

January 7, 2003

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

Dear Commissioners:

**APPROVE ENVIRONMENTAL ACTIONS AND LOAN AGREEMENT FOR
DEVELOPMENT OF CASTAIC LAKE SENIOR APARTMENTS IN UNINCORPORATED
CASTAIC (5)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Consider the attached Environmental Assessment/Mitigated Negative Declaration (EA/MND), together with any comments received during the public review process, and find that, with incorporation of the mitigation measures identified in the Mitigation Monitoring and Reporting Program and required as a condition of funding approval, the Castaic Lake Senior Apartments, a 150-unit affordable development located at the corner of Castaic Road and Lake Hughes Road, in unincorporated Castaic, will not have a significant effect on the environment, and adopt the EA/MND.
2. Make a determination that the EA/MND reflects the independent judgment of the County of Los Angeles, and instruct the Executive Director of the Community Development Commission to file with the County Clerk a Notice of Determination, as required by the California Environmental Quality Act (CEQA).
3. Find that the project will have no adverse effect on wildlife resources and authorize the Executive Director to complete and file with the County Clerk a Certificate of Fee Exemption for the project.
4. Authorize the Executive Director to take any and all actions necessary to complete the implementation of the environmental review actions.
5. Approve the attached Loan Agreement, provided in substantially final form, with Castaic Senior Communities, L.P., a California limited partnership (the Developer), of which Community Development Group, Inc., a California corporation, is the General Partner, in an amount up to \$1,234,000 in HOME Investment Partnerships (HOME) Program funds, for site acquisition

and pre-development financing for 11 of the total 150 units of the Castaic Lake Senior Apartments project.

6. Authorize the Executive Director to incorporate the HOME funds into the Commission's Fiscal Year 2002-2003 approved budget, for the purposes described above.
7. Authorize the Executive Director to execute the Loan Agreement, to be effective following approval as to form by County Counsel and execution by all parties.
8. Authorize the Executive Director to execute all documents related to the HOME loan, and to subordinate the Commission's interest in the property to the seller of the property and qualified lender, to be effective following approval as to form by County Counsel and execution by all parties.

PURPOSE/ JUSTIFICATION OF RECOMMENDED ACTION:

Adoption of the environmental findings and approval of the Loan Agreement will facilitate the development of this affordable senior housing project.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund.

The Commission will provide a site acquisition and pre-development loan of up to \$1,234,000 in HOME funds. From the date of the release of funds, the HOME loan will accrue interest at three percent simple annual interest. Following completion of construction, the loan will convert to a HOME permanent loan, at three percent simple annual interest with a 30-year term, evidenced by a Promissory Note and secured by a Deed of Trust. The HOME loan will be repaid from residual rental receipts from the project. Additional financing for the project will include Housing Authority of the County of Los Angeles mortgage revenue bonds of up to \$8,796,045, tax credit equity of \$4,851,414, a deferred developer fee of \$1,149,794, and \$290,000 in operating cash flow generated during lease-up.

The estimated total development cost is \$16,321,253. A Financial Analysis is provided as Attachment A.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The project will consist of 149 rental units for low- and very low-income seniors and one manager's unit. It will be comprised of eight buildings, five of which will be designed as garden-style, two-story walkups. Two additional buildings will be three stories, and will utilize a center hallway design. The eighth building will be two stories, with a second-story manager's unit above a ground floor recreation/service area, and will also include

a swimming pool, laundry facilities, mail room, community room with a serving kitchen, rental office and manager's office. All units will offer fully equipped kitchens with appliances, wall-to-wall carpeting, window treatments, and central air conditioning and heating. The development will include perimeter walls and fencing, carports and surface parking.

A total of 108 low-income units will be reserved for seniors with incomes up to 60 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for household size, as determined by the U.S. Department of Housing and Urban Development (HUD). The 41 very low-income units, which include 11 HOME-funded units, will be reserved for seniors with incomes up to 50 percent of the AMI. The affordability term is 30 years.

The Santa Clarita Valley Committee on Aging, a California non-profit public benefit corporation, will operate the project after completion, at which time it will become Managing General Partner.

The loan documents will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

An Environmental Assessment (EA) was prepared for the project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). The EA describes the proposed project, evaluates the potential environmental effects, and describes the mitigation measures necessary to avoid potentially significant environmental effects from the project. Based on the conclusions and findings of the EA, a Finding of No Significant Impact and an Intent to Adopt a Mitigated Negative Declaration were adopted by the County of Los Angeles on November 19, 2002. Consistent with the provisions of the CEQA Guidelines, Article 14, Section 15221, notice was provided that the EA, used in place of an Initial Study, would be used to satisfy CEQA requirements. The EA/MND was circulated for public review as broadly as state or local law requires, and the EA/MND, in conjunction with the Mitigation Monitoring and Reporting Program, meets the requirements of CEQA. No comments were received during the noticing period.

Approval of the EA/MND, including the Mitigation Monitoring and Reporting Program, and filing a Notice of Determination with the County Clerk, will satisfy CEQA regulations. A fee must be paid to the State Department of Fish and Game when certain notices required by CEQA are filed with the County Clerk. The County is exempt from paying this fee when your Board finds that the project will have no significant impact on wildlife resources. This project is located on a vacant lot in a suburban setting, and the EA/MND concludes there will be no adverse effect on wildlife resources.

IMPACT ON CURRENT PROJECT:

Approval of the environmental actions and the Loan Agreement will enable construction of additional affordable senior housing in the County.

Respectfully submitted,

CARLOS JACKSON
Executive Director

Attachments: 3

Attachment A

HOUSING FINANCIAL ANALYSIS

Castaic Lake Senior Apartments

The project consists of 150 senior rental units located at the corner of Castaic Road and Lake Hughes Road in unincorporated Castaic. Forty-one units will be reserved for households earning not more than fifty percent of area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, as determined by the U.S. Department of Housing and Urban Development (HUD), and 108 units will be reserved for households earning not more than sixty percent of AMI, with rents as established by the California Debt Limit Advisory Committee (CDLAC). The remaining unit will serve as a manager's unit.

CONSTRUCTION PHASE	Total	Per Unit
<u>Uses</u>		
Total Development Cost	\$16,321,253	\$108,808
<u>Sources</u>		
Tax Credits	\$4,072,253	\$27,148
HOME Funds	290,000	1,933
Operating Cash Flow	1,234,000	8,227
Housing Authority Bonds	9,300,000	62,000
Deferred Fees and Costs	1,425,000	9,500
Total	\$16,321,253	\$108,808
<u>PERMANENT PHASE</u>		
<u>Uses</u>		
Total Development Cost	\$16,321,253	\$108,808
<u>Sources</u>		
Tax Credits	\$4,851,414	32,343
HOME Funds	1,234,000	8,227
Operating Cash Flow	290,000	1,933
Housing Authority Bonds	8,796,045	58,640
Deferred Developer Fee	1,149,794	7,665
Total	\$16,321,253	\$108,808

APPENDIX A

Mitigation Monitoring Plan

This section reflects the mitigation monitoring and reporting program requirements of Public Resources Code Section 21081.6 in accordance with CEQA Guidelines 15097:

“...In order to ensure that the mitigation measures and project revisions identified in the EIR or negative declaration are implemented, the public agency shall adopt a program for monitoring or reporting on the revisions which it has required in the project and the measures it has imposed to mitigate or avoid significant environmental effects. A public agency may delegate reporting or monitoring responsibilities to another public agency or to a private entity which accepts the delegation; however, until mitigation measures have been completed the lead agency remains responsible for ensuring that implementation of the mitigation measures occurs in accordance with the program.”

<u>Mitigation Measure</u>	<u>Responsible Party</u>	<u>Monitoring Agency</u>	<u>Monitoring Timing</u>
<u>Historic, Cultural, and Archaeological Resources: No</u>	<u>Contractor</u>	<u>Community Development</u>	<u>Construction phases</u>
<u>Solid Waste Recycling: Project design shall incorporate space for</u>	<u>Contractor</u>	<u>Community Development</u>	<u>Design Phase</u>

<u>separate bins for waste and recyclable materials.</u>		<u>Commission</u>	
<p><u>Water Supply:</u></p> <p>a. <u>Any proposed landscaped areas shall be designed with drought-tolerant species, minimizing to 50% areas dedicated to turf grass.</u></p> <p>b. <u>Irrigation of planter beds shall be accomplished with drip systems. Planting beds shall be heavily mulched in accordance with water-conserving landscape design practice.</u></p> <p>c. <u>Structures shall be fitted with water conserving fixtures, including, but not limited to, low flow faucets and toilets.</u></p>	<p><u>Contractor</u></p> <p><u>Contractor /Operator</u></p> <p><u>Contractor</u></p>	<p><u>Community Development Commission</u></p> <p><u>Community Development Commission</u></p> <p><u>Community Development Commission</u></p>	<p><u>Design Phase</u></p> <p><u>Design Phase/Operation Phase</u></p> <p><u>Construction Phase</u></p>
<p><u>Noise:</u> <u>In order to ensure an acceptable interior noise environment at the proposed apartment complex (45 dBA or less), the following shall be included in project design:</u></p> <p>a. <u>Air conditioning or a mechanical ventilation system shall be provided so windows and doors may remain closed.</u></p> <p>b. <u>Windows and sliding glass doors facing Castaic Road and Interstate 5 shall be double-paned glass and shall be mounted in low air infiltration rate frames (0.5 cfm or less, per ANSI specifications).</u></p> <p>c. <u>Exterior doors facing Castaic Road shall be solid-core with perimeter weather stripping and threshold seals.</u></p> <p>d. <u>Roof or attic vents facing Castaic Road shall be baffled.</u></p>	<p><u>Contractor</u></p> <p><u>Contractor</u></p> <p><u>Contractor</u></p> <p><u>Contractor</u></p> <p><u>Contractor</u></p>	<p><u>Community Development Commission</u></p> <p><u>Community Development Commission</u></p> <p><u>Community Development Commission</u></p> <p><u>Community Development Commission</u></p>	<p><u>Construction Phase</u></p> <p><u>Construction Phase</u></p> <p><u>Construction Phase</u></p> <p><u>Construction Phase</u></p>

<p>e. <u>Double walls or functional equivalent shall be used for exterior walls facing Castaic Road.</u></p> <p>f. <u>Glass area in windows facing Castaic Road shall not exceed 20% of the total floor area in a room.</u></p>			
<p><u>Hazards:</u> <u>The Phase I Environmental Site Assessment prepared for the site by Block Environmental, dated July 17, 2002, indicates the presence of small quantities of fill dirt from unknown sources dumped on the site. It is not known if this soil contains contaminants of concern. Because of the small volume of fill dirt present, it is not considered a significant issue. However, if discolored soils or unusual odors are encountered during site development, activity shall be suspended in the impacted area and appropriate soil sampling shall be undertaken.</u></p>	<p><u>Contractor</u></p>	<p><u>Community Development Commission</u></p>	<p><u>Construction Phase</u></p>
<p><u>Changes to Required Mitigation:</u> <u>Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission of the County of Los Angeles. Any modifications must continue to satisfy the requirements of NEPA and CEQA, as determined by the County.</u></p>	<p><u>Contractor/Operator</u></p>	<p><u>Community Development Commission</u></p>	<p><u>Design, Construction, and Operation Phase</u></p>

Deferred
Development
Fee
Total

HOME LOAN AGREEMENT

CASTAIC LAKE SENIOR APARTMENTS

by and between the

COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES

a public body corporate and politic

and

CASTAIC SENIOR COMMUNITIES, L. P.,

A California limited partnership

for a loan in the principal amount of

\$1,234,000

January , 2003

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LOAN AGREEMENT

Transaction Summary

Project Name: CASTAIC LAKE SENIOR APARTMENTS

Borrower Name: CASTAIC SENIOR COMMUNITIES L.P.

Limited Partnership LLC Nonprofit Public Benefit Corporation Other

HOME Loan Amount: \$ 1,234,000 Interest Rate: 3% simple

Repayment term: 30 years. Repayment type: residual receipts
Total Number of Units in Project: 11 HOME assisted-units of 150 total units

Location (Jurisdiction): County of Los Angeles Incorporated Unincorporated Site Acreage: 265,000 sq.ft.

