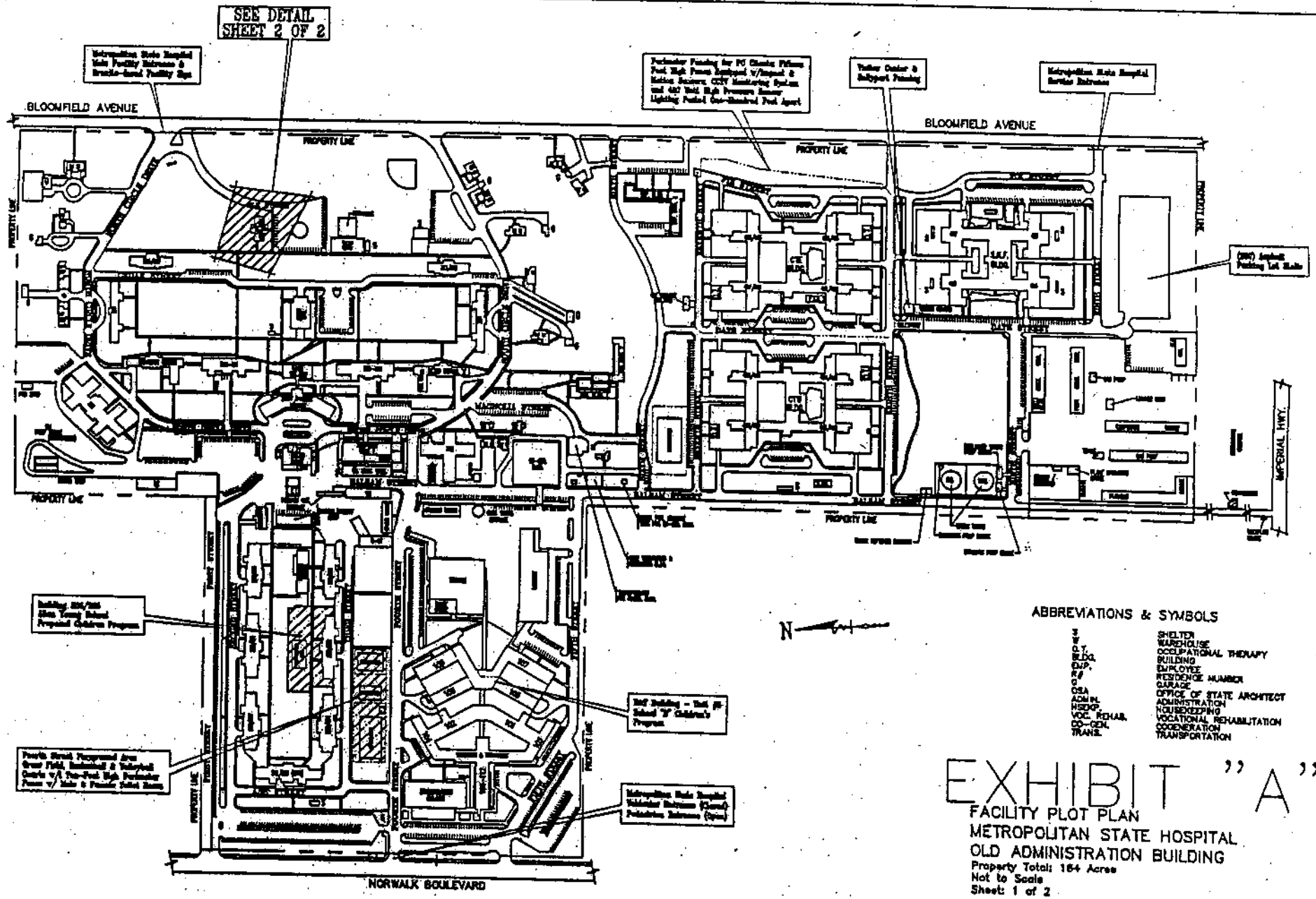


EXHIBIT "A"

FACILITY PLOT PLAN
METROPOLITAN STATE HOSPITAL
OLD ADMINISTRATION BUILDING
Property Total: 164 Acres
Not to Scale
Sheet: 1 of 2

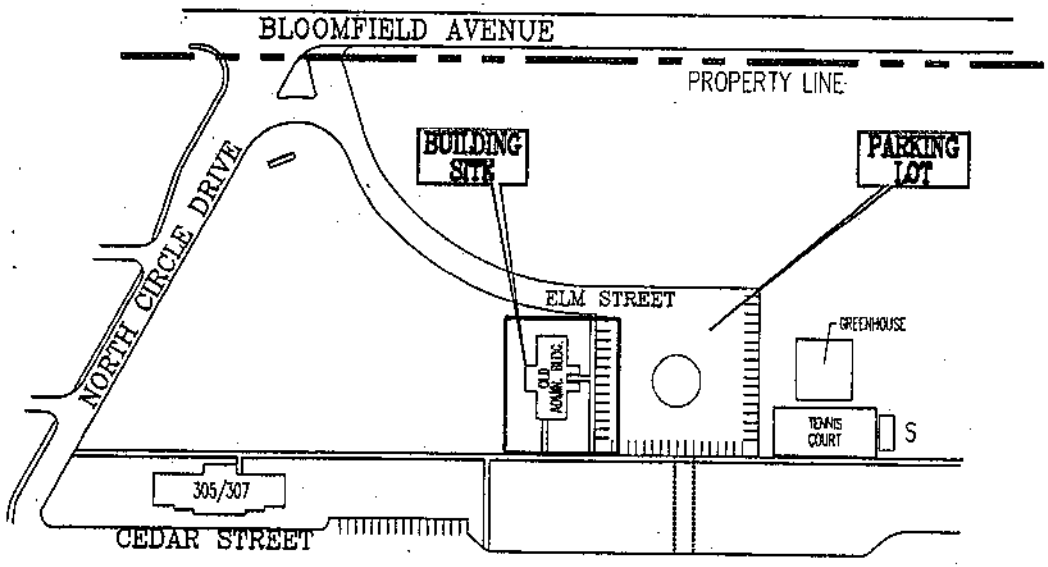


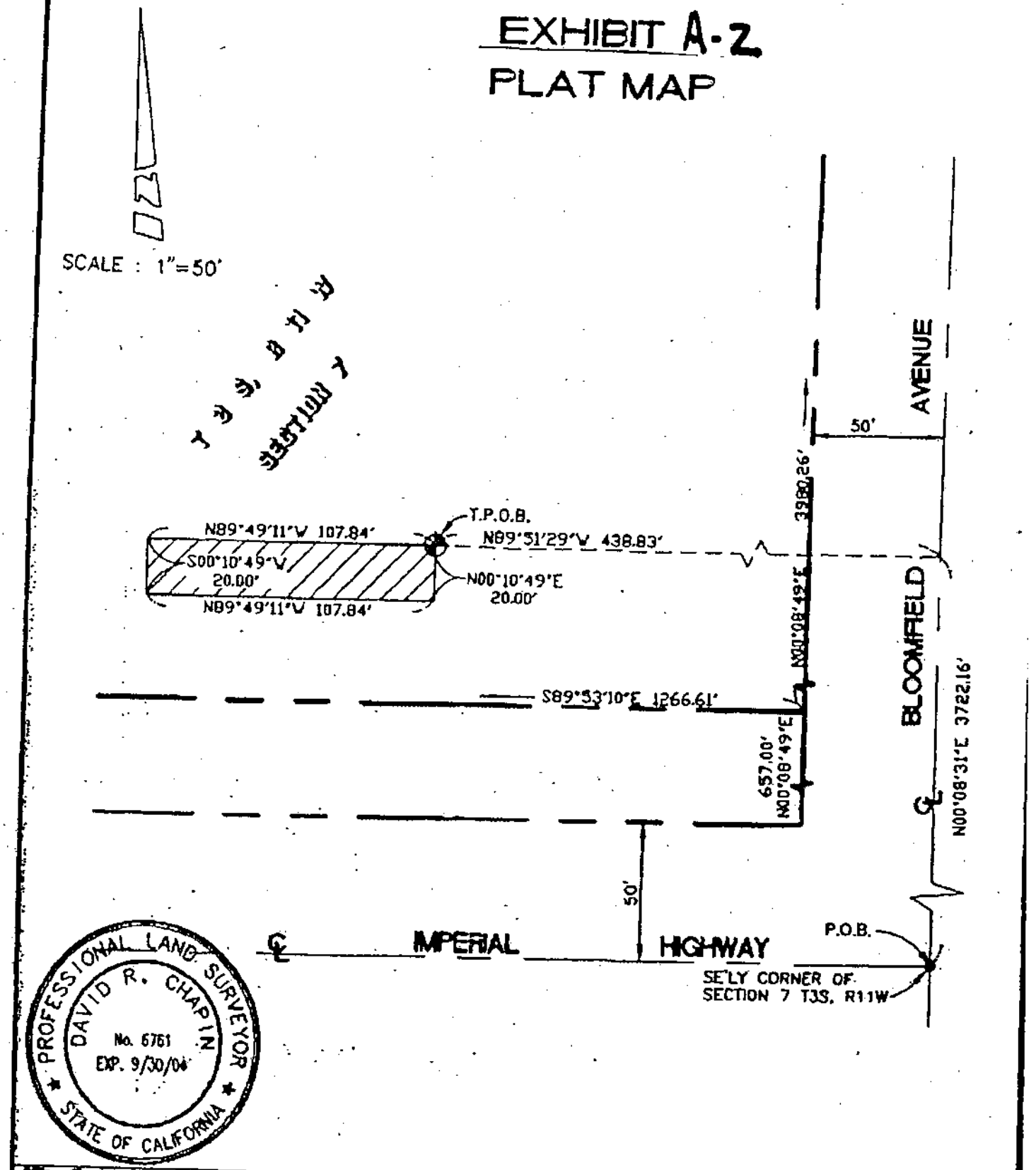
EXHIBIT "A"

FACILITY PLOT PLAN
METROPOLITAN STATE HOSPITAL
OLD ADMINISTRATION BUILDING

Property Total: 164 Acres
Not to Scale
Sheet: 2 of 2

Drawn By: James L. Cornish
Date: 6/12/02

EXHIBIT A-2
PLAT MAP



DCi ENGINEERING, INC.
LAND SURVEYING & CIVIL ENGINEERING
5100 E. LA PALMA AVENUE, SUITE 117
ANAHEIM HILLS, CA. 92807
PHONE (714) 779-3828 FAX (714) 779-3829

11/5/02
DAVID R. CHAPIN P.L.S. 6761

THIS PLAT IS SOLELY AN AID IN LOCATING THE PARCEL(S) DESCRIBED IN THE ATTACHED DOCUMENT. IT IS NOT A PART OF THE WRITTEN DESCRIPTION THEREIN.

