HOUSING AUTHORITY
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 4, 2008

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Commissioners:

APPROVE LOAN AGREEMENT WITH CASA DOMINGUEZ, L.P. TO DEVELOP 70 UNITS OF AFFORDABLE MULTIFAMILY RENTAL HOUSING IN EAST RANCHO DOMINGUEZ (2)
(3 Vote)

IT IS RECOMMENDED THAT YOUR BOARD:

1. Acting as a Responsible Agency for the 70-unit Casa Dominguez affordable multifamily rental housing development (Casa Dominguez), to be located at 15787 South Atlantic Avenue in the unincorporated community of East Rancho Dominguez and in the City of Compton, certify that the Housing Authority has independently considered the attached Environmental Assessment/Mitigated Negative Declaration (EA/MND), prepared by the Community Development Commission as Lead Agency, and reached its own conclusions regarding the environmental effects of the project; and find that the mitigation measures identified in the EA/MND are adequate to avoid or reduce potential environmental impacts to below significant levels.

2. Approve the Loan Agreement, between the Housing Authority of the County of Los Angeles and Casa Dominguez, L.P. (Developer), a California Limited Partnership, to provide the Developer with $1,100,000 in Condominium Conversion funds collected in the unincorporated area of Los Angeles County's Second District, to pay a portion of additional construction and permanent financing costs for Casa Dominguez.

3. Authorize the Executive Director to execute the Agreement and all necessary documents, to be effective following approval as to form by County Counsel and execution by all parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve the Loan Agreement with Casa Dominguez, L.P. to provide additional funding for construction and permanent financing costs for the Casa Dominguez Apartments.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

Under the current Agreement with the Developer, $5,009,411 in HOME funds has been provided for predevelopment, construction and permanent financing of Casa Dominguez as a 55-year, 3% simple annual interest loan, evidenced by a Promissory Note and secured by a subordinated leasehold Deed of Trust, to be repaid from residual receipts generated by operation of the property. Since the initial funding of the project in 2004, the total development cost has increased to $31,831,975 due to increased construction costs. The current action will provide $1,100,000 for construction and permanent financing to the Developer, using Condominium Conversion funds collected in the unincorporated area of Los Angeles County's Second District.

The Developer has applied for capital funds from the County's Homeless and Housing Fund, City/Community Program (HHPF–CCP). The Developer's proposed use of these funds, identified in the Financial Analysis, does not represent an approved funding commitment or endorsement of the project for that funding program by the Community Development Commission. The County's HHPF-CCP funds are awarded on a competitive basis, and should the Developer's proposal be selected, the award will be based upon the proposal meeting all threshold and technical review requirements, achieving a sufficiently high score , and being approved by the Board of Supervisors. If the developer is unable to secure funding of any of the proposed funding sources, the project will be reconsidered with an alternative funding plan.

A Financial Analysis is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Project consists of 10 one-bedroom units, 26 two-bedroom units, 23 three-bedroom units, and 10 four-bedroom units, all of which are affordable to households with incomes that do not exceed 50% of the area median income (AMI), as defined by the U.S. Department of Housing and Urban Development (HUD) for the Los Angeles-Long Beach Metropolitan Statistical Area (MSA). Seven of the units are reserved for Emancipated Foster Youth between the ages of 18-24. One three-bedroom unit is

provided for the on-site manager and has no affordability requirements. The affordability requirements will remain in effect for 55 years. A request for additional HOME funds will be forthcoming, at which time we will return to the Board of Commissioners of the Community Development Commission for approval.

ENVIRONMENTAL DOCUMENTATION:

An Environmental Assessment was prepared for this project pursuant to the requirements of the National Environmental Policy Act (NEPA). Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Community Development Commission on May 11, 2004. Following the required public and agency comment period, HUD issued a Release of Funds for the project on May 30, 2004.

As a Responsible Agency, and in accordance with the requirements of the California Environmental Quality Act (CEQA) Guidelines, the Housing Authority reviewed the EA/MND prepared by the Commission and determined that the project will not have significant adverse impact on the environment. The Housing Authority's consideration of the EA/MND and filing of the Notice of Determination satisfies CEQA Guidelines as stated in Article 7, Section 15096.

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

IMPACT ON CURRENT PROJECT:

Approval of the Loan Agreement will provide additional construction funding for the project and increase the supply of affordable multifamily rental housing in Los Angeles County.

Respectfully submitted,

Bobbette A. Glover

for CARLOS JACKSON
Executive Director

Attachments: 2

Attachment A

HOUSING FINANCIAL ANALYSIS

CASA DOMINGUEZ

The Project consists of 69 units of affordable multifamily rental housing for very low-income households and one manager's unit, and is located at 15787 South Atlantic Avenue in the unincorporated community of East Rancho Dominguez and in the City of Compton.