Project Type: rental for sale special needs (specify: _____)

Use of HOME Loan Funds: Acquisition Predevelopment Construction Permanent
 For-Sale Unit Assistance

Affordability (# assisted units, income levels): (5) 1-bedroom units at 50% AMI; (11) 1-bedroom units at 60% AMI; (36) 2-bedroom units at 50% AMI; (97) 2-bedroom units at 60% AMI; (1) 2-bedroom manager's unit. HOME units included in the above shall consist of (1) 1-Bedroom and (10) 2-Bedrooms at 50% AMI

Other Project Financing Sources / Priority Relative to Commission Loan:

<u>(1) Multifamily Housing Mortgage Revenue Bonds - \$8,796,045</u>	<u>senior</u>	<input type="checkbox"/> junior	<input type="checkbox"/> parity/NA
<u>(2) Tax Credit Syndication Proceeds -</u>	<u>\$4,851,414</u>	<input type="checkbox"/> senior	<input type="checkbox"/> junior
<u>(3) Deferred Developer Fee</u>	<u>\$1,149,794</u>	<input type="checkbox"/> senior	<input checked="" type="checkbox"/> junior <input type="checkbox"/> parity/NA
<u>(4) Operating Cash Flow</u>	<u>\$ 290,000</u>	<input type="checkbox"/> senior	<input type="checkbox"/> junior <input checked="" type="checkbox"/> parity/NA
<u>(5) HOME</u>	<u>\$1,234,000</u>	<input type="checkbox"/> senior	<input type="checkbox"/> junior <input type="checkbox"/> parity/NA
TOTAL	\$16,321,253		

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

THIS LOAN AGREEMENT ("Agreement") is made as of the _____ day of January ____, 2003, by and between the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission"), and **CASTAIC SENIOR COMMUNITIES, L. P.**, a California limited partnership ("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 TWO HUNDRED THIRTY FOUR THOUSAND DOLLARS** (\$1,234,000) (the "HOME Loan") from the Commission, provided from the federal government's HOME Program, for the purpose of financing the housing development ("Project") described in the Transaction Summary above, and as more particularly described in this Agreement. The Commission's source of funding for the HOME Loan is provided from the HOME Investment Partnerships Program, 24 CFR Part 92 ("HOME"). No portion of the funds provided pursuant to this Agreement will be used for construction items, which would trigger prevailing wage requirements. The responsibility for ensuring that all HOME funds are used appropriately for non-eligible items will lie solely with the -Borrower. The Project will be developed on a site ("Site") legally described on Exhibit "B" to this Agreement. A detailed Project description is attached hereto as Exhibit "F", and reduced site plans and elevations for the Project are attached as Exhibit "G".

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

C. WHEREAS, the development and operation of the Project on the terms and conditions provided in this Agreement will provide affordable housing opportunities for persons of low and/or very low income as described in the Transaction Summary above.

D. WHEREAS, as more particularly provided below, Borrower will deliver to Commission, among other items, the "HOME Deed of Trust", "HOME Promissory Note" 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 are maintained in accordance with the terms of those instruments and this Agreement.

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

NOW, THEREFORE, the Parties agree as follows:

A G R E E M E N T

1.0 HOME LOAN .

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

2.0 HOME PROMISSORY NOTE; HOME LOAN REPAYMENT.

2.1 Note.

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

2.2 Basic Interest.

Except for the default interest provisions in the Note, the disbursed and unpaid principal balance of the HOME Loan shall bear interest commencing on the date on which such HOME Loan proceeds are first disbursed for the account of Borrower as provided herein, and ending on the date paid, at the rate of 3 percent (3%) per annum, simple interest. Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. From and after Completion of the Project the HOME Loan shall bear interest at the rate of 3 percent (3%) per annum, simple interest ("Deferral Rate"). Notwithstanding the foregoing, following an "Event of Default" as defined in Section 15.0 below, the outstanding principal balance of the Note shall bear interest at the "Default Rate" defined.

2.3 Payment Dates and Amounts.

As set forth in greater detail in the Note, Borrower shall repay the HOME Loan with accrued interest in arrears in annual installments on March 15th of each calendar year for the previous calendar year, commencing on March 15, 2004. Absent prepayment or acceleration, each of the annual payments due March 15, 2004 through and including March 15, 2034 ("Maturity Date") shall be made out of Residual Receipts (as defined in the Note) from the immediately preceding calendar year. The amount of each such annual payment to Commission, out of Residual Receipts for the immediately preceding calendar year, shall equal fifty percent (50%) of all Residual Receipts for such year. Residual Receipts shall be calculated and reported (as defined in the Note) to Commission annually for each calendar year no later than March 15th of the following calendar year on forms specified and provided by Commission from time to time. All calculations and records are subject to audit by Commission. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest

and any other sums payable under the Note shall be due and payable in full on the Maturity Date.

2.4 Payments Due on Transfer or Refinance.

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

2.5 Term.

This Agreement shall commence as of the day and year first above written and shall remain in full force and effect for 30 years, unless sooner terminated as provided herein.

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 Commission and upon notice to Borrower thereof, become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

4.0 PREPAYMENT; APPLICATION OF PAYMENTS.

At any time after the disbursement of the HOME Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the HOME 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 8, 9, and 10 herein, and such obligations and covenants shall remain in full force and effect pursuant to their terms. All payments, including any prepayments or funds received upon acceleration pursuant to Section 3 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding HOME Loan principal or interest thereon) due under the 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 Deferral Rate, if any, then toward any deferred principal, and finally toward the remaining principal balance under the Note.

5.0 SECURITY AND SOURCE OF PAYMENT.

Borrower's obligation to repay the HOME Loan and any associated interest and other amounts payable under this Agreement or the 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 Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by Commission.

Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Agreement or the HOME Loan, the HOME Loan is a nonrecourse obligation of Borrower and in the event of the occurrence of an Event of Default, Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Commission as security for repayment of the HOME Loan such that neither Borrower nor any partner of Borrower shall have personal liability for repayment of the HOME Loan.

To the extent Commission elects in its sole discretion to count the HOME Loan proceeds as local matching funds under the HOME program administered by HUD, any repayment of the HOME Loan shall be applied by Commission 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 HOME LOAN.

6.1 Disbursement of the Loan proceeds in accordance with this Agreement, delivery of the executed Note to Commission, and recordation of the Deed of Trust and other HOME Loan Documents to be recorded shall be carried out through an escrow account ("Escrow") to be established by the Parties with a title or escrow company specifically approved in writing for this transaction by Commission ("Escrow Holder"). The Parties may execute supplemental instructions to Escrow Holder consistent with the terms of this Agreement, but in the event of a conflict between the terms of this Agreement and any supplemental escrow instructions, the terms of this Agreement shall control. Except as otherwise expressly provided herein, any fees and costs incurred by Escrow Holder in the performance of its duties hereunder and agreed to be paid by the Parties shall be shared equally by the Parties.

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

(1) The execution of this Agreement by Commission and Borrower, and delivery of a fully-executed copy to Escrow Holder.

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

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

(7) Borrower, Commission, and any lender, creditor or lienholder with respect to the Junior Financing and Other Financing (if applicable) have each duly executed (with notary acknowledgment) and deposited into Escrow for recordation at the Close of

Escrow a subordination agreement in form and substance satisfactory to Commission ("Subordination Agreement").

(8) 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 Commission Executive Director (or his designee) that all permanent financing sources for the Project are or will be available in sufficient amounts to provide for ongoing operation of the Project.

(9) Borrower shall have certified and demonstrated to Commission that it has completed all discretionary processes and obtained all discretionary approvals from the jurisdiction where the Property is located and from any other governmental entity with permitting authority over the Project.

(10) Borrower shall have furnished Commission with certificates of insurance evidencing the coverages required by Section 8.8 below.

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

(12) Borrower shall have provided to Commission, in form satisfactory to Commission, certified copies of (i) Borrower's governing partnership agreement, operating agreement, or articles and bylaws, together with a certification by the managing member, managing general partner, or president that such agreement or articles and bylaws have not been amended or modified except as described in the certification (ii) a good standing certificate from the California Secretary of State, certifying that Borrower is duly qualified and in good standing, and (iii) all other documents necessary to evidence to Commission's satisfaction that the individuals and entities executing this Agreement and the HOME 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.

Not as a Closing Condition, but prior to the commencement of tenant selection for the Project, Borrower shall have obtained Commission's written approval of an affirmative marketing plan, leasing guidelines, and a summary of the rules, procedures and programs for the Project including specifically the procedures to be employed by which the tenants of the assisted units in the Project shall be selected in the event that, at any given time, the number of individuals applying to lease units at the Project, who meet the applicable age and income requirements set forth in Section 9 below, exceeds the number of units available for lease by such tenants.

6.3 When, and only when, Escrow Holder has confirmed that Closing Conditions (1), (2), (3), (4), (6), (7), (8) and (12) above have been satisfied, and has received written certification from Commission's Executive Director 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 any Subordination Agreements to be recorded in the Official Records of Los Angeles County, California;
- (ii) delivering the executed original Note to Commission;
- (iii) causing the Title Policy to be issued to Commission in the form and amount specified above; and
- (iv) disbursing the HOME Loan proceeds to the extent provided for pursuant to the supplemental instructions to Escrow Holder approved pursuant to Section 6.2(13) above.

6.4 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 PURPOSE OF HOME LOAN

7.1 The HOME Loan proceeds shall be used by Borrower only as financing of the Project. In no event shall Borrower use or otherwise invest the proceeds of the HOME Loan except as expressly provided in this Agreement.

8.0 COVENANTS OF BORROWER.

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

8.1 Compliance with Laws.

Borrower shall comply with all applicable Governmental Restrictions. As used herein, "Governmental Restrictions" shall mean and include any and all laws, statutes, ordinances, codes, rules, regulations, directives, writs, injunctions, orders, decrees, rulings, conditions of approval, or authorizations, now in force or which may hereafter be in force, of any governmental entity, agency or political subdivision as they pertain to the 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 National Environmental Policy Act of 1969, as amended; applicable federal, state and local fair housing laws; and public bid and prevailing wage requirements. Borrower shall comply with the environmental mitigation measures specified in the "Environmental Special Conditions", attached hereto as Exhibit K. Borrower shall be solely responsible for determining whether any state or

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

8.2 Revenue Disclosures.

Borrower shall make available for inspection and audit to Commission's representatives, upon seventy-two (72) hours written request, at any reasonable time during the 30-year term ("Term") of this Agreement, at Borrower's offices, or, if requested by Commission, at another location within Los Angeles County, all of the books and records relating to the operation of the Project and this Agreement. All such books and records shall be maintained by Borrower for the entire Term. 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.

8.3 Other Reports.

Upon seventy-two (72) hours written notice, at any reasonable time during the Term, Borrower shall prepare and submit to Commission, all additional reports and any financial, program progress, monitoring, evaluation or other reports reasonably required by Commission or its representatives as they relate to the Project or this Agreement; provided, however, if such requested reports are not capable of being prepared and submitted to Commission within such 72-hour period, then within a reasonable time thereafter. Borrower will ensure that its employees, agents, officers, and board members furnish such information, which in the reasonable judgment of Commission representatives, may be relevant to a question of compliance with this Agreement 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.

8.4 Indemnification.

Subject to the provisions of Section 8.8 below, from and after the date hereof, Borrower agrees to and does hereby indemnify, defend and save harmless Commission and its members, directors, agents, officers and employees from and against any and all liability, expense, including reasonable defense costs and legal fees of counsel acceptable to Commission, and claims (collectively, "Claims") for damages of any

nature whatsoever, which Claims arise directly or indirectly from or in connection with the Site or the Project, including, but not limited to Claims respecting bodily injury, death, property damage, workers' compensation, liability or expense arising from or in connection with services performed on behalf of Borrower by any person pursuant to this Agreement, and which Claims (i) are based on events which occur or are claimed to have occurred during Borrower's ownership of the Site or the Project, (ii) result directly or indirectly from Borrower's ownership of the Site or the Project, or (iii) result directly or indirectly from Commission's entering into this Agreement and/or making the HOME Loan to Borrower; provided, however, the foregoing indemnity shall not apply to claims that result solely from the gross negligence or willful misconduct of Commission. This covenant shall remain in force and effect following the expiration of the term of the HOME Loan.