DRAWN BY:	JDF
CHECKED BY:	DRC
DATE:	11-5-2002
J.N.	0223

EXHIBIT A-2
EASEMENT DESCRIPTION

BEING A PORTION OF THAT CERTAIN REAL PROPERTY SITUATED IN SECTION 7, TOWNSHIP 3 SOUTH, RANGE 11 WEST, SAN BERNARDINO BASE MERIDIAN, IN THE RANCHO SANTA GERTRUDES IN THE CITY OF NORWALK, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA.

DESCIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SECTION 7, SAID SECTION CORNER ALSO BEING THE POINT OF INTERSECTION OF THE CENTERLINE OF IMPERIAL HIGHWAY AND BLOOMFIELD AVENUE; THENCE ALONG THE WESTERLY LINE OF SECTION 7, BEING THE CENTERLINE OF SAID BLOOMFIELD AVENUE, N 00°08'31" E 3722.6 FEET; THENCE N 89°51'29" W 438.83 FEET TO THE **TRUE POINT OF BEGINNING**; THENCE N 89°49'11" W 107.84 FEET; THENCE S 00°10'49" W 20.00 FEET; THENCE S 89°49'11" E 107.84 FEET; THENCE N 00°10'49" E 20.00 FEET BACK TO THE **TRUE POINT OF BEGINNING**.

PROFESSIONAL LAND SURVEYOR
DAVID R. CHAPIN
No. 6761
EXP. 9/30/04
STATE OF CALIFORNIA

EXHIBIT B

PROPOSED REHABILITATION FOR THE OLD ADMINISTRATION BUILDING, METROPOLITAN STATE HOSPITAL

Construction activities will include work necessary to convert the Old Administration Building will provide 8 one-bedroom apartments, a community room and an entry lobby.

1. Abatement of existing lead and asbestos.
2. Demolition of certain existing interior walls and removal of certain existing ceilings, flooring, electrical systems and plumbing systems.
3. Construction of new partition walls, bathrooms, kitchens to create eight one-bedroom units, a community room and entry lobby.
4. Installation of new lighting and flooring.
5. Installation of insulation.
6. Installation of new electrical and plumbing systems.
7. Repair or replacement of windows, existing interior doors and hardware.
8. Repair or replacement of damaged plaster.
9. Interior and exterior painting.
10. Structural reinforcement as required by structural engineering analysis.
11. Repainting of existing masonry.
12. Repair of broken roofing tiles and underlayment.
13. Installation of fire life safety systems.
14. Construction of new roadway from Cedar Street to parking area.
15. Landscaping at building perimeter.
16. Provision of handicapped access to the ground floor and an exterior patio.

EXHIBIT C

SEISMIC RETROFIT GUIDELINE FOR STATE OWNED BUILDING
Metropolitan State Hospital, Norwalk, CA

The design basis for the retrofit of this State Building is the following performance criteria based on the Design Basis Earthquake (DBE).

1. Building suffers minor repairable structural damage.
2. Nonstructural damage is moderate but may require extensive repair.
3. Minor risk to life safety of building occupants.
4. Operating systems can be disrupted for days to months.
5. Occupancy of the building can occur within weeks with minor disruptions for repair work.

The DBE is that event for which seismically induced ground motions at the project site have a ten- percent probability of exceedance in fifty years. Existing regional or site specific ground motion studies may be utilized for this purpose. Acceptable regional ground motion studies are those prepared for sites within a one-mile radius of the retrofit project site and which have similar geologic structure and similar proximity to causative earthquake faults.

The DBE criteria may be modified when other factors are considered. Socio-economic issues along with pertinent engineering factors may be the basis for modifying the DBE subject to the following:

1. In no event, shall an earthquake ground motion be considered which is lower than that which has a 20% chance of exceeding in 50 years.

2. Components or elements whose failure could result in partial or total collapse of the building and/or create a life safety hazard shall be subject to a non-linear analysis for deformation compatibility and shown to be safe or acceptable when based on the recommended DBE (10%/50 years).

Each structural component and element of the building, including its foundation, shall be classified either as primary or secondary. The primary structural components and elements of the lateral force resisting system are those which provide overall stability for the structure when subjected to ground motions. Only limited degradation of the primary elements is permitted to occur. Secondary structural components and elements are those not designated as primary, and degradation of these is permissible but their ability to support gravity loads must be preserved.

The rehabilitated building shall have a continuous load path or paths with adequate strength and stiffness to transfer all seismically induced forces from the point of application to the point of final resistance.

The retrofit design shall consider all major discontinuities in the vertical and lateral load resisting structural system.

Strengthening of all overstressed structural components and elements shall be addressed in the retrofit design.

Nonstructural components and building contents in the areas directly affected by the primary structural retrofit work shall be adequately anchored or braced to the structure to control damage to acceptable levels.

BASIC APPROACH:

The Structural Engineer of Record (SER), with oversight by the Peer Review Engineer (PRE) shall consider the following listed items affecting the rehabilitation design. The items shall include, but not be limited to:

1. Information acquired from a review of the existing building drawings and specifications along with the evaluations and recommendations contained in previous studies of the building, if any.

2. Information acquired during the required project site visit regarding site imposed hazards and constraints, building geometry (irregularities, etc.) and condition of the structural elements and components.

3. Redundancy existing in the lateral load resisting components and elements.

4. Modifications of components required to improve connectivity, strength or deformation capacity.

5. Whether removal or lessening of existing mass, stiffness or strength irregularities is necessary.

6. Whether global strengthening of the structure is required when structural elements and components are stiffened.

7. Whether isolation or other energy dissipation system is an appropriate retrofit solution.

8. The capacity of the lateral load resisting system to respond adequately to ground motions in any horizontal direction, to torsional effects and to the combined effect of simultaneous response to ground motions in both directions.

9. The overturning stability of the structure under conditions produced by the maximum lateral drifts induced by earthquakes.

10. The various analytical procedures available for use in the project.

11. The modeling procedures used in the analysis and the basis for the assumptions made regarding material strain limits and cracked section properties.

12. The appropriateness of the selected limits for seismic, drift and deflections of the building and its components. Consideration shall be given to the strain compatibility of adjacent connected materials. Existing building construction records or sample testing may be used to estimate the strength and stiffness properties of existing materials.

Acceptable Inelastic Drift Limits:	(In Percent)
Reinforced Masonry	0.5
Unreinforced Masonry	0.3
Unreinforced Masonry Infill	0.6
Concrete walls	0.6
Reinforced Concrete Frame	1.5
Steel Moment Frame	2.0
Steel Braced Frame	1.0
Clay Tile (Walls or Facing)	0.2

Other limits will be acceptable if they can be justified.

13. The basis for the allowable stress levels selected for structural materials and limits Established for controlling foundation damage or bearing soil differential settlement.

14. The requirement to meet basic constructability standards and the established performance criteria.

The SER and PRE shall cooperate and reach agreement on material issues relevant to the specific project and analysis procedures used prior to the start of the design. Design drawings and calculations shall be submitted by the SER to PRE for plan review at 95% completion. SER shall incorporate comments received from this review before any construction contracts on the project are executed. The responsibility for the structural design remains fully and solely with the SER.

Differences of opinion may arise between the SER and PRE. The SER and PRE may determine that a major retrofit issue and its proposed solution may be controversial, and would benefit from the examination by the State's Peer Review Board (PRB). In each case the issue will be brought to a RESD facilitator who will present it to PRB for consideration, evaluation and resolution. The decision of the PRB will be final.

M:\Design-Services\Studio9\DSchlueter\Guidelines for Seismic Retrofit of State Buildings.doc

APPROVED CERTIFICATION LANGUAGE

I have visited the project site to observe existing conditions and to periodically review the construction work that is shown on the drawings for which I am responsible.

To the best of my knowledge and belief, based on my periodic site visits, my review of testing and inspection reports and conversations with the DGS RESD Construction Services Section Construction Supervisor, the completed structural work is in general conformity to the approved plans, as modified during the construction period, the specifications, and applicable structural regulations. Any observed structural deficiencies of the work performed in this project have been resolved and corrected.

EXHIBIT D

TESTING AND INSPECTION REQUIREMENTS

Quality Assurance in Construction

In order to assure that the constructed project conforms substantially with all design requirements a three tiered Quality Assurance Program shall be utilized during the construction phase of all projects. The three tiers are:

1. The contractor's quality control program.
2. The owner's testing and inspection program, as outlined in the Testing and Inspection Plan (TIP) prepared by the SER and reviewed by the PRE.
3. SER construction services and site visits.

Contractor's Quality Control Program

The contractor shall be required to institute and follow formal quality control monitoring and reporting procedures independent of the owner's TIP. Such a Contractor's Quality Control Program (CQCP) may require sign off sheets and checklists.

Testing and Inspection Plan

The SER shall develop quality assurance plan to be executed by the project inspector designated by the Construction Services Section (CSS) in cooperation with the SER and an Independent Testing Laboratory (ITL) retained by the Owner.