The following is an analysis of funding for the project:

Development Phase:

	Total	Per Unit Cost
Sources		
Construction Loan	$15,742,722	$224,896
LA County CDBG - Land Acquisition	1,685,000	24,071
LA County HOME	5,009,411	71,563
LA County City of Industry	2,900,000	41,429
LA County Homeless Housing Fund (Proposed)	832,311	11,890
LA County Condo Conversion (Proposed)	1,100,000	15,714
LA County Tax Increment (Proposed)	300,000	4,286
LA County HOME Amendment (Proposed)	950,000	13,571
FHLB/AHP	379,500	5,421
LP Equity (Proposed)	1,695,137	24,216
GP Equity	100	1
Deferred Costs	1,237,794	17,683
Total Financing	**$31,831,975**	**$454,743**

Permanent Phase:

Sources		
Conventional Loan	$2,081,515	29,736
LA County CDBG - Land Acquisition	1,685,000	24,071
LA County HOME	5,009,411	71,563
LA County City of Industry	2,900,000	41,429
LA County Homeless Housing Fund (Proposed)	832,311	11,890
LA County Condo Conversion (Proposed)	1,100,000	15,714
LA County Tax Increment (Proposed)	300,000	4,286
LA County HOME Amendment (Proposed)	950,000	13,571
FHLB/AHP	379,500	5,421
California Solar Initiative	307,000	4,386
Deferred Developer Fee	514,134	7,345
LP Equity (Proposed)	15,773,004	225,329
GP Equity	100	1
Total Financing	**$31,831,975**	**$454,743**

LOAN AGREEMENT

CONDO CONVERSION FUNDS

by and between the

HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

a public body corporate and politic

and

CASA DOMINGUEZ, L.P.

a California Limited Partnership

for a loan in the initial principal amount of

$1,100,000

_____, 2008

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LOAN AGREEMENT
CONDO CONVERSION FEES

Transaction Summary

Project Name: Casa Dominguez

Borrower Name: CASA DOMINGUEZ, L.P.

☒ Limited Partnership ☐ LLC ☐ Nonprofit Public Benefit Corporation ☐ Other _____

Condo Conversion Fee Loan Amount: $1,100,000 Interest Rate: 3% simple, 10% Default,

Total Number of Units in Project: 70 Number of assisted units: 69

Location (Jurisdiction): Unincorporated East Rancho Dominguez and City of Compton

Site Acreage: 2.75 acres

Project Type: rental for ☐ Seniors ___ years and older ☒ Families
☒ special needs (specify: Emancipated Foster Youth.

Use of Condo Conversion Fee Funds: ☐ Acquisition ☒ Predevelopment ☒ Construction
☒ Permanent ☐ Collateral Pledge ☐ Rehabilitation ☐ _____

Affordability 55 years; No./size of assisted units, income levels: 69 assisted units.**

	0 Bedroom	1 Bedroom	2 Bedrooms	3 Bedrooms	4 Bedrooms	Totals
30% Income*		1	3	3	1	8
45% Income*		2	4	4	2	12
50% Income*		7	19	16	7	49
Manager				1		1
Totals		10	26	24	10	70

- * Area Median Income
- ** 7 units reserved for Emancipated Foster Youth

Other Permanent Project Financing Sources / Priority Relative to Commission Loans:
Note: Final funding amounts are subject to change.

(1) Conventional Loan	$ 2,081,515	☒senior ☐junior ☐parity/NA
(2) LA County CDBG - Land Acquisition	$ 1,685,000	☐senior ☐junior ☒parity/NA
(3) LA County HOME	$ 5,009,411	☐senior ☐junior ☒parity/NA
(4) LA County City of Industry	$ 2,900,000	☐senior ☒junior ☐parity/NA
(5) LA County Homeless Fund (Proposed)	$ 832,311	☐senior ☐junior ☐parity/NA
(6) LA County Tax Increment (Proposed)	$ 300,000	☒senior ☐junior ☐parity/NA
(7) LA County HOME Amend (Proposed)	$ 950,000	☐senior ☐junior ☒parity/NA
(8) Tax Credits	$15,773,004	☐senior ☐junior ☒parity/NA
(9) FHLB AHP	$ 379,500	☐senior ☒junior ☐parity/NA
(10) California Solar Initiative	$ 307,000	☐senior ☐junior ☐parity/NA
(11) Deferred Developer Fee	$ 514,134	☐senior ☐junior ☐parity/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 Agreement shall control.

is made as of the _____ day of _____, 2008, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and Casa Dominguez, L.P., a California Limited Partnership (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 Thousand Dollars ($1,100,000)** (the "**Loan**") from HACOLA for the purpose of providing predevelopment, construction and permanent financing in connection with the housing development ("**Project**") described in the Transaction Summary above, and as more particularly described in this Agreement. HACOLA's source of funding for the Loan is condo conversion funds pursuant to _____. The Project will be developed on a site commonly known by the following street address: 15787 South Atlantic Avenue, East Rancho Dominguez ("**Site**") legally described on Exhibit "B" 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 HACOLA shall expressly subordinate the lien of HACOLA's Deed of Trust ("**Senior Financing**"); (ii) financing junior in priority to the lien of HACOLA's 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 and/or very very low income as described in the Transaction Summary above. 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 HACOLA, 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, HACOLA desires to make the Loan to Borrower, on the terms and conditions set forth herein.