8.5 Audit by State and Federal Agencies.

Borrower agrees that in the event this Agreement or the HOME Loan is subjected to audit, monitoring or other inspections by appropriate state and federal agencies, it shall be responsible for complying with such inspections and paying, on behalf of itself and Commission, the full amount of the liability to the funding agency resulting from such inspections, unless such inspection and any resulting liability arises solely from the gross negligence or willful misconduct of Commission.

8.6 Program Evaluation and Review.

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

8.7 Hazardous Materials.

Borrower represents, warrants and covenants that it has not and shall not (i) deposit "Hazardous Materials" (as defined below) in, on or upon the Property, or (ii) permit the deposit of Hazardous Materials in, on or upon the Site or the Project. Borrower further covenants and agrees to remove or remediate, at its expense (utilizing HOME Loan proceeds only to the extent if at all expressly authorized by Section 8.0 above, and subject to any reimbursement it may be able to obtain from third parties) any Hazardous Materials located in, on or upon the 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 the applicable environmental laws. The foregoing shall not be construed or understood to prohibit Borrower from allowing Hazardous Materials to be brought upon the Project so long as they are materials which are customary and common to the normal course of business in the construction or operation of a well-designed housing facility and so long as such materials are used, stored and disposed of in accordance with all applicable governmental restrictions. Borrower agrees to indemnify, defend and hold Commission and its members, directors, agents, officers and employees harmless from and against

any Claims arising directly or indirectly out of the presence of Hazardous Materials in, on or upon the Site or the Project, existing as of the date hereof or deposited (or claimed to have been deposited) in, on or upon the Site or the Project from and after the date hereof and during Borrower's ownership of the Site or the Project, including without limitation any Claims arising out of any deposits of Hazardous Materials described in (i) and (ii) hereinabove or out of Borrower's failure to remove or remediate all such Hazardous Materials in, on or upon the Site and the Project, as required above. Borrower hereby releases, waives and discharges Commission and its agents, officials and representatives from all present and future claims, demands, suits, legal and administrative proceedings and from all losses and liabilities arising out of or in any way connected with Borrower's ownership of the Site, operation of the Project, or any condition of environmental contamination in, on, under, upon or around the Site, or the existence of Hazardous Materials in any state in, on, under, upon or around the Site, and in connection with such release and waiver Borrower is familiar with and hereby waives the provisions of Section 1542 of the California Civil Code which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR."

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

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

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

8.8 Insurance.

Without limiting Borrower's indemnification of Commission provided above, Borrower shall procure and maintain at its own expense during the Term of the HOME

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Loan the insurance described below. Such insurance shall be secured from carriers admitted in California or having a minimum rating of or equivalent to A:VIII in Best's Insurance Guide. Borrower shall, concurrent with the execution of this Agreement, deliver to Commission certificates of insurance with original endorsements evidencing the general liability and automobile insurance coverage required by this Agreement. Borrower shall deliver the certificates of insurance evidencing issuance of "all risk" property insurance described in (2) below and worker's compensation insurance described in (3) below at such time that such exposures are at risk, but in no event later than the Close of Escrow. The certificate and endorsements shall be signed by a person authorized by the insurers to bind coverage on its behalf. Commission reserves the right to require complete certified copies of all policies at any time. Said insurance shall be in a form acceptable to Commission and may provide for such deductibles as may be acceptable to Commission. In the event such insurance does provide for deductibles or self-insurance, Borrower agrees that it will protect Commission, its agents, officers and employees in the same manner as these interests would have been protected had full commercial insurance been in effect. Each such certificate shall stipulate that Commission is to be given at least thirty (30) days written notice in advance of any modification or cancellation of any policy of insurance.

(a) 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 (\$2,000,000 General Aggregate), including products and completed operations coverage. Commission and their agents, officials and employees shall be named as additional insureds in each of the aforementioned insurance policies with respect to liability arising from activities performed by or on behalf of Borrower, premises owned, leased or used by such persons. Said insurance shall be primary insurance with respect to Commission. Borrower shall require Borrower's contractors to include Commission and Commission's agents, officials and employees as additional insureds on all general liability insurance covering work at the Site. If required by Commission from time to time, Borrower shall increase the limits of its liability insurance to reasonable amounts customary for owners of improvements similar to the Project. The policy shall contain a waiver of subrogation for the benefit of Commission.

(b) Property Insurance:

"All Risk" property insurance, including without limitation builder's risk protection during the course of construction, covering the full replacement value of real property and equipment utilized for the Project. Coverage shall extend to provide debris removal. Commission shall be the loss payee under the aforementioned policy under a standard lender's endorsement.

(c) Worker's Compensation:

Borrower's employees shall be covered by Workers' Compensation insurance in an amount and form to meet all applicable requirements of the Labor Code of the State of California and Employers Liability limits of \$1,000,000 per accident.

(d) Automobile Liability:

Combined single limit automobile liability insurance of at least One Million Dollars (\$1,000,000) per accident for bodily injury and property damage, covering owned, non-owned and hired vehicles.

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

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

8.9 Financial Statements; Tax Returns.

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

8.10 Other Loans.

Borrower shall comply with all monetary and non-monetary 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 Commission a copy of any notice of default within three business days after receiving any notice of a default or alleged default of such covenants by Borrower, and Borrower shall promptly cure any such default and cooperate in permitting Commission, to the extent

Commission in its sole discretion elects to do so, to cure or assist in curing the default. Any cost or expenditure incurred by Commission in providing or assisting in such a cure shall be deemed added to the outstanding principal amount of the HOME Loan.

9.0 USE OF PROPERTY; LEASING AND MANAGEMENT.

9.1 Restriction to Low and Very-Low Income Tenants.

Notwithstanding anything to the contrary or that appears to be to the contrary in this Agreement, 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, throughout the 30-year Term of this Agreement, Borrower and such successors and assigns shall use the Site solely for the purpose of constructing and operating the Project as a residential development with the number of dwelling units specified herein and, the tenant income levels specified in the Transaction Summary above and in the CC&Rs. All HOME Assisted Units shall be rented only at an "Affordable Housing Cost" to persons of "Low Income" and "Very-Low Income" as hereinafter defined (persons occasionally referred to as "Eligible Persons"). HOME Assisted Units shall be dispersed throughout the Project, and shall be no less attractive or desirable on average (whether because of convenient access, views, amenities, or other reasons) than the other Project units which are not HOME Assisted Units. Subject to the reasonable approval of Commission's Executive Director (or his designee), the location of the HOME Assisted Units within the Project may be changed from time to time by Borrower. The covenants described in this Section 9.1 shall remain in effect through the later of the expiration of the Term or the Maturity Date, notwithstanding the repayment of the HOME Loan by Borrower prior to the Maturity Date. One (1) one-bedroom unit and ten (10) two-bedroom units are to be assisted as consideration for the HOME Loan ("HOME Assisted Units"), for households earning income fifty percent (50%) or below the area median.

9.2 Tenant Selection Process; Reports and Records Concerning Tenancies.

Borrower shall maintain such records and satisfy such reporting requirements as may be reasonably imposed by Commission to monitor compliance with the tenanting requirements described in Section 9.1 above, including without limitation the requirement that Borrower deliver reports to Commission commencing at the close of the initial occupancy of the Project, and continuing annually thereafter, setting forth the name of each tenant, the unit occupied and the income of the tenant and the amount of rent payable by each tenant. Borrower shall also be required to have each prospective tenant complete a rental application prior to occupancy and to obtain evidence from each such tenant as may be reasonably required by Commission to certify such tenant's qualification for occupancy of the Project. Borrower's obligation to provide such reports shall remain in force and effect for the same duration as the use covenants set forth in Section 9.1.

9.3 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, assignment or replacement thereof, submit and obtain Commission's written approval of a management contract ("Management Contract") entered into between Borrower and an entity ("Management Entity") reasonably acceptable to Commission. Subject to any regulatory or licensing requirements of any other applicable governmental agency, the Management Contract may be for a term of up to fifteen (15) years and may be renewed for successive terms in accordance with its terms, but may not be amended or modified without the written consent of Commission. The Management Contract shall also provide that the Management Entity shall be subject to termination for failure to meet project maintenance and operational standards set forth herein or in other agreements between Borrower and Commission. Borrower shall promptly terminate any Management Entity which commits or allows such failure, unless the failure is cured within a reasonable period in no event exceeding sixty (60) days from Management Entity's receipt of notice of the failure from Borrower or Commission. Borrower's obligation to retain a Management Entity shall remain in force and effect for the same duration as the use covenants set forth in Section 9.1.

9.4 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 satisfactory order, condition, and repair (and, as to landscaping, in a healthy and thriving condition) in accordance with the approved plans for the Project and all

Governmental Restrictions, and (ii) manage the Project and Project finances reasonably prudently and in compliance with applicable Governmental Restrictions so as to maintain a safe and attractive 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.

10.0 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 or sexual orientation, marital status, age, medical condition, 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 it establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the Site or any portion thereof. The nondiscrimination and nonsegregation covenants set forth herein shall remain in effect in perpetuity.

10.1 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 or sexual orientation, marital status, age, medical condition, 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 or sexual orientation, marital status, age, medical condition, 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 or sexual orientation, marital status, age, medical condition, 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 or sexual orientation, marital status, age, medical condition, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the parties to this contract or any person claiming under or through them, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of tenants, lessees, subtenants, sublessees, or vendees of the premises."

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

11.0 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 its 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.

12.0 ASSIGNMENT OF THIS AGREEMENT.

This Agreement shall be assignable by Borrower only if Borrower obtains the prior express written consent of Commission, which consent may be withheld by Commission in its sole discretion. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Agreement and the HOME Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by Commission including, without limitation, any and all documents deemed necessary by Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the HOME Loan Documents, and (ii) Commission's approval of the financial and credit worthiness of such proposed assignee.

Any attempt by Borrower to assign any performance or benefit under the terms of this Agreement, without the prior written consent of Commission as provided herein, shall be null and void and shall constitute a material breach of this Agreement. In accordance with the foregoing, in the event of (i) a sale or transfer of Borrower's interest in the Site, or (ii) a sale or transfer of more than forty-nine percent (49%) of its present ownership and/or control, in the aggregate, taking all transfers into account on a cumulative basis, or (iii) a sale or transfer of the

Project, occurring without the written consent of Commission, Commission may, at its option, by written notice to Borrower, declare Borrower in default under this Agreement.

Notwithstanding the foregoing, or anything to the contrary contained herein or in any other HOME Loan Document, Commission hereby consents to the following events occurring subsequent to the date hereof without Borrower obtaining Commission's written consent with the occurrence of such events: (i) syndication of limited partnership interests in Borrower to an equity investor; (ii) grant of a purchase option and/or right of first refusal with respect to the Project from Borrower to its general partner and (iii) removal of Borrower's general partner pursuant to the terms of the limited partnership agreement of Borrower, as may be amended from time to time, provided that any replacement general partner is approved by Commission, which approval shall not be unreasonably withheld or delayed. The foregoing paragraph shall only be applicable if the Project development is financed with the proceeds of state or federal low-income housing tax credits.

13.0 HOME PROGRAM AND FEDERAL REQUIREMENTS

In addition to any other obligations of the Borrower to this Agreement, the Borrower agrees to comply with all of the HOME Program Requirements, a summary of which is included as Exhibit "I".

14.0 INTENTIONALLY OMITTED

15.0 EVENTS OF DEFAULT AND REMEDIES.

15.1 Borrower Events of Default.

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

(a) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within ten (10) days after receipt of written notice of such default from Commission (or from any party authorized by Commission to deliver such notice as identified by Commission in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Borrower to timely repay the HOME Loan at the Maturity Date of the Note;

(b) The failure of Borrower to perform any non-monetary covenant or obligation hereunder or under the terms of the Note or the Deed of Trust, without curing such failure within thirty (30) days after receipt of written notice of such default from Commission (or from any party authorized by Commission to deliver such notice as identified by Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter.