Scope of Testing and Inspection

The TIP shall address the type and frequency of testing required for each type of material specified to be incorporated into the retrofit construction,

the location and extent of any field verification required as part of the design, and the location and type of in site testing of existing materials. The TIP shall clearly define what constitutes an acceptable test result for each material. The TIP shall require that copies of all reports documenting the results of tests and inspections be sent to the SER and RESD. To implement the TIP, CSS will provide an experienced and qualified project inspector for inspection of the construction work as required by the TIP. The project inspector will oversee and coordinate the testing of materials and inspection work done by others. The project inspector will notify the qualified ITL when material sampling/testing or special inspection services as indicated in the TIP are required.

Inspector Qualifications

The project and special inspectors must be qualified, by an agency acceptable to CSS for the types of tests or inspections they are required to perform. The SER may require more rigorous qualifications where special testing procedures are required.

Field Verification of As-Built Conditions

Where required by the retrofit strategy, the SER shall specify that exploratory work be performed at the site to verify conditions and properties of the existing construction. The location of conditions to be verified, the type of material testing to be performed, the type of information required, and the method of reporting the results shall be clearly defined in the TIP.

Testing and Inspection of New Materials

All new construction materials that influence the structural integrity of the retrofit construction shall be tested in accordance with conventional and industry standard acceptable methods.

Special Conditions

The TIP shall outline a testing procedure and frequency for all special conditions including but not limited to:

* Drilled and grouted reinforcing bars or bolts
* Installation of expansion bolts
* Significant shop or field welding
* Installation of high strength bolts
* Isolation devices
* Damping devices
* Others as specified

Field Inspections

The TIP shall define the nature and frequency of field inspections and testing defined for the project inspector in the Scope of Testing and Inspection section and the Field Verification of As-Built Conditions section for the SER.

Inspector and Testing Laboratory Reporting

The TIP shall require formal reporting procedures using standard forms. Reports shall be submitted to the SER in timely fashion to facilitate corrective measures, when and if they are required.

Coordination with Contractor's Quality Control Program

The procedures contained in the TIP shall make provisions for interfacing and coordinating with the Contractor's Quality Control Program. Where the

CQCP requires the use of concrete placement check lists, the ITL should be required to collect and maintain record copies of the checklists.

SER Construction Services and Site Visits

The TIP shall identify the extent to which the SER will be required to perform on-site observations of the construction as well as define the role of the SER in monitoring the performance of the ITL and the project inspector.

Review of Contractor's Quality Control Program

The SER shall be responsible for reviewing the CQCP for adequacy and compatibility with TIP.

Site Visits by Structural Engineer of Record

The SER shall make site visits at appropriate stages of construction to verify the conformance of the existing construction with the details used in the analysis, to verify the conformance of the new construction with the design documents and to provide direction to the project inspector. As a minimum the number and duration of the site visits shall be sufficient to allow for the detailed verification of:

* Foundation reinforcing details
* Hidden conditions that have been exposed for verification
* Reinforcement layout for new elements of the lateral system and exposed elements of the existing system.
* Critical details that will be obscured by subsequent construction
* Any condition that is critical to the reliable performance of the retrofitted structure and which requires knowledge of engineering principles to understand.

Reporting of Site Visits by Structural Engineer of Record

The SER shall provide documentation to RESD and all affected parties in the form of written field reports describing all site visits, items observed and any conditions requiring corrective measures.

EXHIBIT E

A.D. No. 2100
May 1, 1998

METROPOLITAN STATE HOSPITAL ADMINISTRATIVE MANUAL	SECTION: EMPLOYEE MATTERS EXPECTATIONS OF EMPLOYEES
Replaces No. 2100 Dated: April 18, 1996 Revision Author: Office of Human Resources Approved: William G. Silva William G. Silva, Executive Director	TITLE Fingerprinting and Background Investigation

1.0 POLICY

1.1 All applicants for employment or non-paid positions shall not be hired in any position until a background check has been completed by the California Department of Justice (DOJ).

1.2 Authority: By order of the Director of Mental Health (Special Order No. 407.01), consistent with the authority provided by Government Code Section 11152.

2.0 PURPOSE

2.1. It is the intent of Metropolitan State Hospital not to hire any person working at the facility who demonstrates a propensity to harm the safety and well-being of patients residing or receiving services at the hospital. This policy applies to all applicants for employment or non-paid positions, all of whom are collectively referred to as "applicant".

2.2 Since all employees working at Metropolitan State Hospital may have direct contact with patients, applicants for employment shall not be hired to work in any position if they have ever been convicted of any felony offense listed in 4.0 below or any misdemeanor offense involving moral turpitude as provided in 6.3 below.

2.3 Applicants for employment who were convicted of a felony other than those listed in 4.0 may be considered for employment only after an evaluation is completed of the factors listed in 5.0 below.

2.4 Independent contractors, subcontractors, their employees, casual laborers and volunteers may be subject to a background check under the following procedure:

2.4.1 The Executive Director shall assess the following information to determine which independent contractors and their employees, subcontractors and their employees, casual laborers, and

volunteers, will be subject to a background check conducted by the California Department of Justice (DOJ):

2.4.1.1 Nature of the service provided;

2.4.1.2 Frequency and level of client contact; and

2.4.1.3 Length of contract.

2.4.2 If the Executive Director deems it necessary to conduct a background check, the same procedures as an applicant for employment shall be used.

3.0 PROCEDURE

3.1 After the completion of the hiring interview and the selection of the successful candidate, the hiring manager or designee will schedule the prospective applicant to go to the Hospital Police Department to have fingerprint cards process.

NOTE: Hospital Police must have written authorization from the hiring manager prior to prints being process. All applicants must show picture identification (i.e., drivers license, State issued identification card, or other identification deemed appropriate by Hospital Police).

3.2 After the completion of the fingerprint cards of prospective applicants, the Hospital Police Department will mail to the California Department of Justice for background check.

3.3 The Special Investigations Office will receive and review all completed background reports from the California Department of Justice, both initial and subsequent reports. This office will notify the Office of Human Resources Exam Unit of results and findings of reports.

3.4 Upon receipt of information from the Special Investigations Office, staff of the Exam Unit will notify the appropriate hiring manager of results of background check.

3.5 If the background check is appropriate, the hiring manager will coordinate with the Department of Human Resources Reception

Office in scheduling the prospective applicant for a "pre-employment physical".

3.6 Metropolitan State Hospital will pay all costs associated with both the initial background review and subsequent arrest notification.

3.7 The California Department of Justice will be notified whenever an employee is terminated for any reason.

4.0 FELONY CONVICTIONS

4.1 Metropolitan State Hospital will not employ an applicant for a position if he/she has ever been convicted of any of the following felony offenses:

4.1.1 Any crime specified in Penal Code Section 290 which generally includes offenses of a sexual nature such as rape, sodomy, child molestation, and indecent exposure and attempts to commit such crimes.

4.1.2 Murder.

4.1.3 Battery.

4.1.4 Sexual Battery.

4.1.5 Elder or dependent adult abuse.

4.1.6 Mayhem.

4.1.7 Kidnapping.

4.1.8 Assault with a deadly weapon or with force by means to produce great bodily injury.

4.1.9 Child abuse.

4.1.10 Poisoning or adulterating food, drink, medicine, pharmaceutical products, or water supplies.

4.1.11 Spousal rape.

4.1.12 Intercourse based on fraudulent representations to create fear.

4.1.13 Robbery.

4.1.14 Arson.

5.0 OTHER FELONY OFFENSES

5.1 If an applicant has been convicted of a felony offense other than those specified above in 4.0, Metropolitan will take the following action:

5.1.1 The Senior Special Investigator, a review committee, or other designee as determined by the Executive Director will conduct a review of the circumstances related to the convictions and forward the results to the Executive Director for action and final disposition.

5.1.2 The Executive Director will consider the following factors in evaluating the effect of an applicant's felony conviction in their employment decision:

5.1.2.1 Nature of the position or service provided.

5.1.2.2 Nature and seriousness of the offense.

5.1.2.3 Date of the offense and date of applicant seeking employment.

5.1.2.4 Whether the offense is isolated or has occurred repeatedly.

5.1.2.5 The person's age at the time of the offense.

5.1.2.6 Prior offenses.

5.1.2.7 Information or recommendations from past employers regarding the applicant's personal conduct.

5.1.2.8 Work employment history since the offense or release.

5.2 The Executive Director will consider the factors set forth in 5.1 above with respect to the felony conviction sustained by an applicant and make a determination as to the applicant's suitability for employment.

5.3 If the Executive Director concludes that the applicant's felony conviction should not preclude employment at Metropolitan State Hospital, the Executive Director will forward his or her recommendation to the Deputy Director, Long Term Care Services, or his/her designee for final approval.

5.4 The decision by the Deputy Director, Long Term Care Services, will be documented and a copy placed in a separate file at Metropolitan State Hospital.

6.0 MISDEMEANOR CONVICTIONS

6.1 If an applicant has been convicted of a misdemeanor, Metropolitan State Hospital will take the following action:

6.1.1 The Senior Special Investigator, a review committee, or other designee as determined by the Executive Director will conduct a review of the circumstances related to the convictions and forward the result to the Executive Director.

6.1.2 The Executive Director will determine whether the misdemeanor involves moral turpitude by the manner of its commission.

6.2 If the Executive Director determines that the misdemeanor does not involve moral turpitude, the conviction will not preclude consideration of the applicant for employment.

6.3 If the Executive Director determines that the misdemeanor involves moral turpitude, he/she will consider the following factors and make a determination as to the applicant's suitability for employment:

6.3.1 Nature of the position or service provided.

6.3.2 Date of the offense and date of applicant seeking employment.

6.3.3 Whether the offense is isolated or has occurred repeatedly.

6.3.4 The person's age at the time of the offense.

6.3.5 Prior offenses.

6.3.6 Information or recommendations from past employers regarding the applicant's personal conduct.

6.4 If the Executive Director determines that the applicant should not be offered employment due to a conviction involving moral turpitude, it will be documented and placed in the applicant's file.

6.5 If the Executive Director determines that the applicant can be offered employment, the decision will be documented and placed in the applicant's file.

7.0 ADDITIONAL INFORMATION AND CONSIDERATIONS

7.1 Pursuant to Labor Code Section 432.7, Metropolitan State Hospital will seek additional information from an applicant in the following situation.