NOW, THEREFORE, the Parties agree as follows:

AGREEMENT

1.0 HACOLA LOAN.

HACOLA agrees, subject to the terms and conditions of this Agreement and in consideration of the representations, covenants and obligations of Borrower contained in this Agreement, to make the Loan to Borrower, to be used solely for the purposes described herein.

2.0 PROMISSORY NOTE; LOAN REPAYMENT.

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

2.2 Interest. The disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which such 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 ("**Basic Rate**"). Interest shall be computed on the basis of actual number of days elapsed and a three hundred sixty- (360-) day year. Notwithstanding the foregoing, and without limiting any other remedy of HACOLA, 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 ("**Default Rate**").

2.3 Payment Dates and Amounts; Term. As set forth in greater detail in the Note, Borrower shall repay the Loan, together with accrued interest at the Basic Rate in arrears, in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2010. Absent prepayment or acceleration, each of the annual payments due March 15, 2007 through and including March 15, 2039 ("**Maturity Date**") shall be in an amount equal to a prorata share of fifty percent (50%) of "Residual Receipts", as defined in the Note, for the prior calendar year. The Residual Receipts shall be calculated and reported to HACOLA annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by HACOLA from time to time. All calculations and records are subject to audit by HACOLA. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the Maturity Date.

The term of this Agreement (the "**Term**") shall be from the date of this Agreement through and including the 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 HACOLA towards (but not to exceed) any outstanding amounts associated with the 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 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 Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of HACOLA 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 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. Borrower hereby agrees and understands that the prepayment of the Note shall not relieve Borrower of the duty to comply with the covenants described in Sections 9.4, 9.7, 10 and 11 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under the Note or this Agreement, then toward outstanding interest accrued at the "Default Rate" of ten percent (10%) per annum (simple interest), if any, then toward outstanding interest accrued at the Basic Rate, if any, and finally toward the remaining principal balance under the Note.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the Loan and any associated interest and other amounts payable under this Agreement or the Note shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("**Deed of Trust**"), in the form of Exhibit "D" attached hereto, recorded against Borrower's fee interest in the Site and the Project (collectively, the "**Property**"). The security interest in the Property granted to HACOLA 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 HACOLA.

Except to the extent any Event of Default hereunder results directly or indirectly from any willful misconduct, fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower, and in the event of the occurrence of an Event of Default, HACOLA'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 HACOLA as security for repayment of the Loan.

To the extent HACOLA elects in its sole discretion to count the Loan proceeds as local matching funds under the HOME program administered by HUD, any repayment of the Loan shall be applied by HACOLA in a manner consistent with both HOME program regulations and applicable provisions of the California Community Redevelopment Law.

6.0 ESCROW; CONDITIONS TO FUNDING THE LOAN.

6.1 Except to the extent HACOLA's Executive Director directs in writing that some or all of the disbursement and/or deliveries shall occur outside of Escrow, disbursement of the Loan proceeds for the account of Borrower, delivery of the executed Note to HACOLA, 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 HACOLA ("**Escrow**

Holder"). Borrower shall obtain HACOLA's approval of an Escrow Holder and open Escrow not later than [30] 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.

(1) Disbursement of loan proceeds for eligible costs may be done outside of Escrow in accordance with the process described in Exhibit M, attached hereto.

(2) First American Title is hereby approved as the title and escrow company for this transaction.

6.2 The obligation of HACOLA to make disbursements of 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 within 30 days following the date of this Agreement:

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

(2) Borrower's due execution and deposit into Escrow of the 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 HACOLA from Borrower of such other documents, certifications and authorizations as are reasonably required by HACOLA, in form and substance satisfactory to HACOLA, evidencing that (i) this Agreement, the Note, the Deed of Trust, the CC&Rs and all other documents given or executed in connection herewith (collectively with this Agreement, the Note, the Deed of Trust and the CC&Rs, 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) First American Title ("**Title Company**") shall have assured HACOLA in writing that upon recordation of the Deed of Trust there will be provided to HACOLA, 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 HACOLA shall reasonably require) issued by the Title Company in the amount of the Loan, insuring HACOLA'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 HACOLA (collectively with the Senior Financing, "**Permitted Senior Encumbrances**"). Standard lender's title insurance coverage (without the need for a survey) will be accepted by HACOLA unless another Project lender requires extended coverage, in which case an ALTA extended coverage policy will also be provided to HACOLA;

(7) 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, and Borrower has demonstrated to the satisfaction of the HACOLA Executive Director (or his or her designee) that all acquisition, predevelopment, 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.