Notwithstanding anything herein to the contrary, the herein described notice

requirements and cure periods shall not apply to any Event of Default described in Sections 15.1(c) through 15.1(g) below;

(c) 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;

(d) 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;

(e) 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;

(f) 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;

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

(h) 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.

15.2. Commission Remedies.

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

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

(b) Subject to the nonrecourse provisions of Section 5 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of Commission, to collect the amounts then due and thereafter to become due hereunder and under the Note, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Agreement or under any other document executed in connection herewith;

(c) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default which is occasioned by Borrower's failure to pay money, whether under this Agreement or the Note, Commission may, but shall not be obligated to, make such payment. If such payment is made by Commission, Borrower shall deposit with Commission, upon written demand therefor, such sum plus interest at the Default Rate. In either case, the Event of Default with respect to which any such payment has been made by Commission shall not be deemed cured until such repayment (as the case may be) has been made by Borrower. Until repaid, such amounts shall have the security afforded disbursements under the Note;

(d) Subject to the nonrecourse provisions of Section 5 above, upon the occurrence of an Event of Default described in Section 15.1(d) or 15.1(e) hereof, Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the HOME Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of Commission and its counsel to protect the interests of Commission and to collect and receive any monies or other property in satisfaction of its claim.

15.3. No Remedy Exclusive.

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

15.4. Commission Default and Borrower Remedies.

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

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

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

16.0 AGREEMENT TO PAY ATTORNEYS' FEES AND EXPENSES.

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

17.0 RIGHT OF ACCESS AND INSPECTION.

Commission shall have the right at any time during normal business hours and from time to time to enter upon the Site for purposes of inspection. If Commission in its reasonable discretion determines that any work or materials are not in conformity with this Agreement, or any applicable Governmental Restrictions, Commission may at its election, after notice to and consultation with the Borrower and affording the Borrower thirty (30) days after such notice to cure the matter (provided, however, that if such matter cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter) and the Borrower fails to cure the matter, itself cure the matter. Inspection by Commission of the Project or the Site or any construction thereof is for the sole purpose of protecting Commission and is not to be construed as an acknowledgment, acceptance or representation by Commission or the County of Los Angeles that there has been compliance with any Plans approved pursuant to this Agreement, or any terms or provisions of this Agreement, or that the Project or the Site or any of the construction thereof is or will be free of faulty materials or workmanship.

18.0 CONFLICT OF INTEREST; NO INDIVIDUAL LIABILITY.

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

19.0 AMENDMENTS, CHANGES AND MODIFICATIONS.

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

20.0 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.

21.0 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 as follows:

If to Commission: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8584

With a copy to: Community Development Commission of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Director of Housing Development and Preservation
Fax No. (323) 890-8584

If to Borrower: Castiac Senior Communities , L. P.
369 San Miguel Dr. Ste 135
Newport Beach CA 92660
Attn: Jules Swimmer
Fax No. (949)721-0122

With a copy to: Pillsbury Winthrop LLP
50 Fremont Street
San Francisco, CA 94105
Attn: Gary Downs
Fax No. (415) 983-1200

Notices shall be effective upon receipt, if given by personal delivery, upon receipt if faxed, provided there is a 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), and one (1) day after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address to which notice shall be sent pursuant to this Agreement.

22.0 SEVERABILITY.

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

23.0 INTERPRETATION.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Agreement are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Agreement by Borrower. Each Party has been represented by counsel in the negotiation of this Agreement, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Agreement, nothing herein or in the Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of the Note shall be interpreted to require in each instance the lesser of (i) the amount stated in the Note; and (ii) the maximum applicable legal limit. Attached hereto for the convenience of the Parties as Exhibit "A" is a directory indicating the location of definitions for certain defined terms used in this Agreement. In the event of any conflict between the body of this Agreement and Exhibit "A", the body of this Agreement shall prevail and supersede.

24.0 NO WAIVER; CONSENTS.

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

25.0 APPLICABLE POLICIES.

A. Governing Law.

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

B. Compliance with Laws.

Borrower agrees to be bound by applicable federal, state, and local laws, regulations and directives as they pertain to the performance of the Agreement. This Agreement is subject to and incorporates the terms of the Housing and Community Development Act of 1974, as amended by the Cranston-Gonzales National Affordable Housing Act, 1990 and the Code of Federal Regulations (CFR) Part 85,

26.0 REPRESENTATIONS AND WARRANTIES OF BORROWER.

Borrower hereby warrants and represents to Commission that:

A. Organization and Standing.

Borrower is a legal entity as described in the Transaction Summary above, duly organized, qualified to operate in California and validly existing and in good standing in the State of California and has all requisite power and authority to enter into and perform its obligations under this Agreement, the Note, the 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 HOME 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 -are 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.

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

G. Default.

To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 15.

H. No Violations.

The execution and delivery of this Agreement, the Note, and all other documents executed or given hereunder, and the performances thereunder by Borrower, as applicable, will not constitute a breach of or default under any instrument or agreement

to which Borrower may be a party nor, to Borrower's current actual knowledge, will the same constitute a breach of or violate any law or governmental regulation.

27.0 APPROVALS.

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

Commission agrees to give Borrower written notice of its approval or disapproval following submission of items to Commission for approval, including, in the case of any disapproved item, the reasons for such disapproval.

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

28.0 GOOD FAITH AND FAIR DEALING.

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

29.0 ASSIGNMENT OF INTEREST IN THE SITE OR THE PROJECT.

29.1 Without the prior written approval of Commission, which approval Commission may withhold in its sole and absolute discretion, Borrower shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Site or the Project (excluding tenant leases pursuant to the terms hereof), (ii) permit the Transfer of greater than forty-nine (49) 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 HOME Loan Documents. Notwithstanding the foregoing, Commission hereby consents to the events described in the last paragraph of Section 14.0 hereof, if applicable, without Borrower obtaining any further consent from Commission. Borrower hereby agrees that any purported Transfer not approved by Commission as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Borrower under such a proscribed Transfer shall acquire any rights pursuant to this Agreement.

29.2 At any time Borrower desires to effect a Transfer hereunder, Borrower shall notify Commission in writing (the "Transfer Notice") and shall submit to Commission for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate

setting forth representations and warranties by Borrower and the proposed transferee to Commission sufficient to establish and insure that all requirements of this Section 29 have been and will be met. No Transfer Documents shall be approved by Commission unless they expressly provide for the assumption by the proposed transferee of all of Borrower's obligations under the HOME Loan Documents. The Transfer Notice shall include a request that Commission consent to the proposed Transfer. Commission agrees to make its decision on Borrower's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after Commission receives the last of the items required by this Section 29. In the event Commission consents to a proposed Transfer, then such Transfer shall not be effective unless and until Commission receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Borrower to Commission. Upon the effectiveness of any such Transfer, Borrower shall be released from its obligations under the HOME Loan Documents.

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

29.4 The provisions of this Section 29 shall apply to each successive Transfer and proposed transferee in the same manner as initially applicable to Borrower under the terms set forth herein.

30.0 ACCESS AND RETENTION OF RECORDS.

Contractor shall provide access to the Commission, the Federal Grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers and records of the Contractor which are directly pertinent to this Agreement for the purpose of making audits, examinations, excerpts and transcriptions.

The Contractor is required to retain the aforementioned records for a period of five years after the Commission pays the final payment and other pending matters are closed under this Agreement. Records described in section 9.2 concerning tenancies shall be retained for at least five (5) years after the due date (with extensions) for filing the federal income tax return for that year.

31.0 ENTIRE AGREEMENT.

This Agreement with Exhibits A-K constitutes the entire understanding and agreement of the parties.

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

COMMISSION:

**COMMUNITY DEVELOPMENT
COMMISSION OF THE COUNTY OF
LOS ANGELES,**

a Public Body Corporate and Politic

By: _____

Carlos Jackson, Executive Director

APPROVED AS TO FORM:

Lloyd W. Pellman, County Counsel

By: _____

Deputy

BORROWER:

**CASTAIC SENIOR COMMUNITIES,
L.P.,
a California limited partnership**

By: Community Housing Development
Group, Inc.,
a California corporation

Its: General Partner

By: _____

Jules Swimmer

Its: President

TABLE OF EXHIBITS

EXHIBIT "A"	DIRECTORY OF DEFINED TERMS
EXHIBIT "B"	SITE LEGAL DESCRIPTION
EXHIBIT "C"	PROMISSORY NOTE
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EXHIBIT "E"	CC&RS
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EXHIBIT "A" TO HOME LOAN AGREEMENT

DIRECTORY OF DEFINED TERMS

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

Affordable Housing Cost (Section 9.1)	Permitted Senior Encumbrances (Section 6.2(6))
Agreement (preamble)	Plans (6.2(9))
Annual Statement (Section 8.9)	Project (Recital A)
Assignment (Section 2.4)	Property (Section 5)
Borrower (preamble)	Refinancing (Section 2.4)
CC&Rs (Section 6.2(3))	Residual Receipts (Section 2.3)
Certificate of Occupancy (Section 6.2(9)(b))	Senior Financing (Recital B)
Claims (Section 8.4)	Site (Recital A)
Close of Escrow (Section 6.3)	Subordination Agreement (Section 6.2(7))
Closing Conditions (Section 6.2)	Term (Section 2.5)
Closing Deadline (Section 6.2)	Title Company (Section 6.2(6))
Commission (preamble)	Transfer (Section 29.1)
Construction Contract (Section 6.2(9))	Transfer Documents (Section 29.1)
Deed of Trust (Section 5)	Transfer Notice (Section 29.2)
Default Rate (Section 4)	Very-Low Income (Section 9.1)
Deferral Rate (Section 2.2)	
Escrow (Section 6.1)	
Escrow Holder (Section 6.1)	
Event of Default (Section 15.1)	
General Contractor (Section 6.2(9))	
Governmental Restrictions (Section 9.1)	
Gross Rents (Section 8.9)	
Hazardous Materials (Section 8.7)	
HOME Assisted Units (Section 9.1)	
HOME Loan (Recital A)	
HOME Loan Documents (Section 6.2(5))	
Junior Financing (Recital B)	
Management Contract (Section 9.3)	
Management Entity (Section 9.3)	
Manager (Section 9.3)	
Maturity Date (Section 2.3)	
Net Proceeds (Section 2.4)	
Net Refinancing Proceeds (Section 2.4)	
Note (Section 2.1)	
Operating Expenses (Section 8.9)	
Other Financing (Recital B)	
Parties (preamble)	
Party (preamble)	
Permanent Loan (Recital)	

EXHIBIT "B" TO HOME LOAN AGREEMENT

LEGAL DESCRIPTION OF THE SITE

THE LAND REFERRED TO IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF LOS ANGELES, AND IS DESCRIBED AS FOLLOWS:

Parcel 2 as shown on Parcel Map 18923, filed in Book 247 Pages 34 to 38 inclusive of Maps, in the office of the County Recorder of said county.

Except from that portion of said land described in deed referred to below, all minerals and hydrocarbons, without, however, the right of entry therefor above a depth of 500 feet below the surface of said described land, as reserved by Pacific Lighting Gas Supply Company, a California Public Utility Corporation, in deed recorded August 19, 1963 in Book D-2149 Page 753, Official Records, as Instrument No. 1175.

EXHIBIT "C" TO HOME LOAN AGREEMENT

HOME PROMISSORY NOTE

~~\$1,234,000~~ ~~1,400,000~~ _____
_____ ~~January~~ ~~November~~ , 2003~~2~~

For value received, the undersigned, **CASTAIC SENIOR COMMUNITIES, L.P.**, a California Limited Partnership ("Borrower") whose principal address is set forth hereinbelow, promises to pay to the order of the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Commission") at Two Coral Circle, Monterey Park, California 91755-7425 (or to such designee and/or at such other address as Commission may from time to time designate in writing), the principal sum of **ONE MILLION TWO FOUR HUNDRED THIRTY FOUR THOUSAND DOLLARS (\$1,234,000~~1,400,000~~)** (the "Loan"), or such amount as may be advanced hereunder, plus accrued and unpaid interest as provided hereinbelow, in accordance with the terms and conditions of that certain Loan Agreement dated as of January ~~May~~ 2003, entered into between Borrower and Commission (the "Loan Agreement"), and the terms and conditions of this HOME Promissory Note (this "Note"). As set forth in greater detail in the Loan Agreement, the purpose of the Loan is to provide Borrower with funds for use in connection with development of a housing project ("Project") on a site more particularly described in the Loan Agreement ("Site").