7.1.1 Arrest for which the applicant is out on bail or on his/her own reconnaissance pending trial.

7.1.2 Arrest for any offense specified in Penal Code Section 290, when the position has regular access to patients.

7.1.3 Arrest for any offense specified in Health & Safety Code Section 11590 when the position has access to drugs and medications.

7.2 The following will not be considered when making a hiring decision:

7.2.1 Referral to and participation in any pre-trial or post-trial general diversion program.

7.2.2 Convictions relating to possession of marijuana, as specified in Labor Code Section 432.8.

7.2.3 Any conviction for which the record has been judicially ordered sealed, expunged or legally eradicated.

7.2.4 Any misdemeanor conviction for which probation has been successfully completed or otherwise discharged, and the case has been judicially dismissed pursuant to Penal Code Section 1203.4.

8.0 EMPLOYMENT MOVEMENT

8.1 Movement of employees without a break in service from the Department of Developmental Services, Developmental Centers to Metropolitan State Hospital will not require a background check in accordance with this policy prior to an offer of employment, if a background check has been completed by the Developmental Center.

9.0 REJECTION OF EMPLOYMENT

9.1 Metropolitan State Hospital will submit to Headquarter's Office of Human Resources information on those applicants not offered employment as a result of the application of this policy. The Office of Human Resources will seek removal of the applicant's name from the employment list(s) and maintain a centralized listing of the rejected applicant(s) for at least three (3) years.

Truda J. Brown
Hospital Administrator

Sarath Gunatilake, M.D.
Medical Director

EXHIBIT F

Form of Estopple Certificate

Premises: Old Administration Building, Metropolitan State Hospital.

Lease Number: L-1971. Lease dated: September 16, 2002, between the State of California, acting by and through the Department of General Services, with the consent and approval of the Department of Mental Health (Landlord) and Homes for Life Foundation (Tenant). The undersigned, Landlord under the above Lease, certifies to_____, the holder or proposed holder of a note or other obligation secured, or to be secured, by a mortgage or deed of trust upon the above ground leasehold interest in the premises and assignee, or proposed assignee of said Lease, that;

1. Said Lease is presently in full force and effect and unmodified except as indicated at the end of this certificate.

2. The Term thereof commenced on July 1, 2002, and will expire on June 30, 2022, and the Rent Commencement Date becomes effective and commences on July 1, 2005, unless Lessee occupies space sooner.

3. ~~To the best of Landlord's knowledge, Tenant's Work has been substantially completed in accordance with all the terms and conditions of the Lease.~~

4. ~~Minimum Annual Rent under said Lease have been paid through_____.~~

5. The address for notices to be sent to the undersigned is as set forth in said Lease, or as set forth below.

6. To the best of Landlord's knowledge, Tenant is not in default under the Lease, nor do any conditions exist or has any event occurred that, given the giving of notice or the passage of time, would ripen into a default under the Lease, except as set forth below.

7. [Any other certifications or information reasonably requested by Tenant and Landlord.]

In the event of any inaccuracy in the information set forth in this certificate, Landlord shall be estopped to deny the accuracy thereof as to the certificate holder named above,

its successors and assigns. Any capitalized terms used herein and not otherwise defined shall have the meaning set forth in the Lease.

Dated:_____, 2002.

Landlord: Director of the Department of General Services

_____

BY: CHERYL L. ALLEN, Manager
State Owned Leasing and Development

LEASE MODIFICATION, IF ANY, AND CHARGES, DEFAULTS, ETC., IF ANY, TO BE LISTED HERE:

EXHIBIT" G "

02110	SITE CLEARING
02200	GENERAL REQUIREMENTS FOR GRADING AND PAVING
02221	GRADING FOR PAVING
02230	AGGREGATE BASE
02280	SOIL STERILANT FOR WEED CONTROL
02510	ASPHALT CONCRETE PAVEMENT
02527	SITE CONCRETE

SECTION 02110 - SITE CLEARING

PART 1 - GENERAL

1.01 PROTECTION OF EXISTING IMPROVEMENTS

A. Provide barricades, coverings, or other types of protection necessary to prevent damage to existing improvements indicated to remain in place. Protect improvements on adjoining properties as well as those on State property. Any improvements damaged by this Work shall be restored to original condition as approved by authority having jurisdiction.

1.02 PROTECTION OF EXISTING TREES

A. Protect existing trees indicated to remain in place, against unnecessary cutting, breaking or skinning of roots, skinning and bruising of bark, smothering of trees by stockpiling building materials or excavated materials within drip line, excess foot or vehicular traffic, or parking of vehicles within drip line. Provide temporary fences, barricades or guards as required to protect trees. Trees within limits of contract work shall be watered as directed by the State.

B. Tree roots over 1-1/2 inches in diameter required to be cut to provide room for new construction, shall be thoroughly and generously coated on cut faces with emulsified asphalt especially made for horticultural use on cut or damaged plant tissues. Cover exposed roots with wet burlap to prevent roots from drying out.

1.03 DAMAGE TO TREES

A. The State shall be recompensed per requirements specified in Division 1 for all trees damaged.

1.04 IMPROVEMENTS ON ADJOINING PROPERTY

A. Authority for performing removal and alteration work on property adjoining State property will be obtained by the State prior to award of Contract.

PART 2 - PRODUCTS

2.01 DISPOSAL OF MATERIALS

A. Remove rubbish and other undesirable materials resulting from site clearing operations; dispose of same off premises. Burning of materials is not permitted on the premises or on adjacent State property. Upon completion of site clearing work, premises shall be neat, clean and in condition to receive subsequent work.

2.02 SALVAGABLE IMPROVEMENTS

A. Carefully remove items to be salvaged, and store on premises where indicated, unless otherwise directed by the State.

PART 3 - EXECUTION

3.01 GENERAL

A. Remove trees, shrubs, grass, weeds and other vegetation, improvements, or obstructions that interfere with installation of new construction, and such items elsewhere on the site or premises as specifically indicated. Removal includes new and old stumps of trees and their roots. Carefully and cleanly cut roots of trees indicated to remain in place, where such roots obstruct new construction.

B. Remove and dispose of existing sod and soil within limits of new road section and curbs.

3.02 ABOVE GRADE IMPROVEMENTS

A. Remove plant mix surfacing, concrete and other pavements, and bases for pavement; concrete slabs, curbs, gutters, sidewalks, concrete or wood headers, and valve boxes; concrete and masonry walls; posts, poles and fences of any material; manhole frames and covers, and catch basin grates; and other work as specifically indicated.

3.03 BELOW GRADE IMPROVEMENTS

A. Remove foundations, footings, walls, catch basins, manholes, cisterns and septic tanks of any material; underground pipe of any kind or for any purpose; and other work as specifically indicated. Abandonment or relocation of additional underground pipe and conduits may be shown on mechanical and electrical drawings and is included under work of those headings. Removal of abandoned underground piping or conduit which interferes with construction is included under this Section.

B. Location of shut-off for utilities shall be ascertained hereunder.

3.04 ADJUSTMENT OF FRAME AND COVER SETS TO GRADE

A. Utility manhole and vault frames and covers within an area to be paved and graded shall be set to finished grade. Manholes in AC pavement shall be set to finish grade in accordance with provisions of Section 02510. In the case of portland cement concrete pavement, manhole frames shall be set to finish grade before paving. Repaving required as a result of reconstructing or adjusting all manhole and vault frames and covers to grade shall be the responsibility of the Contractor.

B. Exercise necessary caution to prevent debris from falling into manholes. If debris should fall into a manhole, it shall be immediately removed.

END OF SECTION

SECTION 02200 - GENERAL REQUIREMENTS FOR GRADING AND PAVING

PART 1 - GENERAL

1.01 SOURCE AND QUALITY OF MATERIALS

A. Materials shall be best of their respective kinds, suitable for purposes intended, and conforming to various standard specifications and requirements indicated, except as may be otherwise modified. Furnish information to the State Construction Supervisor regarding source of materials, where testing is to be performed by the State, and furnish this information in sufficient time in advance of use.

PART 2 - PRODUCTS

2.01 ASPHALT CEMENTS

A. Asphalts shall be classified by aged residue viscosity, and when tested in accordance with standard methods of tests of AASHTO, grades of asphalts shall conform to specifications for asphalt cements set forth in Asphalt Handbook of Asphalt Institute, (AI).

2.02 LIQUID ASPHALTS AND ASPHALT EMULSIONS

A. When tested in accordance with standard methods of tests of AASHTO, grades shall conform to specifications set forth in Asphalt Handbook of the Asphalt Institute. Asphalt emulsions consists of bituminous base uniformly emulsified with water and emulsifying or stabilizing agent.

2.03 EXPANSION JOINT FILLER

A. Non-extruding asphalt impregnated fiberboard, ASTM D1751, 3/8 inch thick.

2.04 PORTLAND CEMENT CONCRETE

A. Portland Cement: ASTM C150 Type II, low alkali cement.

B. Aggregates: ASTM C33 and as follows, from source approved by the State. Do not use aggregates known to cause excessive shrinkage.

1. Coarse Aggregate: Uniformly graded between maximum size (not over 1-1/2 inches and not less than 3/4 inch) and minimum size (No. 4), crushed rock or washed gravel.

2. Fine Aggregate: Clean, natural washed sand of hard and durable particles varying from fine to particles passing 3/8 inch screen, of which at least 12 percent pass 50 mesh screen and with Sand Equivalent Value of at least 75.

C. Water: Clean and free from deleterious quantities of acids, alkalis, salts, or organic materials.

D. Reinforcement:

1. Bars: Grade 60 or Grade 40, ASTM A615 deformed billet-steel.

2. Welded Wire Fabric: ASTM A185.

3. Bending: Conform to current requirements of ACI 318.

E. Concrete Mix: Concrete composed of portland cement, coarse aggregates, fine aggregate and water. For footings and slabs on grade, concrete shall attain minimum 28-day compressive strength of 2,500 psi using not less than 5 sacks of cement per cubic yard of wet concrete. Slump shall not exceed 4 inches.