(8) Borrower shall have commenced or be ready to commence Project construction, and shall have furnished HACOLA with copies of (A) a contract for the Project development ("**Construction Contract**") entered into with Dreyfuss Construction ("**General Contractor**"); (B) a payment bond with respect to the Project posted by the General Contractor which is in an amount equal to the amount of the contract price identified in the Construction Contract, is issued by a surety reasonably acceptable to HACOLA, is in form and content reasonably approved by HACOLA, has been recorded in the Official Records of Los Angeles, and names HACOLA as an additional obligee; (C) a performance bond for 100 percent (100%) of the contract price, guaranteeing the completion of the Project development which is in form and content reasonably approved by HACOLA, is issued by a surety reasonably acceptable to HACOLA, and names HACOLA as an additional obligee; and (D) any other plans, documents and approvals by HACOLA required under Exhibit "L" to this Agreement, entitled "Construction Requirements".

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

(11) Borrower shall have furnished HACOLA and obtained HACOLA's approval of all soils, geologic reports and other development related reports existing with respect to the Site. Borrower hereby acknowledges that HACOLA'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 HACOLA, and should not be relied upon as any assurance or warranty of the correctness, adequacy or appropriateness of any such matter.

(12) Borrower shall have provided to HACOLA, in form satisfactory to HACOLA, 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 has 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 HACOLA'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;

(13) Borrower shall have obtained HACOLA'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 HACOLA and obtained HACOLA'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 HACOLA, and approved by HACOLA at its sole discretion. In the event the preliminary Operating Budget is proposed for revision, any such revision must be submitted to HACOLA no later than 90 days prior to occupancy of the Project and shall be approved by HACOLA at its sole discretion.

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

(16) Borrower shall have provided HACOLA, not later than 90 days prior to occupancy, with affirmative action and community business enterprise plans in form satisfactory to HACOLA.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained HACOLA'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 HACOLA's Executive Director, or his designee, that all other Closing Conditions have been timely satisfied or waived, then Escrow Holder shall carry out the close of Escrow ("**Close of Escrow**") by:

(i) causing the 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 Note to HACOLA or confirming that HACOLA is in possession of the Note;

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

(iv) disbursing 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 HACOLA and Borrower.

6.4 The Close of Escrow 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 Loan prior to the closings for the Senior Financing and the Junior Financing only if expressly directed by written instructions from HACOLA.

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 Loan, Borrower agrees to provide throughout the Terms services as set forth in the form attached hereto as Exhibit "I".

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 LOAN.

The Loan proceeds shall be used by Borrower only to provide acquisition, predevelopment and construction financing to be automatically converted to permanent financing upon completion of Project construction. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Agreement.

9.0 COVENANTS OF BORROWER.

As additional consideration for the making of the Loan by HACOLA, 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 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 HACOLA.

9.2 Revenue Disclosures. Borrower shall make available for inspection and audit to HACOLA's representatives, upon seventy-two (72) hours' written request, from time to time during the Term, at Borrower's offices, or, if requested by HACOLA, 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 HACOLA, any financial, program progress, monitoring, evaluation or other reports (including, but not limited to, documents related to construction and project financing) reasonably required by HACOLA 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 HACOLA 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 HACOLA 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 HACOLA and HACOLA'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 HACOLA (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 HACOLA's entering into this Agreement and/or making the Loan to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of HACOLA.

9.5 Audit by State and Federal Agencies. In the event this Agreement or the Loan is 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 HACOLA the full amount of the cost to the inspecting agency which result from such inspections, if any, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of HACOLA.

9.6 Program Evaluation and Review. Borrower shall allow HACOLA 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 HACOLA 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 HACOLA, Borrower shall indemnify, defend and hold HACOLA 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 HACOLA, Borrower hereby releases and forever discharges HACOLA 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 5101 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 HACOLA 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 Surplus Lines Carrier 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 HACOLA certificates of insurance with original endorsements evidencing the general liability insurance coverage required by this Agreement. Borrower shall deliver satisfactory evidence of issuance of Builder's Risk – Special Form 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. HACOLA reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to HACOLA and may provide for such deductibles as may be acceptable to HACOLA. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect HACOLA, 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 HACOLA 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 HACOLA immediate notice of any insurance claim or loss which may be covered by insurance. Upon completion of construction, Borrower shall purchase a Commercial Property Policy – Special Form with a lien holder's endorsement for the entire amount of the loan.