1. Interest.

1.1 Basic Interest.—, ~~T~~the disbursed and unpaid principal balance of the Loan shall bear interest commencing on the date on which the Loan proceeds are first disbursed for the account of Borrower, and ending on the date paid, at the rate of three (3) percent (3%) per annum, simple interest. Interest shall be computed on the basis of actual number of days elapsed and a 360-day year. From and after Completion of the Project, the loan shall bear interest at the rate of ~~3-~~ **three** (3) percent (3%) per annum, simple interest ("Deferral Rate").

1.2 Payment Dates and Amounts. Except as otherwise provided in this Note, Borrower shall repay the ~~HOME~~ Loan with accrued interest in arrears in annual installments on **March** ~~April~~ 15th of each calendar

year for the previous calendar year, commencing on ~~April~~ ~~March~~ 15, 2002~~2004~~. Absent prepayment or acceleration, each of the annual payments due ~~March~~ ~~April~~ 15, 2003-~~2004~~ through and including ~~March~~ ~~April~~ 15, 2034~~2032~~ ("Maturity Date") shall be made out of Residual Receipts (as defined in the Note) from immediately preceding calendar year. The amount of each such annual payment to Commission, shall equal fifty percent (50%) of all Residual Receipts for such year. Residual Receipts shall be calculated and reported (as defined in the Note) to Commission annually for each calendar year no later than ~~March~~ ~~April~~ 15th of the following calendar year on forms specified and provided by Commission from time to time. All calculations and records are subject to audit by Commission. Notwithstanding any other provision of the Note or of this Agreement, unless due sooner, the entire outstanding principal balance of the HOME Loan together with any outstanding interest and any other sums payable under the Note shall be due and payable in full on the Maturity Date.

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

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

1.5 Definition of Residual Receipts.

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

1.5.2 With the exception of the "Excluded Items" (as defined below), "Gross Rents" shall mean, with respect to each calendar year or portion thereof, all gross income, rentals, and revenues, payment and consideration, of whatever form or nature, whether direct or indirect, received by or paid to or for the account or benefit of Borrower or any "Affiliate" (as defined below) of Borrower or any of their agents or employees, from any and all sources, resulting from or attributable to the ownership, operation, leasing and occupancy of the Project, determined on the basis of generally accepted accounting principles applied on a consistent basis, and shall include, but not be limited to: (i) gross rentals paid by occupancy tenants of the Project under occupancy leases and payments and subsidies of whatever nature, including without limitation any payments, vouchers or subsidies from the United States Department of Housing and Urban Development (HUD) or any other person or organization, received on behalf of tenants under occupancy leases, (ii) amounts paid to Borrower or any Affiliate of Borrower on account of "Operating Expenses" (as defined herein), for further disbursement by Borrower or such Affiliate to a third party or parties, (iii) late charges and interest paid on rentals, (iv) rents and receipts from licenses, concessions, vending machines, coin laundry and similar sources; (v) other fees, charges or payments not denominated as rental but payable to Borrower in connection with the rental of office, retail, storage, or other space in the Project; and (vi) consideration received in whole or in part for the cancellation, modification, extension or renewal of occupancy leases. The term "Affiliate" shall mean any person or entity directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Borrower which, if Borrower is a partnership or limited liability company, shall include each of the constituent members or partners, respectively, thereof. The term "control" as used in this immediately preceding sentence, means, with respect to a person that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the voting rights attributable to the shares of the controlled corporation, and, with respect to a person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled person. Notwithstanding the foregoing, Gross Rents shall not include the following items ("Excluded Items"): (aa) security deposits from tenants (except when applied by Borrower to rent or other amounts owing by tenants); (bb) capital contributions to Borrower by its members, partners or shareholders; (cc) condemnation or insurance proceeds constituting "Net Proceeds" as defined in Section 1.6 below; (dd) funds received from any source (including but not limited to the Senior Financing and any Junior Financing or Other Financing) actually and directly used for acquisition and/or initial

development of the Project; or (ee) receipt by an affiliate of management fees or other bona fide arms-length payments for reasonable and necessary operating expenses associated with the Project.

1.5.3 "Operating Expenses" shall mean, with respect to each calendar year or portion thereof, the sum of the following expenses to the extent reasonably paid by Borrower during such period: (i) non-elective payments made with respect to the Senior Financing; (ii) all taxes and assessments imposed upon the Project and required to be paid by Borrower but only to the extent such taxes and assessments are paid by Borrower during such calendar year; (iii) all amounts paid by Borrower on account of insurance premiums for insurance carried in connection with the Project, provided that if insurance on the Project is maintained as part of a blanket policy covering the Project and other properties, the insurance premium included in this definition shall be the portion of the premium fairly allocable to the Project for the period; (iv) ownership and operating costs incurred by Borrower for the management, operation, cleaning, leasing, marketing, maintenance and repair of the Project (including without limitation, property management fees, and administrative fees), properly chargeable against income according to generally accepted accounting principles, including without limitation wages, payroll and accounting costs, utility and heating charges, material costs, maintenance costs, costs of services, water and sewer charges, travel expenses allocable to the Project, and license fees and business taxes; provided, that the amount included as property management fees, and administrative fees in Operating Expenses shall each not exceed \$35 per unit per month, to be increased annually for inflation as noted in the CPI printed in the Wall Street Journal of September 15th for such period, all or a portion of each of which may be paid to Borrower and/or an Affiliate of Borrower; (v) Eligible Reserves as defined in Section 1.5.5 (-vi), a deferred developer fee payable to Borrower its affiliates, successors and assigns of up to ~~up to~~ **at least** \$ **474,800**

(a) Partnership Asset Management fees not exceeding the amount of \$10,000 (which shall only be paid on the basis of supporting documentation reasonably acceptable to Commission) may be paid after all operating expenses and debt service, but prior to residual receipts.

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

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

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

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

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

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

1.5.5 Reserves.

(a) Definitions.

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

(ii) "Replacement Reserves" shall mean reserves funded out of Residual Receipts (as provided for in Section 1.5.3(v)) or Loan advances (as provided for in Section 1.5.5(e)) and actually set aside for:

- (A) taxes and assessments, as described in Section 1.5.3 (ii);
- (B) insurance premiums, as described in Section 1.5.3(iii);
- (C) replacement of roofing, furniture, fixtures, equipment and other capital expenditures not more than the greater of (I) Two Hundred (\$200) per unit per year, or (II) subject to the Operating Reserve Cap (as defined in Section 1.5.5), such higher amount per unit as may be required by a tax creditor investor or holder of Senior Financing;
- (D) operation of the Project as may, for reasons other than those described in Subpart (a) (ii) (C) of this Section 1.5.5, be required in connection with Senior Financing or by an investor limited partner;
- (E) any other purpose which itself constitutes an Operating Expense.

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

(i) Commission has approved a written request ("Reserve Request") **which approval shall not be withheld unreasonably**, submitted to Commission by Borrower that identifies:

- (A) the specific expenditure(s) sought to reserve for;
- (B) the reason why it is necessary to provide a reserve for the expenditure(s); and
- (C) each particular period which shall in no event be for more than eighteen (18) months from the date Commission approves the Reserve Request (the "Reserve Period"), during which the funds sought to be reserved are to be expended;

(ii) The Operating Reserves are segregated in a special account ("Reserve Account") established with a financial institution or other duly licensed escrow agent mutually acceptable to the Parties ("Escrow Agent"); and

(c) Operating Reserves Cap. The Operating Reserve together with operating reserves of any kind established from time to time from any Project funding source other than the Loan, shall not, in the aggregate, exceed ~~\$400,000~~ **150,000** at any time (as such amount may be adjusted from time to time by the mutual agreement of the Parties) ("Operating Reserve Cap").

(d) Release of Eligible Operating Reserves. Eligible Operating Reserves shall not be released to Borrower out of the Reserve Account unless and until:

- (i) The Borrower has submitted to Commission:
 - (A) a written disbursement request ("Disbursement Request") seeking the release of funds out of the Reserve Account for the particular expenditure(s) and with respect to the Reserve Period designated in the applicable Reserve Request previously approved by Commission;

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

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

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

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

~~Notwithstanding the foregoing or anything to the contrary otherwise contained herein, Borrower shall have no obligation to pay to Commission any proceeds received as a result of the withdrawal of Sun America, Inc. as general partner of Borrower pursuant to Article 8 of Borrower's Limited Partnership Agreement dated _____.~~

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

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

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

"Net Proceeds" of an Assignment shall mean (1) the proceeds received, directly or indirectly, by Borrower or an affiliate or constituent member or partner, or majority shareholder, of Borrower as a result of such Assignment, including, without limitation, cash, the amount of any monetary lien or encumbrance assumed

or taken subject to by the assignee, the fair market value of any non-cash consideration, including the present value of any promissory note received as part of the proceeds of such Assignment (such present value to be determined based upon a discount rate reasonably satisfactory to Commission), the entire condemnation award or compensation payable to Borrower or any Affiliate or constituent member or partner, or majority shareholder, of Borrower in connection with a condemnation or taking in eminent domain of any part of the Site or the Project or any interest therein, all insurance proceeds or awards payable to Borrower or any Affiliate or constituent member or partner or majority shareholder of Borrower in connection with any damage to or destruction of the Site or the Project or any part thereof; less (2) the sum of (i) the actual, documented and reasonable expenses of effecting such Assignment, including reasonable brokerage commissions, title insurance premiums, documentary transfer taxes, and reasonable attorneys' fees, in each case actually paid in connection with the Assignment (provided that no deduction shall be allowed for payments to an Affiliate of the person or entity making the Assignment which are in excess of the amount that would be paid for the same or equivalent services in an arms' length transaction between unrelated parties acting reasonably), and (ii) the amount of any proceeds of the Assignment paid (excluding voluntary payments) towards the then-outstanding balance of the Senior Financing. Notwithstanding anything above which is or appears to be to the contrary, the permissible deductions for purposes of calculating the Net Proceeds of an Assignment shall not include any foreign, U.S., state or local income taxes, franchise taxes, or other taxes based on income.

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

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

With the written approval of Commission's Board of Supervisors, Commission may, in its sole discretion, waive or reduce its percentage share of Net Proceeds of an Assignment or Net Refinancing Proceeds under this Section 1.6, if it determines on a case-by-case basis that to do so is necessary to further the goals and purposes of Commission's HOME Fund program.

2. Acceleration.

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

3. Prepayment; Application of Payments.

At any time after the disbursement of the Loan proceeds, Borrower may prepay all or a portion of the unpaid principal amount of the Loan and accrued interest and any other sums outstanding without penalty. All payments, including any prepayments or funds received upon acceleration pursuant to Section 2 above, shall be applied first toward any outstanding costs of collection or other amounts (excluding Loan principal or interest thereon) due under this Note or the Loan Agreement, then toward outstanding interest accrued at the Default Rate, if any, then toward outstanding interest accrued at the Deferral Rate, if any, then toward any deferred principal, and finally toward the remaining principal balance under the Note.

4. Security and Source of Payment.

Borrower's obligations under this Note and the Loan Agreement shall, at all times during which any amount remains outstanding, be secured by the deed of trust ("Deed of Trust") of even date herewith, and of which Commission is the beneficiary, recorded against Borrower's fee interest in the Site and the Project (collectively, the "Property"). The security interest in the Property granted to Commission pursuant to the Deed of Trust shall be subordinate only to the Senior Financing and such exceptions to title shown in the title report for the Property which are approved in writing by Commission. Except to the extent any Event of Default hereunder results directly or indirectly from any fraud or intentional and material misrepresentation by Borrower in connection with this Note, the Loan Agreement or the Loan, the Loan is a nonrecourse obligation of Borrower and, in the event of the occurrence of an Event of Default, Commission's only recourse under the Deed of Trust shall be against the Property, the proceeds thereof, the rents and other income arising from its use and occupancy as provided in the Deed of Trust, and any other collateral given to Commission as security for repayment of the Loan, such that neither Borrower nor any partner of Borrower shall have personal liability for repayment of the Loan.