For structural concrete such as supported slabs and beams, concrete shall attain minimum 28-day compressive strength of 3,000 psi using not less than 5.75 sacks of cement per cubic yard of wet concrete. Slump shall not exceed 4 inches. All design mixes shall be approved by the State.

F. Mixing: Use batch machine mixer of approved type. After ingredients are in mixer, mix for at least 1-1/2 minutes.

G. Transit Mixing: May be approved in lieu of mixing at site, if rate of delivery, haul time, mixing time, and hopper capacity is such that concrete delivered will be placed in forms within 90 minutes from time of introduction of cement and water to mixer.

H. Forms: Forms may be plywood, metal, or 1 by 6 inch boards. Construct forms to exact shapes, sizes, lines, and dimensions required to obtain accurate alignment, location, grades, and level and plumb work. Provide openings required for work of other trades. Make joints tight to prevent loss of mortar from concrete. Use metal spreaders providing accurate spreading and positive tying of forms together; wood spreaders and on the job hand twisted wire ties not permitted.

1. Form coating shall not adversely affect bonding of paint, plaster, adhesive or bonding agents applied to concrete surface.

2. Reuse of forms will be permitted if approved by the State.

3. Remove forms only when safe to do so. For structurally supported concrete, obtain State permission prior to form removal.

4. Cut off nails and tie wire 3/8 inch behind face of concrete and patch exposed surfaces smooth.

5. No rubbish will be allowed to remain in, under or around concrete.

6. No metal form lubricant will be allowed on rebar.

I. Placing: Before placing concrete; remove wood, rubbish, vegetable matter and loose material from inside forms. Thoroughly wet down wood forms to close joints.

J. Membrane Curing Compound: Conforming to ASTM C309, Type 1-0, Class B, tinted with fugitive dye which will disappear within 7 days after application, and resin base compound which will not affect subsequent performance of adhesive or other materials applied thereto.

For curing in hot weather under direct sunlight, Type 2 (white pigmented compound) may be required by the State.

K. Carbon Black Coloring: Unless otherwise specified, tone down concrete pavement, sidewalks, curbs, and gutters to eliminate glare, using dispersed carbon black in liquid form at rate of not more than 2 pounds per cubic yard of concrete. Exact amount used will depend on color of cement, and shall be as directed. Add color to mix per manufacturer's printed instructions.

PART 3 - EXECUTION

3.01 GENERAL

A. Tests Made by State: The State may test and retest materials at their source, stockpiled on job site, or installed in work, at any time as necessary. State will pay for such initial tests.

B. Tests Made by the Contractor: Contractor shall arrange for the following tests by recognized laboratory. He shall pay for such tests and furnish two copies of laboratory's test results as soon as possible.

1. A maximum number of 10 compaction tests per Test Method No. Calif 216 or Calif 231 shall be made in areas and at time designated by State.

2. In place asphalt concrete shall be tested for each day's placement as follows:

TEST	TEST METHOD NO. CALIF
Combined aggregate gradation (after asphalt extraction)	202
Asphalt Content	310
Stabilometer Value	366

C. Certificate of Compliance: Unless actual testing is specified, submit certificate of compliance attesting that materials conform with requirements of specifications.

D. Contract Test Requirements: When State tests indicate noncompliance with contract requirements, Contractor shall have materials or installed work tested by recognized laboratory and pay all costs. Testing required or retesting ordered by Contractor to determine compliance with contract requirements shall be paid for by Contractor.

A "recognized" laboratory is any laboratory regularly inspected by National Bureau of Standards, or approved by the State.

E. Samples for Testing: When tests are required, provide the State with adequate samples of materials proposed for use, at least 28 days prior to date of intended use.

Furnish two molded concrete test cylinder specimens to the State for 7-day compression test, and one cylinder for 28-day compression test. Specimens shall comply with ASTM C31.

F. Defective Materials: Materials failing to meet laboratory tests and contract requirements shall not be used. Defective material stockpiled on premises shall be immediately and permanently removed.

3.02 APPLICABLE TEST METHODS

A. State Department of Transportation has developed methods of testing quality of materials and work. Test methods are identified by prefix "Calif" followed by serial number. Copies of test methods are available at Materials and Research Department, State Department of Transportation, Sacramento, California, and will be furnished upon request.

B. Tests made by the State will be made in State or other recognized laboratory in conformity with these test methods, or by test methods of nationally recognized testing organizations, as indicated.

C. A general description of the most commonly used Test Methods by Calif number referred to throughout Sections in Division 2 is given below. Test Methods not in following list can be found in Materials Manual of State Department of Transportation.

1. Test Method No. Calif 202 - Sieve Analysis of Fine and Coarse Aggregates: Test covers two procedures for washing and procedure for sieving used for determination of particle size distribution of fine and coarse aggregate samples.

2. Test Method No. Calif 205 - Percentage of Crushed Particles: Procedure for determining percentage, by weight, of aggregate that has been crushed (at least one fractured face) by operator's visual inspection.

3. Test Method No. Calif 210 - Wet Shot Rattler Test: Procedure for determining resistance of coarse aggregate to abrasion in presence of water, thus providing measure of ability of coarse aggregate to withstand degradation in road base or resurfacing.

4. Test Method No. Calif 211 - Los Angeles Rattler Test: Procedure used to determine resistance of coarse aggregate to impact in rotating cylinder containing metallic spheres.

5. Test Method No. Calif 216 - Relative Compaction: Procedure used to determine relative compaction of untreated soils, aggregate subbases, aggregate bases and cement treated bases. Relative compaction is defined as ratio of in place density of soil or aggregate to maximum density of same soil or aggregate when compacted by specific test method.

6. Test Method No. Calif 217 - Sand Equivalent Test: Rapid field test to show relative proportions of detrimental fine dust or clay-like materials in soils or fine aggregate.

7. Test Method No. Calif 229 - Durability of Aggregates: Procedure for determining durability factor of aggregates. The durability factor is a value indicating relative resistance of aggregate to producing detrimental clay-like fines when subjected to prescribed mechanical methods of degradation.

8. Test Method No. Calif 231 - Relative Compaction: Procedure for selecting test area, for determining in place wet density and moisture of untreated and treated soils and aggregates by use of nuclear gauge and for determining relative compaction.

9. Test Method No. Calif 301 - Determination of Resistance "R" Value: Procedure for determining resistance (R Value) of both treated and untreated soils or aggregates for use as a base, subbase or basement soil, and also covers calculation of design thickness of pavement sections.

10. Test Method No. Calif 303 - Centrifuge Kerosene Equivalent Test: This test furnishes a measure of surface capacity, including absorption of both coarse and fine aggregates used in bituminous mixtures. test also furnishes an index, designated as "K Factor", that indicates relative particle roughness or degree of porosity.

11. Test Method No. Calif 304 - Preparation of Bituminous Mixtures for Testing: Procedures for laboratory design mixtures, mixtures from the field for job control, and cores taken from the pavement for special studies.

12. Test Method No. Calif 305 - Swell and Permeability Test: The swell test is an index of resistance of compacted bituminous mixtures to softening and disintegration in presence of water. The permeability test provides a measure of degree to which compacted bituminous mixture will resist entrance of water.

13. Test Method No. Calif 307 - Moisture Vapor Susceptibility Test: Test indicates extent to which

stabilometer values of bituminous mixtures are affected by moisture in vapor state entering mixture.

14. Test Method No. Calif 366 - Stabilometer Value Test: Procedure for determining "stabilometer value" (stability) of bituminous mixture by measuring transmitted horizontal pressure developed in compacted test specimen under given vertical pressure, and indicates relative ability of pavement to resist plastic deformation under action of traffic.

3.03 CONTROL OF MATERIALS AND WORK

A. Equipment and Plant: Adequate size and capacity to handle work efficiently. Maintain equipment in first class mechanical condition at all times. Central mixing plants shall be equipped to properly segregate and accurately weigh components of concrete. Transit mix equipment shall have electrically actuated counters by which number of revolutions of drum or blades may be verified.

Counters shall be resettable, recording type, mounted in driver's cab. Counters shall be actuated at time of starting mixing at mixing speeds. The State reserves right to reject materials produced by equipment, or plant which State deems inadequate or unsuitable for work.

B. Certificate of Compliance: Provide two copies, stating that asphalt concrete and cement delivered to job site complies with contract requirements for each type specified. If cement is delivered directly to job site, certificates shall be signed by cement manufacturer. If cement is used in ready mixed concrete, certificate shall be signed by manufacturer of concrete.

Certificates for asphalt concrete shall be signed by manufacturer of asphalt concrete.

Deliver certificates to the State Construction Supervisor. Upon receipt of certificates the State may permit use of cement or ready mixed concrete in advance of its approval by the State testing laboratory. Cement or ready mixed concrete delivered without certificate of compliance shall not be used in work until State testing laboratory has had sufficient time to make 7-day test on approved brands of cement in common use, and 28-day test on new or unapproved brands of cement, and has approved cement for use.

C. Load Tickets for Ready Mixed Concrete: Provide two copies showing materials used in mix, time of placing materials in mixer, and number of revolutions. Deliver tickets to the State Construction Supervisor at time of discharge.

END OF SECTION

SECTION 02221 - GRADING FOR PAVING

PART 1 - GENERAL

1.01 SECTION INCLUDES

A. Grading consists of excavation, filling, and compacting necessary to bring surface of subgrade to cross sections and grades shown on the plans.

1.02 SUBGRADE

A. Subgrade is defined as the surface upon which pavement, base, or subbase is to be placed.

PART 2 - PRODUCTS

2.01 EXCESS EXCAVATION AND WASTE

A. Remove waste material and excess excavation from the premises.

2.02 IMPORT

A. Furnish suitable fill material to complete all work.

PART 3 - EXECUTION

3.01 EXCAVATION

A. Top 6 inches of subgrade shall have a relative compaction of 90 percent obtained by thoroughly scarifying area after it has been excavated to the required elevation and compacting with approved rolling equipment. Allow for settlement of re-compacted subgrade. Where required during compaction, apply water with suitable equipment to insure even distribution of moisture content.