(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. HACOLA 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 HACOLA. If required by HACOLA 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 HACOLA.

(2) Property Insurance: Builders Risk Special Form property insurance. Coverage shall include protection for earthquake and flood if this protection is available from responsible carriers at reasonable cost. HACOLA shall be the loss payee under the aforementioned policy(ies) under a standard lender's lien holder's endorsement. The amount of the property coverage shall at all times exceed the full replacement value of all improvements and fixtures on the Property while property is under construction and the insurer shall waive any coinsurance via an "agreement" endorsement. Upon completion of construction, Borrower shall purchase a Commercial Property Policy – Special Form with a lien holder's endorsement for the

entire amount of the loan.

(3) Worker's Compensation: Borrower shall deliver evidence that General Contractor's employees are covered by Worker's Compensation insurance in an amount and form meeting all applicable requirements of the Labor Code of the State of California and Employee Liability limits of $1,000,000 per accident.

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

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 HACOLA 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 HACOLA, procure or renew such insurance and pay any and all premiums in connection therewith and all monies so paid by HACOLA shall be repaid by the Borrower to HACOLA upon demand including interest thereon at the Default Rate. HACOLA 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 HACOLA'S rights against the Borrower or the insurance carrier.

9.9 Financial Statements; Tax Returns. Borrower shall deliver to HACOLA 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 HACOLA on each March 15th in accordance with Section 2.3 above, Borrower shall deliver to HACOLA, on forms prepared and provided by HACOLA 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 Site or the Project, including but not limited to the Senior Financing, the Junior Financing and the Other Financing. Borrower shall provide to HACOLA 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 HACOLA, to the extent HACOLA in its sole discretion elects to do so, to cure or assist in curing the default. Any reasonable cost or expenditure incurred by HACOLA in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the Loan.

9.11 Intentionally Omitted

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 16 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 HACOLA 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 HACOLA, 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 HACOLA's review and approval: (1) a signed certificate from the general contractor, in a form reasonably acceptable to HACOLA, certifying to HACOLA 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 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 HACOLA that the statutory period for the filing of mechanics' liens (60 days following filing of the statutory notice of completion) has expired 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 as approved by HACOLA. Borrower shall comply with any CEQA mitigation measures or other environmental conditions imposed by HACOLA 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 Loan ("**Assisted Units**"), the tenant income levels, to be as specified in the Transaction Summary above and in the CC&Rs. All Assisted Units shall be rented only at an "Affordable Housing Cost" to "Very-Low Income Households" as specified in the Transaction Summary above and in the CC&Rs (households meeting the applicable criteria are occasionally referred to as "**Eligible Households**"). 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 HACOLA's Executive Director (or his designee) the location of the 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 Very Low Income Households whose gross annual incomes do not exceed forty percent (40%) of Area Median Income.

"**Very Very Low Income Households**" shall mean Very Low Income Households whose gross annual incomes do not exceed thirty-five percent (35%) of Area Median Income.

"**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 a Very Low Income Household, the product of thirty percent (30%) times forty percent (40%) of Area Median Income adjusted for family size appropriate to the Assisted Unit; and

(ii) for a Very Very Low Income Household, the product of thirty percent (30%) times thirty-five percent (35%) of Area Median Income adjusted for family size appropriate to the Assisted Unit.

Except to the extent "grandfathered" or otherwise exempted by state law, the foregoing definition of "Affordable Housing Cost" shall be deemed amended to correspond with future amendments of the definition of "affordable rent" in California Health and Safety Code Section 50053.

"**Area Median Income**" shall mean the median income for the Los Angeles /Long Beach Metropolitan Statistical Area, as adjusted for family size and defined by the United States Department of Housing and Urban Development (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 HACOLA to monitor compliance with the tenanting requirements described in Section 10.1 above, including without limitation the requirement that Borrower deliver reports to HACOLA 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 HACOLA 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 HACOLA'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 HACOLA. 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 HACOLA. 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 HACOLA. 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 HACOLA. 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 HACOLA 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 HACOLA REQUIREMENTS.

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 HACOLA (or HACOLA's Executive Director), which consent may be withheld by HACOLA 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. HACOLA's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by HACOLA in its sole discretion including, without limitation, any and all documents deemed necessary by HACOLA to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) HACOLA'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 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 HACOLA 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 HACOLA, HACOLA 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, HACOLA 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 HACOLA, 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 Loan at the Maturity Date of the 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 HACOLA (or from any party authorized by HACOLA to deliver such notice as identified by HACOLA 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 breach of any warranty or covenant 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. HACOLA Remedies. Upon the occurrence of an Event of Default hereunder, HACOLA 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 HACOLA, 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, HACOLA may, but shall not be obligated to, make such payment. If such payment is made by HACOLA, Borrower shall deposit with HACOLA, 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 HACOLA 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, HACOLA 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 HACOLA and its counsel to protect the interests of HACOLA 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 HACOLA 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 HACOLA 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 HACOLA. In order to entitle HACOLA to exercise any right or remedy reserved to it under this Agreement, no notice shall be required except as expressly provided herein.