5. Obligation of Borrower Unconditional.

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

6. Purpose of Loan.

The Loan proceeds shall be used by Borrower only to pay eligible development costs (including predevelopment costs) of the Project and such other uses previously approved in writing by Commission. In no event shall Borrower use or otherwise invest the proceeds of the Loan except as expressly provided in this Note.

7. Covenants of Borrower.

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

7.1 Compliance with Loan Agreement and Deed of Trust. Borrower shall comply with all of its obligations under the Loan Agreement and the Deed of Trust. Any amounts payable by Borrower under the Loan Agreement or the Deed of Trust (other than amounts also payable hereunder) shall be deemed added to the principal amount of the Loan payable hereunder.

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

8. Assignment of this Note.

This Note shall be assignable by Borrower only if Borrower obtains the prior express written consent of Commission, which consent may be withheld by Commission in its sole discretion. Notwithstanding anything which may be or appear to be herein to the contrary, no purported assignment of this Note and the Loan shall be effective if such assignment would violate the terms, conditions and restrictions of any Governmental Restrictions. Commission's consent to such assignment shall be expressly conditioned upon (i) the assignee's execution of such documents as required by Commission including, without limitation, any and all documents deemed necessary by Commission to provide for said assignee's assumption of all of the obligations of Borrower hereunder and under the Loan Documents, and (ii) Commission's approval of the financial and credit worthiness of such proposed assignee.

9. Events of Default and Remedies.

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

(1) The failure of Borrower to pay or perform any monetary covenant or obligation hereunder or under the terms of the Deed of Trust or the Loan Agreement, without curing such failure within ten (10) days after receipt of written notice of such default from Commission (or from any party authorized by Commission to deliver such notice as identified by Commission in writing to Borrower). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Borrower to timely repay the Loan at the Maturity Date of this Note;

(2) The failure of Borrower to perform any non-monetary covenant or obligation hereunder or under the Deed of Trust or the Loan Agreement, without curing such failure within thirty (30) days after receipt of written notice of such default from Commission (or from any party authorized by Commission to deliver such notice as identified by Commission in writing to Borrower) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Borrower commences the cure within said 30-day period and diligently prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 9(A)(3) through 9(A)(7) below;

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

(4) Borrower or any constituent member or partner, or majority shareholder, of Borrower shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

(5) If without the application, approval or consent of Borrower, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Borrower or any constituent member or partner or majority shareholder of Borrower, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Borrower or of all or any substantial part of Borrower's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Borrower, in good faith, the same shall (a) result in the entry of an order for relief or any such

adjudication or appointment, or (b) continue undismissed, or pending and unstayed, for any period of ninety (90) consecutive days;

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

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

(8) Borrower shall be in default under the terms of the CC&Rs, Senior Financing, Junior Financing, Other Financing, the Supportive Services Agreement (if applicable under Section 7 of the Loan Agreement) or any other secured or unsecured obligation relating to the Project, unless the default is cured within the cure period, if any, applicable thereto under the terms of the obligation which is in default.

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

(1) By notice to Borrower, except in the case of a default by Borrower under Section 9(A)(3) or Section 9(A)(4) in which event no notice shall be required, 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 expressly waived. Upon such declaration, outstanding principal and (to the extent permitted by law) interest and any other sums outstanding in connection with the Loan shall thereafter bear interest at the Default Rate, payable from the date of such declaration until paid in full;

(2) Subject to the nonrecourse provisions of Section 4 above, take any and all actions and do any and all things which are allowed, permitted or provided by law, in equity or by statute, in the sole discretion of Commission, to collect the amounts then due and thereafter to become due hereunder, to exercise its rights under the Deed of Trust, and to enforce performance and observance of any obligation, agreement or covenant of the Borrower under this Note or under any other document executed in connection herewith;

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

(4) Subject to the nonrecourse provisions of Section 4 above, upon the occurrence of an Event of Default described in Section 9(A)(4) or 9(A)(5) hereof, Commission shall be entitled and empowered by intervention in such proceedings or otherwise to file and prove a claim for the whole amount owing and unpaid on the Loan and, in the case of commencement of any judicial proceedings, to file such proof of claim and other papers or documents as may be necessary or advisable in the judgment of Commission and its counsel to protect the interests of Commission and to collect and receive any monies or other property in satisfaction of its claim.

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

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

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

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

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

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

10. Agreement to Pay Attorneys' Fees and Expenses.

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

11. Conflict of Interest; No Individual Liability.

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

12. Amendments, Changes and Modifications.

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

13. Notices.

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

If to Commission: Community Development Commission
Of the County of Los Angeles
Two Coral Circle
Monterey Park, California 91755-7425
Attn: Executive Director
Fax No. (323) 890-8584

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

If to Borrower: Castaic Senior Communities L.P.
369 San Miguel Dr. #135
Newport Beach, CA 92660
_____ Attn: Jules Swimmer
Fax No. (949) 721-6776

With a copy to: **Pillsbury Winthrop LLP** _____
50 Fremont Street
San Francisco CA 94105
Attn: Gary Downs _____
Fax No. (415) 983-1200

Notices shall be effective upon receipt, if given by personal delivery, **upon written receipt if faxed, provided there is a written confirmation of receipt (except that if received after 5 p.m., notice shall be 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) and one (1) day** after deposit with the delivery service, if delivered by overnight guaranteed delivery service. Each party shall promptly notify the other party of any change(s) of address **or fax** to which notice shall be sent pursuant to this Note.

14. Severability.

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

15. Interpretation.

Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the paragraphs of this Note are for convenience only and do not define or limit any terms or provisions. Time is of the essence in the performance of this Note by Borrower. Each Party has been represented by counsel in the negotiation of this Note, and it shall not be interpreted in favor of or against any Party on account of relative responsibilities in drafting. Notwithstanding any other provision of this Note, nothing herein or in this Note shall be deemed to require Borrower to pay interest in the amount of any applicable usury law or other legal limitation on interest, and the terms hereof and of this Note shall be interpreted to require in each instance the lesser of (i) the amount stated in this Note; and (ii) the maximum applicable legal limit. Defined terms not otherwise defined herein shall have the meaning assigned to them by the Loan Agreement.

16. No Waiver; Consents.

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

17. A. Governing Law.

This Note shall be governed by the laws of the State of California. ~~B. Termination for Improper Consideration.~~

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

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

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

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

~~f. Noncompliance with HUD's regulations in 24 CFR Part 135 may result in sanctions, termination of this Agreement for default, and debarment or suspension from future HUD assisted contracts.~~

~~g. With respect to work performed in connection with Section 3 covered Indian housing assistance, Section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this Agreement. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii)~~

~~preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian owned economic enterprises. Parties to this Agreement that are subject to the provisions of Section 3 and Section 7(b) agree to comply with Section 3 to the maximum extent feasible, but not in derogation of compliance with Section 7(b).~~

18. Representations and Warranties of Borrower.

Borrower hereby warrants and represents to Commission that:

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

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

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

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

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

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

G. **Default.** To Borrower's current actual knowledge, there are no facts now in existence which would, with the giving of notice or the lapse of time, or both, constitute an "Event of Default" hereunder, as described in Section 9.

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

19. Approvals.

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

Any review or approval of any matter by Commission or any Commission official or employee under this Note shall be solely for the benefit of Commission, and neither Borrower nor any other person shall rely upon such review or

approval as an indication of the wisdom, soundness, safety, appropriateness, or presence or absence of any matter. Without limiting the generality of the foregoing, Borrower and not Commission shall be solely responsible for assuring compliance with laws, the suitability of the Site for the Project, the adequacy of the plans, and the safety of the Project construction site, the completed Project, and the operation thereof.

20. Good Faith and Fair Dealing.

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

21. Waiver.

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

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

BORROWER:

CASTAIC SENIOR COMMUNITIES, L. P.,
a California Limited Partnership

By: Community Housing Development Group, Inc.,
a California corporation

Its: General Partner

By: _____
Jules Swimmer, President

OFFICIAL BUSINESS

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

Recording Requested by and
When Recorded Mail To:

Above Space For Recorder's Use Only

EXHIBIT "D" TO HOME LOAN AGREEMENT
**DEED OF TRUST, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING**

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made as of _____, 2003, by and between Castaic Senior Communities, L. P., a California Limited Partnership ("Trustor") whose address is 369 San Miguel Dr., #135, Newport Beach CA 92660, _____ ("Trustee") and the COMMUNITY DEVELOPMENT COMMISSION OF THE COUNTY OF LOS ANGELES, a public body corporate and politic ("Beneficiary").

RECITALS

A. Beneficiary is making a loan to Trustor in the original principal amount of ONE MILLION **TWO HUNDRED FOUR THIRTY FOUR** - HUNDRED THOUSAND Dollars (\$1,**234**400,000) (the "Loan") pursuant to that certain Loan Agreement (the "Loan Agreement") entered into by Trustor and Beneficiary and dated as of **January** _____ 2003. The Loan is evidenced by a promissory note of even date herewith executed by Trustor (the "Note") in the principal amount of the Loan.

B. Trustor intends to use the Loan proceeds for the purpose of providing permanent financing for the housing development described in the Loan Agreement (the "Project"). The Project is developed on a site legally described on Attachment "1" to this Deed of Trust (the "Property").

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

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

(B) All present and future structures, buildings, improvements, appurtenances and fixtures of any kind on the Property, including but not limited to all apparatus, attached equipment and appliances used in connection with the operation or occupancy of the

Property, such as heating and air-conditioning systems and facilities used to provide any utility services, ventilation, vehicular cleaning, storage or other services on the Property, and all signage, carpeting and floor coverings, partitions, generators, screens, awnings, boilers, furnaces, pipes, plumbing, vacuum systems, brushes, blowers, cleaning, call and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, and gas and electric machinery and equipment, it being intended and agreed that all such items will be conclusively considered to be a part of the Property conveyed by this Deed of Trust, whether or not attached or affixed to the Property.

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

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

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

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

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

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

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

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

THIS DEED OF TRUST IS FOR THE PURPOSE OF SECURING:

- | | |
|-----|---|
| (1) | performance of each agreement of Trustor herein contained or incorporated herein by reference, including, without limitation, the covenants, conditions and restrictions contained in the CC&Rs recorded against the Property in favor of the Commission; |
| (2) | payment of the indebtedness (including, without limitation, interest thereon) evidenced by the Note, and any extension or renewal or modification thereof; |
| (3) | performance of each agreement of Trustor contained in the Loan Agreement, or any of the "Loan Documents" (as defined therein), and any extension, renewal or modification of such Loan Agreement and Loan Documents; |

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

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

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

3. **Insurance.** To provide, maintain at its expense and deliver to Beneficiary at all times until payment in full of all obligations secured hereby, insurance as required by the Loan Agreement or the Note.

In the event of any loss or damage, Trustor shall give immediate notice thereof to Beneficiary, and Beneficiary may thereupon make proof of such loss or damage, if the same is not promptly made by Trustor. Trustor and Beneficiary hereby agree to cooperate in making any adjustment and compromise of any loss covered by the aforementioned insurance policies upon the property, and Trustor authorizes and empowers Beneficiary, at its option, to collect and receive the proceeds, and endorse checks and drafts issued therefor. Beneficiary agrees that in the event of any loss covered by insurance policies on the Property subject to this Deed of Trust, provided there is no material default in the observance or performance of any of the covenants and agreements contained herein or in the Note or any future notes secured hereby, or in any other agreement with or for the benefit of the Beneficiary in connection with any indebtedness secured hereby, the proceeds of such insurance shall be used for the repair or restoration of the Property and will be disbursed in accordance with such protective terms and conditions as Beneficiary may impose.

Any and all unexpired insurance shall inure to the benefit of and pass to the purchaser of the Property at any foreclosure sale, or any Trustee's sale held pursuant hereto.