B. Trim subgrade elevations to provide positive drainage of paved areas. Finish grades shall be free from ponding and un-drained low spots.

3.02 EMBANKMENT

A. In sections where fill is to be made, scarify original ground surface to a depth of 6 inches and remove vegetation or other unsuitable material to form bond between original ground and additional layers of soil or base to be placed thereon. In embankments, consider scarified depth as part of first 1 foot of fill, and compact therewith.

B. Remove rocks or lumps over 2-1/2 inches from upper 6 inches of roadbed, and refill resulting space with approved material. Place materials for such replacements and embankments more than 1 foot in height in not to exceed 8 inch layers of loose measurement, and compact such layers thoroughly with rollers weighing not less than 10 tons, or by approved type sheep's foot tampers.

1. If soil or other embankment material does not contain sufficient moisture to insure proper compaction, apply additional water by methods to insure even distribution.

C. When embankment is to be made and compacted on hillsides or against existing embankments steeper than 5:1 ratio, cut 6 feet minimum horizontally into slopes or original hillside or existing embankment as work is

brought up in layers. Recompact material thus cut out with new embankment material.

3.03 COMPACTION

A. Relative compaction of earthy materials composing each layer of embankment shall be not less than 90 percent as determined by Test Method No. Calif 216 or Calif 231.

3.04 SUBGRADE PREPARATION

A. Where original ground conforms approximately to finished pavement surface, scarify basement material to depth of at least 6 inches below subgrade surface; remove vegetation or other unsuitable material. Backfill resulting excavation with suitable material. Subgrade of pavements shall have relative compaction of not less than 90 percent for depth of at least 6 inches. See applicable requirements of Articles 3.01 and 3.02.

END OF SECTION

SECTION 02230 - AGGREGATE BASE

PART 1 - GENERAL

1.01 SUBGRADE

A. Shape, water and compact until firm with roller or other approved equipment prior to placing aggregate base. Use rollers weighing at least 10 tons, and with compression on rear wheels of approximately 325 pounds per lineal inch of tire width.

B. Aggregate Base material shall be placed in sufficient quantities to produce a 12' wide road in location specified.

PART 2 - PRODUCTS

2.01 AGGREGATE BASE

A. Use Class 2 aggregate base as specified in the Standard Specifications of the State Department of Transportation, latest edition, Section 26, Article 26-1.02 B.

2.02 MINERAL AGGREGATE

A. Material: Quarry waste, broken stone, crushed gravel, or combination thereof, free from vegetable matter and other deleterious substances, and of such quality that it will compact thoroughly when watered and rolled, to form firm, well bonded base.

B. Tests: Mineral aggregate shall conform to the following:

	TEST METHOD NO CALIF	REQUIREMENTS
Resistance Value (R)*	301	78 Min
Sand Equivalent	217	22 Min
Durability Index	229	35 Min

* (The "R" value requirement may be waived provided aggregate base conforms to specified grading and durability and has sand equivalent value of 33 or more.)

1. Untreated base made from gravel aggregate, shall show substantial percentage of crushed faces, and fines below No. 4 shall contain sufficient binding or cementitious material to ensure sound, well bonded base.

C. Grading: Densely graded aggregate from specified maximum size to 200 mesh fines, conforming to the following:

SIEVE SIZE	PERCENTAGE PASSING 1-1/2" MAXIMUM	3/4" MAXIMUM
2"	100	
1-1/2"	90-100	
1"		100
3/4"	50-85	90-100
No. 4	25-45	35-55
No. 30	10-25	10-30
No. 200	3-9	3-9

PART 3 - EXECUTION

3.01 SPREADING

A. Deliver base material to subgrade as uniform mixture. Spread each layer in one operation without segregation to compacted thickness of 6 inches maximum.

3.02 COMPACTING

A. Water base material as required and compact with steel wheeled power roller, weighing 10 tons minimum with compression on rear wheels of 325 pounds minimum per lineal inch of tire width. Continue rolling until relative compaction of 95 percent minimum, as determined by Test Method No. Calif 216 or Calif 231, has been obtained for entire thickness of base.

B. Do not vary thickness of finished base more than 1/2 inch from planned thickness at any point. Rework base which does not conform to above requirements; reshape, water, and thoroughly re-compact to conform to specified requirements.

C. Total compacted thickness shall not be less than that recommended in the geotechnical report, or a minimum of 8", whichever is greater.

END OF SECTION

SECTION 02280 - SOIL STERILANT FOR WEED CONTROL

PART 1 - GENERAL

1.01 SUBMITTALS

A. Submit, at least one week prior to application, 5 copies of complete technical data of soil sterilant material.

1.02 APPLICATOR'S QUALIFICATIONS

A. Soil treatment operations for control of weed growth shall be performed by California licensed Pest Control Operator.

PART 2 - PRODUCTS

2.01 MATERIALS

A. Soil Sterilant: Specially formulated solution to prevent growth of weeds or other plant material.

1. Use chemical in liquid form or granules mixed with water.

2. Chemical and amount used shall be especially suited for control of plant growth native to local area and shall prevent its growth for maximum period of time.

PART 3 - EXECUTION

3.01 SOIL PREPARATION

A. Apply soil sterilant after excavating, filling or grading operations are completed, or as otherwise required during construction operations.

B. Remove foreign matter which will decrease effectiveness of treatment on areas to be treated.

3.02 PROTECTION OF EXISTING OR NEW PLANTING AREAS

A. Protect new and existing planting areas to remain during application. Do not apply soil sterilant on windy days.

3.03 APPLICATION

A. Apply as liquid in manner and rate recommended by manufacture of particular chemical used under all paved areas, walks, roads or trails unless otherwise indicated.

3.04 ADDITIONAL TREATMENT

A. Treated areas that are subsequently excavated, graded or trenched of fill, shall be given an additional application at same rate as original treatment.

END OF SECTION

SECTION 02510 - ASPHALT CONCRETE PAVEMENT

PART 1 - GENERAL

1.01 DESIGN MIX

A. Design mixes for asphalt concrete shall be as approved by the State. Submit Certificate of Compliance to the State Construction Supervisor that materials furnished conform to approved design mixes.
B. Asphalt concrete shall be placed in sufficient quantities to produce a 12' wide road in location specified.

PART 2 - PRODUCTS

2.01 ASPHALTS

A. Materials: As specified in Section 02200 and the following:

1. Asphalt Cement Binder for Pavement: AR 4000 or AR 8000.
2. Asphalt Emulsion for Paint Binder (tack coat): SS-1h.
3. Asphalt Emulsion for Fog Seal: SS-1 or SS-1h.

2.02 MINERAL AGGREGATE

A. General: Mineral aggregate shall be tough, durable, sound, coarse and fine aggregates free from vegetable matter and other deleterious substances. Use broken stone, crushed gravel or natural material having sufficient roughness to meet stabilometer requirements for combined aggregate.

B. Grading: Conform to the following grading and, unless otherwise specified, use 1/2 inch maximum grading.

SIEVE SIZE	1/2" MAX	3/8" MAX
1"	---	---
3/4"	100	—
1/2"	95-100	100
3/8"	80-95	95-100
No. 4	55-72	65-85
No. 8	38-55	50-70
No. 30	18-33	28-40
No. 200	4-8	7-14

C. Test of Combined Aggregate: Furnish certification from approved testing laboratory attesting to quality of combined aggregate, which shall conform to the following:

	TEST METHOD NO. CALIF	REQUIREMENTS
1. Percentage of Crushed Particles		
a. Coarse Aggregate	205	25% min
b. Fine Aggregate (Passing No 4, Retained on No 8)	205	20% min
2. Loss in Los Angeles Rattler (after 100 rev)	211	15% Max
3. Loss in Los Angeles Rattler (after 500 rev)	211	50% Max
4. Kc or Kf Factor (obtained from Centrifuge Kerosene Equivalent Test)	303	1.7 Max
5. Sand Equivalent (samples after all processing, except adding asphalt binder)	217	45 Min
6. *Stabilometer Value	366	35 Min
*Moisture Vapor Susceptibility		
7. (Stabilometer Value)	307	25 Min
*Swell	305	0.030" Max

*NOTE: Mix not less than 4 percent of asphalt binder by weight of dry aggregate when above tests are performed. When 3/8 inch maximum aggregate gradings are specified for use, reduce above Stabilometer Value requirement to 30 minutes.

D. Storage: Before drying, separate aggregate into 2 or more sizes and store separately. If aggregate is separated into only 2 sizes, one size shall contain material of which not less than 80 percent will pass No. 4 sieve, and other size shall contain material of which not less than 80 percent will be retained on No. 4 sieve. If third size is used it shall contain material of which not less than 80 percent will be retained on No. 8 sieve or minimum of 80 percent will pass No. 8 sieve.

1. Aggregates for 3/8 inch maximum need not be separated into sizes and stored separately.

E. Drying: Mix aggregates and evenly feed to drier, continue drying for sufficient time and at sufficient temperature to reduce average moisture content of aggregate to not more than 1 percent.

F. Proportioning: After drying, separate aggregate into 3 or more sizes, each size stored in separate bins. When 3 sizes are used, use one bin for material which will pass maximum size and be retained on 3/8 inch sieve; use one bin for material which will pass 3/8 inch sieve and be retained on No. 8 sieve; and one bin for material which will pass No. 8 sieve.

2.03 MIXING

A. Mix asphalt concrete at central mixing plant by batch mixing or continuous mixing. Aggregates may be proportioned by weight or by volume.

B. Use between 5 and 8 percent of asphalt binder by weight of mineral aggregate in mixture. Exact percentage shall be as approved by the State to obtain optimum asphalt content.

C. Add asphalt cement binder to aggregate at temperature between 275 and 375 degrees F. Maintain aggregate temperature at time of adding binder between 250 and 325 degrees F.