D. HACOLA Default and Borrower Remedies. Upon fault or failure of HACOLA 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 HACOLA 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 HACOLA of the terms and conditions of this Agreement or seeking to enjoin any act by HACOLA 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 HACOLA 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 INTENTIONALLY OMITTED

18.0 RIGHT OF ACCESS AND INSPECTION.

HACOLA 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 HACOLA 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, HACOLA 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, HACOLA 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 HACOLA of the Project or the Site is not to be construed as an acknowledgment, acceptance or representation by HACOLA 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 HACOLA shall have any personal interest, direct or indirect, in this Agreement, nor shall any official or employee of HACOLA 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 HACOLA shall be personally liable in the event of a breach of this Agreement by HACOLA.

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 HACOLA: Housing Authority of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director

With a copy to: Housing Authority 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: Casa Dominguez, L.P.
701 East 3rd Street, Suite 400
Los Angeles, CA 90013
Attn: Holly Phillips, Housing Director.
Fax No. (213) 627-6407

With a copy to: Bingham & McCutchen LLP
355 South Grand Avenue, Suite 4400
Los Angeles, CA 90071
Attn: Lance Bocarsly
Fax No. (213) 680-6499

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 HACOLA must be in writing and will not be construed as a continuing waiver. No waiver will be implied from any delay or failure by HACOLA to take action on account of any default of Borrower. Consent by HACOLA 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 HACOLA'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 HACOLA 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 HACOLA) 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 HACOLA under this Agreement or any of the Loan Documents, may be given by HACOLA's Executive Director without action of HACOLA'S governing board unless the Executive Director in his or her sole discretion elects to refer the matter to HACOLA's governing board.

Except with respect to those matters set forth hereinabove providing for HACOLA's approval, consent or determination to be at HACOLA's "sole discretion" or "sole and absolute discretion," HACOLA hereby agrees to act reasonably with regard to any approval, consent, or other determination given by HACOLA hereunder. HACOLA agrees to give Borrower written notice of its

approval or disapproval following submission of items to HACOLA for approval, including, in the case of any disapproved item, the reasons for such disapproval. Any review or approval of any matter by HACOLA or any HACOLA official or employee under this Agreement shall be solely for the benefit of HACOLA, 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 HACOLA shall be solely responsible for assuring compliance with laws, and the operation of the project.

29.0 GOOD FAITH AND FAIR DEALING.

HACOLA 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 HACOLA (or HACOLA's Executive Director), which approval HACOLA 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, HACOLA hereby consents to the events described in the third paragraph of Section 14.0 hereof without Borrower obtaining any further consent from HACOLA. Borrower hereby agrees that any purported Transfer not approved by HACOLA 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 HACOLA in writing (the "**Transfer Notice**") and shall submit to HACOLA 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 HACOLA 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 HACOLA 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 HACOLA consent to the proposed Transfer. HACOLA 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 HACOLA receives the last of the items required by this Section 30. In the event HACOLA consents to a proposed Transfer, then such Transfer shall not be effective unless and until HACOLA receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to HACOLA. From and after the effective date of any such Transfer, Borrower shall be released from its obligations under the Loan Documents accruing subsequent 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 HACOLA's consent is required therefor and even if HACOLA has consented thereto, if there exists an Event of Default under this Agreement at the time the Transfer Notice is tendered to HACOLA 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.

(Continued on next page.)

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

HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

By:_____
Carlos Jackson, Executive Director

APPROVED AS TO FORM:

Raymond G. Fortner, Jr., County Counsel

By:_____
Deputy

BORROWER:

CASA DOMINGUEZ, L.P.
A California Limited Partnership

By: Los Angeles Community Design Center,
a California a non profit corporation,
its General Partner

By: _____
Holly Phillips, Housing Director

TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
EXHIBIT "B"	SITE LEGAL DESCRIPTION
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EXHIBIT "A" TO LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

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))
CDC (Section 9.11)
Certificate of Occupancy (Section 6.2(14))
Claims (Section 9.4)
Close of Escrow (Section 6.3)
Closing Conditions (Section 6.2)
Closing Deadline (Section 6.2)
Completion of the Project (Section 9.12)
Construction Contract (Section 6.2(11))
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)
General Contractor (Section 6.2(9))
Gross Rents (Section 9.9)
HACOLA (Preamble)
Hazardous Materials (Section 9.7)
Industry Funds (Recital A)
Junior Financing (Recital B)
Loan (Recital A)
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 9.2)
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