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

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

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

6. **Condemnation.** That all judgments, awards of damages and settlements, hereafter made as a result of or in lieu of any condemnation or other proceedings for public use of, or for any damage to, the Property or the improvements thereon, are hereby assigned to Beneficiary. If (i) Trustor is not in material default hereunder, and (ii) the taking is a partial taking, all proceeds thereof shall be applied to restoring the Property, if practicable, as reasonably determined by Beneficiary. In the event (i) Trustor is in material default hereunder, (ii) the taking is a total taking, or (iii) the taking is a partial taking and Beneficiary has reasonably determined that restoration of the Property is not practicable, the proceeds shall be paid to Beneficiary to the extent of those monies due and owing under the Note, this Deed of Trust, future notes or future deeds of trust, and Beneficiary is hereby authorized to receive such monies. Trustor agrees to execute such further assignments of

any such award, judgment or settlement which may be received by Trustor. Subject to any prior rights of creditors under the Senior Financing (as defined in the Loan Agreement), Beneficiary may apply any and all such sums to the indebtedness secured hereby in such manner as it elects or, at its option, the entire amount so received by it or any part thereof may be released. Neither the application nor the release of any such sums shall cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

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

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

9. Default and Trustee's Sale. That upon the occurrence of an "Event of Default" under this Deed of Trust (as defined in Section 18 below) Beneficiary may declare all principal remaining unpaid, all interest then earned and remaining unpaid, and all sums other than principal or interest secured hereby, immediately due and payable (and thenceforth at the option of the Beneficiary and except as otherwise prohibited by law, the entire balance of the unpaid principal shall bear interest at a rate of zero percent (0%) per annum (simple interest) as set forth in the Note until paid) and may proceed to exercise the power of sale granted by this Deed of Trust by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said Property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed of Trust, the Note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell the Property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding

postponement. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: first, all sums expended by the Beneficiary under the terms hereof or under the Note, not then repaid, with accrued interest at the rate of zero percent (0%) per annum (simple interest); second, all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

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

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

12. **Evidence of Title.** That if, because of any default hereunder, or because of the filing or contemplated filing of any legal proceedings affecting the Property, Beneficiary deems it necessary to obtain an additional evidence of title or to cure any defect in title, Beneficiary may procure such evidence or cure such defect, pay the cost thereof, and shall have an immediate claim against Trustor therefor, together with a lien upon the Property for the amount so paid, with interest at the rate of zero percent (0%) per annum (simple interest). Beneficiary is further authorized to require an appraisal of the Property at any time that Beneficiary may reasonably request.

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

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

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

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

17. Reserved

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

a. The failure of Trustor to pay or perform any monetary covenant or obligation hereunder or under the terms of the Note, the Loan Agreement or any other documents executed in connection therewith, without curing such failure within ten (10) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor). Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to a failure by Trustor to timely repay the Loan at the Maturity Date of the Note;

b. The failure of Trustor to perform any non-monetary covenant or obligation hereunder or under the terms of the Loan Agreement, the Note or any other documents executed in connection therewith, without curing such failure within thirty (30) days after receipt of written notice of such default from Beneficiary (or from any party authorized by Beneficiary to deliver such notice as identified by Beneficiary in writing to Trustor) specifying the nature of the event or deficiency giving rise to the default and the action required to cure such deficiency. Provided, however, that if any default with respect to a non-monetary obligation is such that it cannot be cured within a 30-day period, it shall be deemed cured if Trustor commences the cure within said 30-day period and diligently

prosecutes such cure to completion thereafter. Notwithstanding anything herein to the contrary, the herein described notice requirements and cure periods shall not apply to any Event of Default described in Sections 18(c) through 18(g) below;

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

d. Trustor or any constituent member or partner, or majority shareholder, of Trustor shall (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of its property, (b) fail to pay or admit in writing its inability to pay its debts generally as they become due, (c) make a general assignment for the benefit of creditors, (d) be adjudicated a bankrupt or insolvent or (e) commence a voluntary case under the Federal bankruptcy laws of the United States of America or file a voluntary petition that is not withdrawn within ten (10) days of the filing thereof or answer seeking an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against it in any bankruptcy or insolvency proceeding;

e. If without the application, approval or consent of Trustor, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, in respect of Trustor or any constituent member or partner, or majority shareholder, of Trustor, for an order for relief or an adjudication in bankruptcy, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of Trustor or of all or any substantial part of Trustor's assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by Trustor, in good faith, the same shall (a) result in the entry of an order for relief or any such adjudication or appointment, or (b) continue undismitted, or pending and unstayed, for any period of ninety (90) consecutive days;

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

g. Trustor shall be in default under the CC&Rs, the Senior Financing, any Junior Financing or Other Financing (as all these terms are defined in the Loan Agreement), 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; or

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

19. Acceleration. The entire principal and all accrued and unpaid interest on the Note shall be due and payable as therein set forth; provided, however, that the entire balance of the outstanding principal and all accrued and unpaid interest on the Note, together with any outstanding interest and other amounts payable thereunder, shall, at the election of Beneficiary and upon notice to Trustor thereof, become immediately due and payable upon any Event of Default as set forth in the Note, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Trustor.

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

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

acknowledges and agrees that thirty (30) days' notice as to the time, place and date of any proposed sale of any personal property shall be deemed reasonable for all purposes. Trustor agrees that the Security Agreement created hereby shall survive the termination or reconveyance of this Deed of Trust unless Beneficiary executes documentation expressly terminating the Security Agreement.

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

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

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

the application thereon of any of the proceeds hereof, and that each and all of the covenants, agreements, and provisions hereof shall bind the respective heirs, executors, administrators, successors, and assigns of Trustor and Beneficiary herein, and all others who subsequently acquire any right, title, or interest in the Property, or to this Deed of Trust and the indebtedness secured hereby.

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

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

26. Books and Records. That Trustor and all subsequent owners of the Property, if any, shall keep and maintain full and correct books and records showing in detail the earnings and expenses of the Property and shall permit Beneficiary or its representatives to examine such books and records and all supporting data and vouchers, from time to time at reasonable times, on request, at Trustor's offices or at another mutually agreed upon location.

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

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

29. Assignment of Rents. All of the existing and future rents, royalties, income, and profits of the Property that arise from its use or occupancy are hereby absolutely and presently assigned to Beneficiary. However, until Trustor is in default under this Deed of Trust, Trustor will have a license to collect and receive those rents, royalties, income and profits. Upon any Event of Default by Trustor, Beneficiary may terminate Trustor's license in its discretion, at any time, without notice to Trustor, and may thereafter collect the rents,

royalties, income and profits itself or by an agent or receiver. No action taken by Beneficiary to collect any rents, royalties, income or profits will make Beneficiary a "mortgagee-in-possession" of the Property, unless Beneficiary personally or by agent enters into actual possession of the Property. Possession by a court-appointed receiver will not be considered possession by Beneficiary. All rents, royalties, income and profits collected by Beneficiary or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Property, and then to the payment of the indebtedness and obligations secured by the Deed of Trust in whatever order Beneficiary directs in its absolute discretion and without regard to the adequacy of its security. If required by Beneficiary, each lease or occupancy agreement affecting any of the Property must provide, in a manner approved by Beneficiary, that the tenant will recognize as its lessor any person succeeding to the interest of Trustor upon any foreclosure of this Deed of Trust. The expenses (including receivers' fees, if any, compensation to any agent appointed by Beneficiary, counsel fees, costs and compensation to any agent appointed by Beneficiary, and disbursements) incurred in taking possession and making such collection, shall be deemed a portion of the expense of this trust. The entering upon and taking possession of the Property, and/or the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Beneficiary may exercise any one or more of the remedies in this section without waiving its right to exercise any such remedies again or for the first time in the future. The foregoing shall be subject to the provisions of applicable law.

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

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

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

33. **Assignment of Interest.** Without the prior written approval of the Beneficiary, which approval the Beneficiary may withhold in its sole and absolute discretion, Trustor shall not (i) sell, encumber, assign or otherwise transfer (collectively, "Transfer") all or any portion of its interest in the Property or the Project, (ii) permit the Transfer of greater than 49% of its ownership and/or control, in the aggregate,

taking all transfers into account on a cumulative basis, or (iii) Transfer any of its rights or obligations under the Loan Documents. Trustor hereby agrees that any purported Transfer not approved by the Beneficiary as required herein shall be ipso facto null and void, and no voluntary or involuntary successor to any interest of Trustor under such a proscribed Transfer shall acquire any rights pursuant to the Loan Agreement or this Deed of Trust.

At any time Trustor desires to effect a Transfer hereunder, Trustor shall notify the Beneficiary in writing (the "Transfer Notice") and shall submit to the Beneficiary for its prior written approval (i) all proposed agreements and documents (collectively, the "Transfer Documents") memorializing, facilitating, evidencing and/or relating to the circumstances surrounding such proposed Transfer, and (ii) a certificate setting forth representations and warranties by Trustor and the proposed transferee to the Beneficiary sufficient to establish and insure that all requirements of this Section 33 have been and will be met. No Transfer Documents shall be approved by the Beneficiary unless they expressly provide for the assumption by the proposed transferee of all of Trustor's obligations under the Loan Documents. The Transfer Notice shall include a request that the Beneficiary consent to the proposed Transfer and shall also include a request that Trustor be released from further obligations under the Loan Documents. The Beneficiary agrees to make its decision on Trustor's request for consent to such Transfer, as promptly as possible, and, in any event, not later than thirty (30) days after the Beneficiary receives the last of the items required by this Section 33. In the event the Beneficiary consents to a proposed Transfer, then such Transfer shall not be effective unless and until the Beneficiary receives copies of all executed and binding Transfer Documents which Transfer Documents shall conform with the proposed Transfer Documents originally submitted by Trustor to the Beneficiary. Upon the effectiveness of any such Transfer, Trustor shall be released from obligations arising thereafter under the Loan Documents.

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

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

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

TRUSTOR:

CASTAIC SENIOR COMMUNITIES,
L.P.,
a California limited partnership

By: ~~Community Housing
Development Group, Inc., a California
corporation~~

Its: General Partner

By:

Jules Swimmer
Its: President

BENEFICIARY:

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

By:

Carlos Jackson, Executive
Director

APPROVED AS TO FORM:

Lloyd W. Pellman, County Counsel

By:

Deputy

STATE OF CALIFORNIA)
) ss.

COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary
Public, personally appeared

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

WITNESS my hand and official seal.

Signature

STATE OF CALIFORNIA)
) ss.

COUNTY OF LOS ANGELES)

On _____ before me, _____, Notary
Public, personally appeared

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

WITNESS my hand and official seal.

Signature

ATTACHMENT 1

Legal Description of Property

THE LAND REFERRED TO IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF LOS ANGELES, AND IS DESCRIBED AS FOLLOWS:

Parcel 2 as shown on Parcel Map 18923, filed in Book 247 Pages 34 to 38 inclusive of Maps, in the office of the County Recorder of said county.

Except from that portion of said land described in deed referred to below, all minerals and hydrocarbons, without, however, the right of entry therefor above a depth of 500 feet below the surface of said described land, as reserved by Pacific Lighting Gas Supply Company, a California Public Utility Corporation, in deed recorded August 19, 1963 in Book D-2149 Page 753, Official Records, as Instrument No. 1175.

EXHIBIT "F" OF THE LOAN DOCUMENT

PROJECT DESCRIPTION

Castaic Lake Senior Apartments will consist of 150 units with a centrally located clubhouse. It will include 8 buildings containing a total of 16 one-bedroom units of approximately 525 sq. ft. and 134 two-bedroom units of approximately 720 sq. ft. All apartments will feature a fully equipped kitchen with range, refrigerator, and sink disposal, wall-to-wall carpeting, window treatments, central air conditioning & heating and individual electric meters.

The buildings will feature stucco exterior finish and sloped cement tile roofs. The wood-framed, slab on grade construction consists of buildings with back-to-back unit layout or a double hung central hallway design to maximize construction and operational efficiencies. The development will include perimeter walls and fencing, carports and surface parking. Surface parking for residents and guests will exceed County requirements for senior developments by 40 parking stalls. Forty-six of the parking stalls will be covered parking. The areas between the structures will consist of varied landscaping with paved walkways connecting the individual buildings and recreation center.