PART 3 - EXECUTION

3.01 PAINT BINDER

A. Immediately before applying paint binder (tack coat), clean existing surfaces to be paved or to be joined to new A.C. paving, remove loose material from surface with power broom, supplemented if necessary with hand brooming. Apply paint binder (tack coat) of asphalt emulsion SS1h at a rate of 0.02 to 0.10 gallons per square yard. Exact rate shall be as determined by the State.

3.02 SPREADING ASPHALT CONCRETE

A. General: Place asphalt concrete on prepared aggregate base, unless otherwise indicated.

B. Temperature: Spread asphalt concrete at a temperature between 250 and 300 degrees F. Breakdown compacting shall be completed before temperature of mix drops below 200 degrees F. The placement of asphalt concrete shall be performed only when the ambient temperature is above 50 degrees F and rising.

1. Cover mixture with tarpaulins when transporting from plant to maintain required temperature.

2. In cold weather, or during long hauls, insulate entire contact areas and the cover and/or use trucks with heating device to maintain minimum temperature of mix. Attachment of cover at leading edge shall be such that a funnel effect does not develop for air movement under cover during hauling.

C. Spreading Over Existing Surfacing: Spread surface course mixture to level irregularities, dips, depressions, sag and excessive crown, providing smooth base of uniform cross section for subsequent layers of surfacing. Spread sufficient material to provide smooth transition to existing pavement grades.

D. Spreading Equipment: Except as specified above for leveling, depressions, and the like, spread layers with self-propelled mechanical spreading and finishing asphalt paver operated to insure continuous and uniform movement of paver. Asphalt paver shall operate independently of haul vehicle being unloaded. Hand spreading and tamping will be permitted in inaccessible areas.

E. Spreading Thickness: Spread and compact asphalt concrete in layers of not more than 0.17 feet in compacted thickness. Avoid segregation, providing surfacing free from lumps or pockets of coarse or fine material.

F. Width of Spread: Provide for offsetting of longitudinal joints in the several courses. Offset shall be at least 6 inches.

1. First lane placed shall be true to line and grade and have near-vertical face. Before compaction, butt unsupported edge and slightly elevate with tamping tool.

2. Position paver for second lane so that material overlaps edge of previously placed lane 1 inch.

3. Remove and waste coarse aggregate in material overlapping cold joint.

3.03 COMPACTING

A. Rollers: Use tandem or 3 wheel rollers that develop compression of 250 to 350 pounds per lineal inch of roller width.

B. Initial or Breakdown Rolling: One complete coverage of asphalt concrete. Commence rolling at lower edges and progress toward highest portion. Do not roll center first under any circumstances. Perform rolling with drive wheel of tandem roller forward with respect to direction of spreading operations, unless otherwise indicated.

C. Additional Rolling: Three complete coverages following initial rolling while temperature of mixture is at least 150 degrees F.

D. Compaction: Compaction after rolling shall be a minimum of 95 percent of the density obtained with the California Kneading Compactor per Test Method No. Calif 304. Field density may be determined by properly calibrated nuclear asphalt testing device.

E. Rolling Longitudinal Joints:

1. Semi-Hot Joints: When one lane is approximately half the temperature of adjacent lane and at least 60 degrees C (140 degrees F), roll joint with overlap rolling, using vibratory roller.

2. Cold Joints: When first lane has cooled overnight or longer before adjoining lane is placed, roll joint directly behind paver with roller on first lane and only 4 to 6 inches of roller on newly placed mixture, using vibratory roller. Continue to roll along this line until thoroughly compacted neat joint is obtained. After longitudinal joint has been compacted, follow immediately with breakdown rolling.

F. Completed Surfacing: Thoroughly compacted smooth, true to grade and cross-section, and free from ruts, humps, depressions, or irregularities. When 10 foot straight edge is laid on finished surface parallel with roller or ridge lines maximum allowable variance is 0.01 foot from lower edge of straight edge.

G. Defective Work: Remove and repair only under the State Construction Supervisor's supervision. Cut out defective work using straight vertical sawcut joints. Make repairs with fresh asphalt concrete using hot smoothing irons to heat adjacent asphalt concrete for proper bond and to obtain smooth surface.

3.04 FOG SEAL

A. Clean surface of dirt and loose material by sweeping and blading if necessary immediately before applying fog seal.

B. Application: After approval of cleaned surface, apply asphalt emulsion at temperature between 70 and 130 degrees F and at 0.05 gallons per square yard. Do not apply when weather conditions are unsuitable or if atmospheric temperature is below 65 degrees F. Allow asphalt surfacing to cure for at least 15 days in dry weather before applying fog seal.

3.05 ADJUSTING FRAMES, COVERS, GRATES, VALVE BOXES AND MANHOLES

A. Set manhole frames and other such frames within areas to be paved, either existing frames or new frames furnished under other Sections, to final grade hereunder.

B. Surround frames set to grade before paving with ring of compacted asphalt concrete base prior to paving. Bring material immediately adjacent to and 1 inch below top of frame and slope from that elevation to subgrade elevation on 6 to 1 slope. Compact material with hand tamps weighing not less than 25 pounds.

C. Leave frames set to grade after paving, or lower sufficiently below grade so as not to interfere with, or obstruct construction of pavement. During paving operations, openings shall be temporarily covered and work

constructed thereover.

D. After pavement has been constructed, necessary portions of sub-base, base, and pavement shall be neatly cut away, manholes or other structures built up, and cover frames set to grade flush with surface of adjacent pavement.

E. Backfill surrounding area from which pavement, base or subbase has been removed to within 2 inches of surface with portland cement concrete.

END OF SECTION

SECTION 02527 - SITE CONCRETE

PART 1 - GENERAL

1.01 ADVERTISING

A. Identifying impressions, stamps, markers or other forms of advertising are not permitted in any portion of work.

1.02 SIDEWALK MODIFICATIONS

A. Sawcut and remove portions of the existing sidewalk that interfere with construction of new A.C. access road. Construct sidewalk ramps at 5% minimum slope to make smooth transition from sidewalk grades to new road grades. Construct 6" reinforced concrete walkway flush with new A.C. pavement where sidewalk crosses location of new road.

1.03 CONCRETE CURBS

A. Construct concrete curbs along edge of new road. Curbs to have medium broom finish. Set top of curb elevation approximately 2" above adjacent lawn elevation. Make minor adjustments to elevation of curbs to allow drainage of new paved areas.

PART 2 - PRODUCTS

2.01 FORMS

A. Any species wood, 2 inches nominal thickness by width equal to thickness of walks, curbs and gutters; top edge surfaced. Laminated forms may be used where necessary for curved work.

2.02 CONCRETE MIX, REINFORCEMENT, CURING COMPOUND, EXPANSION JOINT MATERIAL, CARBON BLACK COLORING

A. As specified in Section 02200.

PART 3 - EXECUTION

3.01 SUBGRADE

A. Construct true to grade and cross sections; thoroughly water and roll, or hand tamp until hard and solid. Remove soft, spongy or other unsuitable material to provide stable subgrade at least 6 inches below required subgrade elevation. Deposit approved fill material in low areas, compact thoroughly and grade to required finish subgrade elevation.

B. Provide templates for testing grade and cross section of subgrade. Extend template full width between forms and support on side forms.

3.02 FORMS

A. Set in true alignment and parallel, top edge true to grade. Secure with sufficient wood or metal stakes and spreaders. Splice joints or otherwise stake to prevent offset.

3.03 EXPANSION JOINTS

A. Place at 45 feet on center, maximum, unless otherwise indicated, at alternate curb returns, and between existing and new work. Neatly trim or recess slightly below finish slab and curb surface.

3.04 WEAKENED PLANE JOINTS

A. Provide when specifically indicated to depth of 1/4 to 1/3 thickness of slab unless otherwise indicated. Construct weakened plane joints a minimum possible width. When not specifically indicated, provide at symmetrical spacing of 15 feet, maximum. Cold joints may be used in lieu of weakened plane joints.

3.05 PLACING CONCRETE

A. Remove wood sticks, chips and rubbish within forms; wet forms and subgrade before placing concrete. Carefully deposit concrete in approximate final location to avoid excessive transporting and separation of ingredients. Maintain reinforcing steel in required position. Screed, vibrate, push coarse aggregate slightly below finished surface with grid tamper, thoroughly compact concrete to finish surface.

B. Float with wood floats and trowel smooth with steel trowels. Unless otherwise indicated, lightly brush surface of sidewalks with fine hair push broom drawn across direction of traffic. For handicap ramps exceeding a 5 percent (20:1) slope, use a medium coarse broom finish. Finish edges and joints slightly round with proper edging tool. Top of curbs, surface of sidewalks and pavements, and flow line of gutters shall not vary more than 1/8 inch in 10 feet, except at grade changes.

3.06 CURING

A. Spray entire surface with curing compound while surface still retains visible film of water. If visible film of water is not present after finishing process, apply water in form of a mist, not a spray. Maintain visible film of water until application of compound.

B. Spray compound at 1 gallon per 150 square feet of area. When delayed, apply water immediately in mist form until application of compound is continued, or as directed by the State.

3.07 REMOVAL OF FORMS

A. Immediately after removing front curb forms, trowel face of curb smooth to minimum depth of 2 inches below gutter lines, or to flow line of integral curb and gutter, and finish with steel trowel.

END OF SECTION

14671.2. Notwithstanding Section 14670, the Director of General Services, with the consent of the state agency concerned and the approval of the governing body of any concerned local agency, may let for any period of time any real property or interest in real property which belongs to the state, when the director deems the letting serves a beneficial public purpose limited to the development of housing, including emergency shelters, or park and recreation facilities. The leases shall be let in accordance with procedures prescribed by the director which facilitate development of housing or park and recreation facilities when such use is compatible with current use and foreseeable future use of the property. All proposed leases shall be reviewed by the State Public Works Board. In all cases, however, at least 25 percent of the housing units developed on state property leased pursuant to this section shall be available for the term of the lease to moderate-income persons as defined by Section 50093 of the Health and Safety **Code**, 12.5 percent shall be available for the term of the lease to low-income persons as defined by Section 50093 of the Health and Safety **Code**, and 12.5 percent shall be available for the term of the lease to very low-income persons as defined by Section 50105 of the Health and Safety **Code**.