EXHIBIT "C" TO LOAN AGREEMENT

PROMISSORY NOTE

(Please See Attached)

EXHIBIT "D" TO LOAN AGREEMENT

DEED OF TRUST

(Please See Attached)

EXHIBIT "E" TO LOAN AGREEMENT

CC&RS

(Please See Attached)

EXHIBIT "F" TO LOAN AGREEMENT

RESERVED

EXHIBIT "G" TO LOAN AGREEMENT

PROJECT DESCRIPTION

(Please See Attached)

EXHIBIT "H" TO LOAN AGREEMENT

SITE PLANS AND ELEVATIONS

(Please See Attached)

EXHIBIT "I" TO LOAN AGREEMENT

SUPPORTIVE SERVICES PLAN

(Please See Attached)

EXHIBIT "J" TO LOAN AGREEMENT

HACOLA REQUIREMENTS

HACOLA REQUIREMENTS

The Borrower agrees to comply with the following HACOLA requirements:

1. Termination for Improper Consideration

HACOLA 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 HACOLA 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, HACOLA 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 HACOLA officer or employee to solicit such improper consideration. The report shall be made either to HACOLA's Executive Director or his designee.

Among other items, such improper consideration may take the form of cash, discounts, services, 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 HACOLA.

3. HACOLA's Quality Assurance Plan

HACOLA 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 HACOLA 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 HACOLA and Borrower. If improvement does not occur consistent with the corrective measure, HACOLA may terminate this Agreement or seek other remedies as specified in this Agreement.

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

Borrower acknowledges that HACOLA has established a goal of ensuring that all individuals who benefit financially from HACOLA 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.

As required by HACOLA'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 CSSD 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 HACOLA'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 HACOLA's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to HACOLA under any other provision of this Agreement, failure Borrower to cure such default within 90 calendar days of written notice shall be grounds upon which HACOLA may terminate this Agreement pursuant to said paragraph 4 and pursue debarment of Borrower, pursuant to HACOLA 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 HACOLA 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, ancestry, age, marital status, or disabililty. 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 HACOLA 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 HACOLA 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 HACOLA, 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 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 HACOLA to conduct business only with responsible Borrowers.

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

C. HACOLA 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 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, HACOLA 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 HACOLA Borrowers.

16. Consideration of GAIN/GROW Participants for Employment

Should Borrower require additional or replacement personnel after the effective date of this Agreement, Borrower shall give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program or General Relief Opportunity for Work (GROW) Program who meet Borrower's minimum qualifications for the open position. The Borrower shall contact the County's GAIN/GROW Division at (626) 927-5354 for a list of GAIN/GROW participants by job category.

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 available on the Internet at www.babysafela.org for printing

purposes.

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

Borrower acknowledges that HACOLA places a high priority on the implementation of the Safely Surrendered Baby Law. Borrower understands that it is HACOLA's policy to encourage all HACOLA 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. Compliance With Jury Service Program.

A. Unless Borrower has demonstrated to the HACOLA satisfaction either that Borrower is not a "Contractor" as defined under the Jury Service Program or that Borrower qualifies for an exception to the Jury Service Program, Borrower shall have and adhere to a written policy that provides that its Employees shall receive from the Borrower, on an annual basis, no less than five days of regular pay for actual jury service. The policy may provide that Employees deposit any fees received for such jury service with the Borrower or that the Borrower deduct from the Employee's regular pay the fees received for jury service.

B. For purposes of this Section, "Contractor" means a person, partnership, corporation or other entity which has a contract with the County or a subcontract with a County contractor and has received or will receive an aggregate sum of $50,000 or more in any 12-month period under one or more County contracts or subcontracts. "Employee" means any California resident who is a full time employee of Borrower. "Full time" means 40 hours or more worked per week, or a lesser number of hours if: 1) the lesser number is a recognized industry standard as determined by the County, or 2) Borrower has a long-standing practice that defines the lesser number of hours as full-time. Full-time employees providing short-term, temporary services of 90 days or less within a 12-month period are not considered full-time for purposes of the Jury Service Program. If Borrower uses any subcontractor to perform services for the County under the Contract, the subcontractor shall also be subject to the provisions of this Section. The provisions of this Section shall be inserted into any such subcontract Contract and a copy of the Jury Service Program shall be attached to the Contract.

C. If the Borrower is not required to comply with the Jury Service Program when the Contract commences, Borrower shall have a continuing obligation to review the applicability of its "exception status" from the Jury Service Program, and Borrower shall immediately notify County if Borrower at any time either comes within the Jury Service Program's definition of "Contractor" or if Borrower no longer qualifies for an exception to the Program. In either event, Borrower shall immediately implement a written policy consistent with the Jury Service Program. The County may also require, at any time during the Contract and at its sole discretion, that Borrower demonstrate to the County's satisfaction that Borrower either continues to remain outside of the Jury Service Program's definition of "Contractor" and/or that Borrower continues to qualify for an exception to the Program.

D. Borrower's violation of this Section of the contract may constitute a material breach of the Contract. In the event of such material breach, County may, in its sole discretion, terminate the Contract and/or bar Borrower from the award of future County contracts for a period of time consistent with the seriousness of the breach. For the purpose of this Section 21, County also refers to HACOLA.

22. Borrower's Charitable Activities Compliance

The Supervision of Trustees and Fundraisers For Charitable Purposes Act regulates entities receiving or raising charitable contributions. The "Nonprofit Integrity Act of 2004" (SB 1262, Chapter 919) increased Charitable Purposes Act requirements. By requiring Borrowers to complete the "Charitable Contributions Certificate" form included as Exhibit "A," HACOLA seeks to ensure that all HACOLA borrowers that receive or raise charitable contributions comply with California law in order to protect HACOLA and its taxpayers. A Borrower that received or raises charitable contributions without complying with its obligations under California law commits a material breach subjecting it to either contract termination or debarment proceedings, or both.

EXHIBIT "K" TO LOAN AGREEMENT

BABY LAW FACT SHEETS

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 HACOLA 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 HACOLA 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 HACOLA 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 HACOLA.

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

(i) The Borrower shall submit to HACOLA within 20 days of the execution of this Agreement a project team staffing plan ("Staffing Plan") for review and approval by HACOLA. 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 HACOLA within 20 days of the execution of this Agreement a detailed development schedule ("Development Schedule") for review and approval by HACOLA. The Borrower shall incorporate any changes or corrections requested by HACOLA in a revised schedule to be submitted to HACOLA within 10 days after receiving comments from HACOLA 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 HACOLA within 20 days of the approval of the Construction Contract a detailed construction schedule ("Construction Schedule") for review and approval by HACOLA. The Borrower shall incorporate any changes or corrections requested by HACOLA in a revised schedule to be submitted to HACOLA within 10 days after receiving comments from HACOLA 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 HACOLA a draft completed regulatory "Entitlement Review" package for HACOLA review and approval prior to any formal submittal to the controlling land use jurisdiction or other regulatory agency. This package shall be submitted to HACOLA not later than 14 days prior to the submittal to the regulatory body.

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

(vi) Based on, and within 60 days of HACOLA's approval of, the Basic Concept Drawings, the Borrower and its design team shall submit to HACOLA for review and approval by HACOLA 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 HACOLA comments as required.

(vii) Based on the approved Design Development Plans, the Borrower and its design team shall prepare and submit to HACOLA for review and approval by HACOLA 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 HACOLA, 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 HACOLA 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, HACOLA staff and the Borrower shall hold regular meetings to coordinate the preparation of, submission to, and review of Construction Documents by HACOLA. HACOLA and the Borrower shall communicate and consult informally as frequently as is necessary to insure that the formal submittal of any documents to HACOLA 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 HACOLA in accordance with the Development Schedule a construction contract ("Construction Contract") for review and approval by HACOLA. 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 HACOLA may require.

(d) The Construction Management Division of HACOLA will provide oversight monitoring of the Project. The Borrower shall maintain at the job site adequate records and shall permit site access to HACOLA 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 HACOLA's review, inspection and monitoring activities as set forth in the subsection (d) shall be solely for HACOLA's benefit, and that the Borrower shall not rely in any manner on any statements (oral or written) or actions or omissions by HACOLA 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) The Project is designated as a Davis Bacon/public works type project and as such has certain additional bidding and reporting requirements. The Borrower shall consult with the Construction Management Division of HACOLA for detailed requirements. The Borrower shall include all such requirements in the Construction Documents and conduct the bid phase according to such requirements, including the prevailing wage determination or decision in effect at the time of the bid. Prior to going out to bid (advertisement), or award of negotiated bid, the Borrower shall submit to HACOLA the bid package for review and approval, which submittal shall be five days (5) prior to any advertising placement or negotiation discussion, as the case may be. Once bids are received, the Borrower shall prepare a bid evaluation and review all submittals with HACOLA staff for compliance with all applicable Governmental Restrictions.

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 HACOLA and shall include all necessary documentation provided for in the Construction Contract or as otherwise requested by HACOLA 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 HACOLA, payments made by or on behalf of HACOLA 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 HACOLA 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 HACOLA-approved construction disbursement agency, as set forth below.

(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 HACOLA'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 HACOLA 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 HACOLA.

(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 HACOLA.

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

(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 "I" shall constitute an Event of Default under this Agreement and HACOLA 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 HACOLA.

(xi) The Community Development Commission and HACOLA, 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 "I", 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.