In letting leases pursuant to this section, the director shall: (1) give preference to projects which provide for more affordable units than required by the percentages specified in this section; (2) determine that the project is compatible with local planning goals and environmental objectives.

The director may enter into leases pursuant to this section at less than market value, provided that the cost of administering the lease is recovered. The Department of Housing and Community Development shall recommend to the Director of General Services a lease amount which will enable the provision of housing for persons of low and moderate income.

All leases executed pursuant to this section shall contain a recital that the director has found the letting serves the required beneficial public purpose and complies with all provisions of this section, which recital shall be conclusive in favor of lessees from the state and their mortgagees.

EXHIBIT" H "

EXHIBIT "Q" TO LOAN AGREEMENT

SAFELY SURRENDERED BABY FACT SHEETS

(HOME - PROJECT NO. HE_)

No shame.
No blame.
No names.

Newborns can be safely given up at any Los Angeles County hospital emergency room or fire station.

In Los Angeles County:
1-877-BABY SAFE
1-877-222-9723
www.babysafela.org

State of California
Gray Davis, Governor

Health and Human Services Agency
Grantland Johnson, Secretary

Department of Social Services
Rita Saenz, Director

Los Angeles County Board of Supervisors
Gloria Molina, Supervisor, First District
Yvonne Brathwaite Burke, Supervisor, Second District
Zev Yaroslavsky, Supervisor, Third District
Don Knabe, Supervisor, Fourth District
Michael D. Antonovich, Supervisor, Fifth District

This initiative is also supported by First 5 LA and INFO LINE of Los Angeles.

What is the Safely Surrendered Baby Law?

California's Safely Surrendered Baby Law allows parents to give up their baby confidentially. As long as the baby has not been abused or neglected, parents may give up their newborn without fear of arrest or prosecution.

How does it work?

A distressed parent who is unable or unwilling to care for a baby can legally, confidentially and safely give up a baby within three days of birth. The baby must be handed to an employee at a Los Angeles County emergency room or fire station. As long as the child shows no signs of abuse or neglect, no name or other information is required. In case the parent changes his or her mind at a later date and wants the baby back, workers will use bracelets to help connect them to each other. One bracelet will be placed on the baby, and a matching bracelet will be given to the parent.

What if a parent wants the baby back?

Parents who change their minds can begin the process of reclaiming their newborns within 14 days. These parents should call the Los Angeles County Department of Children and Family Services at 1-800-540-4000.

Can only a parent bring in the baby?

In most cases, a parent will bring in the baby. The law allows other people to bring in the baby if they have legal custody.

Does the parent have to call before bringing in the baby?

No. A parent can bring in a baby anytime, 24 hours a day, 7 days a week so long as the parent gives the baby to someone who works at the hospital or fire station.

Does a parent have to tell anything to the people taking the baby?

No. However, hospital personnel will ask the parent to fill out a questionnaire designed to gather important medical history information, which is very useful in caring for the child. Although encouraged, filling out the questionnaire is not required.

What happens to the baby?

The baby will be examined and given medical treatment, if needed. Then the baby will be placed in a pre-adoptive home.

What happens to the parent?

Once the parent(s) has safely turned over the baby, they are free to go.

Why is California doing this?

The purpose of the Safely Surrendered Baby Law is to protect babies from being abandoned by their parents and potentially being hurt or killed. You may have heard tragic stories of babies left in dumpsters or public bathrooms. The parents who committed these acts may have been under severe emotional distress. The mothers may have hidden their pregnancies, fearful of what would happen if their families found out. Because they were afraid and had nowhere to turn for help, they abandoned their infants. Abandoning a baby puts the child in extreme danger. It is also illegal. Too often, it results in the baby's death. Because of the Safely Surrendered Baby Law, this tragedy doesn't ever have to happen in California again.

A baby's story

At 8:30 a.m. on Thursday, July 25, 2002, a healthy newborn baby was brought to St. Bernardine Medical Center in San Bernardino under the provisions of the California Safely Surrendered Baby Law. As the law states, the baby's mother did not have to identify herself. When the baby was brought to the emergency room, he was examined by a pediatrician, who determined that the baby was healthy and doing fine. He was placed with a loving family while the adoption process was started.

Every baby deserves a chance for a healthy life. If someone you know is considering abandoning a newborn, let her know there are other options.

It is best that women seek help to receive proper medical care and counseling while they are pregnant. But at the same time, we want to assure parents who choose not to keep their baby that they will not go to jail if they deliver their babies to safe hands in any Los Angeles County hospital ER or fire station.

Sin pena.

Sin culpa.

Sin peligro.

Los recién nacidos pueden ser entregados en forma segura en la sala de emergencia de cualquier hospital o en un cuartel de bomberos del Condado de Los Angeles.

En el Condado de Los Angeles:

1-877-BABY SAFE

1-877-222-9723

www.babysafela.org

Estado de California
Gray Davis, Gobernador

Agencia de Salud y Servicios Humanos
(Health and Human Services Agency)
Grantland Johnson, Secretario

Departamento de Servicios Sociales
(Department of Social Services)
Rita Saenz, Directora

Consejo de Supervisores del Condado de Los Angeles
Gloria Molina, Supervisora, Primer Distrito
Yvonne Brathwaite Burke, Supervisora, Segundo Distrito
Zev Yaroslavsky, Supervisor, Tercer Distrito
Don Knabe, Supervisor, Cuarto Distrito
Michael D. Antonovich, Supervisor, Quinto Distrito

Esta Iniciativa tambien esta apollada por First 5 LA y INFO LINE de Los Angeles.

¿Qué es la Ley de Entrega de Bebés Sin Peligro?

La Ley de Entrega de Bebés Sin Peligro de California permite a los padres entregar a su recién nacido confidencialmente. Siempre que el bebé no haya sufrido abuso ni negligencia, padres pueden entregar a su recién nacido sin temor a ser arrestados o procesados.

¿Cómo funciona?

El padre/madre con dificultades que no pueda o no quiera cuidar de su recién nacido puede entregarlo en forma legal, confidencial y segura, dentro de los tres días del nacimiento. El bebé debe ser entregado a un empleado de una sala de emergencias o de un cuartel de bomberos del Condado de Los Angeles. Siempre que el bebé no presente signos de abuso o negligencia, no será necesario suministrar nombres ni información alguna. Si el padre/madre cambia de opinión posteriormente y desea recuperar a su bebé, los trabajadores utilizarán brazaletes para poder vincularlos. El bebé llevará un brazalete y el padre/madre recibirá un brazalete igual.

¿Qué pasa si el padre/madre desea recuperar a su bebé?

Los padres que cambien de opinión pueden empezar el proceso de reclamar a su recién nacido dentro de los 14 días. Estos padres deberán llamar al Departamento de Servicios para Niños y Familias (Department of Children and Family Services) del Condado de Los Angeles, al 1-800-540-4000.

¿Sólo los padres podrán llevar al recién nacido?

En la mayoría de los casos, los padres son los que llevan al bebé. La ley permite que otras personas lleven al bebé si tienen la custodia legal del menor.

¿Los padres deben llamar antes de llevar al bebé?

No. El padre/madre puede llevar a su bebé en cualquier momento, las 24 horas del día, los 7 días de la semana, mientras que entregue a su bebé a un empleado del hospital o de un cuartel de bomberos.

¿Es necesario que el padre/madre diga algo a las personas que reciben al bebé?

No. Sin embargo, el personal del hospital le pedirá que llene un cuestionario con la finalidad de recabar antecedentes médicos importantes, que resultan de gran utilidad para los cuidados que recibirá el bebé. Es recomendado llenar este cuestionario, pero no es obligatorio hacerlo.

¿Qué ocurrirá con el bebé?

El bebé será examinado y, de ser necesario, recibirá tratamiento médico. Luego el bebé se entregará a un hogar preadoptivo.

¿Qué pasará con el padre/madre?

Una vez que los padres hayan entregado a su bebé en forma segura, serán libres de irse.

¿Por qué California hace esto?

La finalidad de la Ley de Entrega de Bebés Sin Peligro es proteger a los bebés del abandono por parte de sus padres y de la posibilidad de que mueran o sufran daños. Usted probablemente haya escuchado historias trágicas sobre bebés abandonados en basureros o en baños públicos. Es posible que los padres que cometieron estos actos hayan estado atravesando dificultades emocionales graves. Las madres pueden haber ocultado su embarazo, por temor a lo que pasaría si sus familias se enteraran. Abandonaron a sus recién nacidos porque tenían miedo y no tenían adonde recurrir para obtener ayuda. El abandono de un recién nacido lo pone en una situación de peligro extremo. Además es ilegal. Muy a menudo el abandono provoca la muerte del bebé. Ahora, gracias a la Ley de Entrega de Bebés Sin Peligro, esta tragedia ya no debe suceder nunca más en California.

Historia de un bebé

A las 8:30 a.m. del jueves 25 de julio de 2002, se entregó un bebé recién nacido saludable en el St. Bernardine Medical Center en San Bernardino, en virtud de las disposiciones de la Ley de Entrega de Bebés Sin Peligro. Como lo establece la ley, la madre del bebé no se tuvo que identificar. Cuando el bebé llegó a la sala de emergencias, un pediatra lo revisó y determinó que el bebé estaba saludable y no tenía problemas. El bebé fue ubicado con una buena familia, mientras se iniciaban los trámites de adopción.

Cada recién nacido merece una oportunidad de tener una vida saludable. Si alguien que usted conoce está pensando en abandonar a un recién nacido, infórmele qué otras opciones tiene.

Es mejor que las mujeres busquen ayuda para recibir atención médica y asesoramiento adecuado durante el embarazo. Pero al mismo tiempo, queremos asegurarles a los padres que optan por no quedarse con su bebé que no irán a la cárcel si dejan a sus bebés en buenas manos en cualquier sala de emergencia de un hospital o en un cuartel de bomberos del Condado de Los Angeles.