Five buildings will be designed as garden style 2 story walkups, two buildings will be 3 story, center hallway design with an elevator and common area laundry, trash chutes, lobby, central mail area and storage room. The eighth building will be a 2-story structure, which will consist of a 2nd story manager's unit above a ground floor recreation/service area. The amenities in this centrally located building will consist of a swimming pool, laundry facilities, mail room, community room with a serving kitchen, rental office and managers office.

EXHIBIT "G" OF THE LOAN DOCUMENT

SITE PLANS & ELEVATIONS

EXHIBIT "H" OF THE LOAN DOCUMENT

DEVELOPMENT PRO FORMA

EXHIBIT "J" OF THE LOAN DOCUMENT

BORROWER'S LOBBYIST CERTIFICATIONS

**FEDERAL LOBBYIST REQUIREMENTS
CERTIFICATION**

Name of Firm: _____

Address: _____
State: _____ Zip Code: _____ Telephone Number: (_____)

Acting on behalf of the above named firm, as its Authorized Official, I make the following Certification to the U. S. Department of Housing and Urban Development and the Community Development Commission, County of Los Angeles.

- 1) No Federal appropriated funds have been paid by or on behalf of the above named firm to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of and Federal grant, loan or cooperative agreement, and any extension, continuation, renewal, amendment, or modification thereof, and;

- 2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee or any agency, a Member of Congress an officer or employee of Congress or an employee of a Member of Congress in connection with this Federal contract, grant loan, or cooperative agreement, the above named firm shall complete and submit Standard Form-LLL, A Disclosure Form to Report Lobbying, in accordance with its instructions, and;

- 3) The above name firm shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreement) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into the transaction imposed by Section 1352 Title 31, U. S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

AUTHORIZED OFFICIAL

By: _____
(Borrower)

(Signature)

(Date) (Title)

COUNTY LOBBYIST CODE CHAPTER 2.160
County Ordinance No. 93-0031
CERTIFICATION

Name of Firm: _____

Address:

State: _____ Zip Code: _____ Telephone Number: () _____

Acting on behalf of the above named firm, as its Authorized Official, I make the following Certification to the County of Los Angeles and the Community Development Commission, County of Los Angeles.

It is understood that each person/entity/firm who applies for a Community Development Commission contract, and as part of that process, shall certify that they are familiar with the requirements of the Los Angeles County Code, Chapter 2.160 (Los Angeles County Ordinance 93-0031) and;

That all persons/entities/firms acting on behalf of the above named firm have and will comply with the County Code, and;

That any person/entity/firm who seeks a contract with the Community Development Commission shall be disqualified therefrom and denied the contract and, shall be liable in civil action, if any lobbyist, lobbying firm, lobbyist employer or any other person or entity acting on behalf of the named firm fails to comply with the provisions of the County Code.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into contract with the Los Angeles County and the Community Development Commission, County of Los Angeles.

AUTHORIZED OFFICIAL

By: _____

(Borrower)

(Signature)

(Date)

(Title)

EXHIBIT "K" OF THE LOAN DOCUMENT

ENVIRONMENTAL SPECIAL CONDITIONS

Title: Castaic Senior Housing
Project No. HMD001

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

- | |
|--|
| <p>1. In order to ensure an acceptable interior noise environment at the proposed apartment complex (45 dBA or less), the following shall be included in project design:</p> <ul style="list-style-type: none">a. <u>Air conditioning or a mechanical ventilation system shall be provided so windows and doors may remain closed.</u>b. <u>Windows and sliding glass doors facing Castaic Road and Interstate 5 shall be double-paned glass and shall be mounted in low air infiltration rate frames (0.5 cfm or less, per ANSI specifications).</u>c. <u>Exterior doors facing Castaic Road shall be solid-core with perimeter weather stripping and threshold seals.</u>d. <u>Roof or attic vents facing Castaic Road shall be baffled.</u>e. <u>Double walls or functional equivalent shall be used for exterior walls facing Castaic Road.</u>f. <u>Glass area in windows facing Castaic Road shall not exceed 20% of the total floor area in a room</u> |
|--|
- ~~2. No archaeological resources are known to be on the project site. However, in the event that archaeological resources are unearthed during project construction, all earth disturbing work within the vicinity of the find must be temporarily suspended or redirected until a qualified archaeologist has evaluated the nature and significance of the find. If human remains are unearthed, State Health and Safety Code Section 7050.5 requires that no further disturbance shall occur until the County Coroner has made the necessary findings as to origin and disposition pursuant to Public Resources Code Section 5097.98. If the remains are determined to be of Native American descent, the County Coroner will have 24 hours to notify the Native American Heritage Commission.~~
3. Because of ongoing concerns about available landfill capacity, project design shall incorporate space for separate bins for waste and recyclable materials.
4. Because of ongoing concerns about regional water supplies, the facility shall be fitted with water conserving features, including, but not limited to, low flow faucets and toilets. Any proposed landscaped areas shall be designed with drought tolerant species minimizing to 50% areas dedicated to turf grass. Planter beds shall be heavily mulched in accordance with water-conserving landscape design practice. Irrigation of planting beds shall be accomplished with drip systems.
5. The Phase I Environmental Site Assessment prepared for the site by Block Environmental, dated July 17, 2002, indicates the presence of small quantities of fill dirt from unknown

sources dumped on the site. It is not known if this soil contains contaminants of concern. Because of the small volume of fill dirt present, it is not considered a significant issue. However, if discolored soils or unusual odors are encountered during site development, activity shall be suspended in the impacted area and appropriate soil sampling shall be undertaken.

6. Minor changes to the mitigation measures required as a condition of funding approval are permitted, but can only be made with the approval of the Executive Director of the Community Development Commission of the County of Los Angeles. Any modifications must continue to satisfy the requirements of NEPA and CEQA, as determined by the County.

EXHIBIT "L" OF THE LOAN DOCUMENT

COUNTY REQUIREMENTS

The Borrower agrees to comply with the following County requirements:

1. Termination for Improper Consideration

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

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

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

2. Confidentiality of Reports

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

3. Commission's Quality Assurance Plan

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

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

<p>Borrower acknowledges that the County of Los Angeles, hereinafter referred to as "County", has established a goal of ensuring that all individuals who benefit financially from County through contract, are in compliance with their court-ordered child, family and spousal support obligations in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.</p>
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As required by County's Child Support Compliance Program (County Code Chapter 2.200) and without limiting Borrower's duty under this Agreement to comply with all applicable provisions of law, Borrower warrants that it is now in compliance and shall during the term of this Agreement maintain compliance with employment and wage reporting requirements as required by the Federal Social Security Act (42 USC Section 653a) and California Unemployment Insurance Code Section 1088.5, and shall implement all lawfully served Wage and Earnings Withholding Orders or District Attorney Notices of Wage and Earnings Assignment for Child or Spousal Support, pursuant to Code of Civil Procedure Section 706.031 and Family Code Section 5246(b).

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

Failure of Borrower to maintain compliance with the requirements set forth in Paragraph 5, "Borrower's Warranty of Adherence to County's Child Support Compliance Program" shall constitute a default by Borrower under this Agreement. Without limiting the rights and remedies available to County under any other provision of this Agreement, failure to cure such default within ninety (90) days of notice by the Los Angeles County District Attorney shall be grounds upon which Commission Board of Commissioners may terminate this Agreement.

6. Post Most Wanted Delinquent Parents List

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

7. 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 Commission and the Borrower.

8. 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.

9. 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:

10. 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.

11. 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.

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

Borrower shall comply with the Act 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 handicapped individual.

13. 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 or national origin. The Borrower will take affirmative action to ensure that applicants are employed, and that employees are treated fairly during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Borrower agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the non-discrimination clause.

The Borrower will, in all solicitations or advertisements for employees placed by or on behalf of the Borrower, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

The Borrower will send to each labor union or representative of workers with which he has a collective bargaining Agreement or other contract or understanding, a notice to be provided by the agency of the Borrower's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment. The Borrower will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.

The Borrower will furnish all information and reports required by the Executive Order and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by Commission and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

In the event of Borrower's noncompliance with the non-discrimination clauses of this Agreement or with any of such rules, regulations or orders, this Agreement may be canceled, terminated or suspended in whole or in part and the Borrower may be declared ineligible for further Government contracts in accordance with procedures authorized in the Executive Orders and such other sanctions may be imposed and remedies invoked as provided in the Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.

The Borrower will include the provisions of these paragraphs in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of the Executive Order No. 11246 of September 24, 1965, that such provisions will be binding upon each subcontractor or vendor. The Borrower will take such actions with respect to any subcontract or purchase order as Commission may direct as a means of enforcing such provisions including sanctions for noncompliance, provided however, that in the event the Borrower becomes involved in, or is threatened with litigation by a subcontractor or vendor as a result of such direction by Commission, the Borrower may request the United States to enter into such litigation to protect the interests of the United States.

14. Lobbyist Ordinance

Borrower and each County Lobbyist or County lobbyist firm, as defined in Los Angeles County Code Chapter 2.160 (County Ordinance 93-0031), retained by the Borrower, shall fully comply with the requirements as set forth in said County Code. The Borrower must also certify in writing on the

County Lobbyist Certification form that they are familiar with the Los Angeles County Code Chapter 2.160 and that all persons acting on behalf of the Borrower will comply with the County Code.

Failure on the part of the Borrower and or Lobbyist to fully comply with the County Lobbyist requirements shall constitute a material breach of this Agreement upon which Commission may immediately terminate this Agreement and the Borrower may be subject to civil liability pursuant to Los Angeles County Code Chapter 2.160 (County Ordinance 93-0031).

Borrower is prohibited by the Department of Interior and Related Agencies Appropriations Act, known as the Byrd Amendments, and HUD's 24 CFR Part 87, from using federally appropriated funds for the purpose of influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, loan or cooperative Agreement, and any extension, continuation, renewal, amendment or modification of said documents.

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

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

15. 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.

16. Use of Recycled-Content Paper Products

Consistent with the Board of Supervisors' policy to reduce the amount of solid waste deposited at the County landfills, the Borrower agrees to use recycled-content paper to the maximum extent possible on the Project.

17. Borrower Responsibility and Debarment

- A. A responsible Borrower is a Borrower who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity and experience to satisfactorily perform the contract. It is the policy of the County, the Community, and Housing Authority of the County of Los Angeles (HACOLA) to conduct business only with responsible Borrowers.
- B. The Borrower is hereby notified that, in accordance with Chapter 2.202 of the County Code, if the County, which, as defined under Section 2.202.020, includes the Commission and HACOLA, acquires information concerning the performance of the Borrower on this or other contracts which indicates that the Borrower is not responsible, the County may, in addition to other remedies provided in the contract, debar the Borrower from bidding on County, Commission or 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 the County, the Commission or HACOLA.
- C. Commission may debar a Borrower if the Board of Commissioners finds, in its discretion, that the Borrower has done any of the following: (1) violated any term of a contract with the County, the Commission or HACOLA, (2) committed any act or omission which negatively reflects on the Borrower's quality, fitness or capacity to perform a contract with the County, the Commission or HACOLA or any other public entity, or engaged in a pattern or practice which negatively reflects on same, (3) committed an act or offense which indicates a lack of business integrity or business honesty, or (4) made or submitted a false claim against the County, the Commission or HACOLA or any other public entity.
- D. If there is evidence that the Borrower may be subject to debarment, Commission will notify the Borrower in writing of the evidence which is the basis for the proposed debarment and will advise the Borrower of the scheduled date for a debarment hearing before the Contractor Hearing Board.
- E. The Contractor Hearing Board will conduct a hearing where evidence on the proposed debarment is presented. The Borrower and/or the Borrower's representative shall be given an opportunity to submit evidence at that hearing. After the hearing, the Contractor Hearing Board shall prepare a proposed decision, which shall contain a recommendation regarding whether the Borrower should be debarred, and, if so, the appropriate length of time of the debarment. If the Borrower fails to avail itself of the opportunity to

submit evidence to the Contractor Hearing Board, the Borrower may be deemed to have waived all rights of appeal.

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

F. These terms shall also apply to subcontractors of County, Commission or HACOLA Borrowers.

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

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

B. The parties to this Agreement agree to comply with HUD's regulations in 24 CFR Part 135, which implement Section 3. As evidenced by their execution of this Agreement, the parties to this Agreement certify that they are under no contractual or other impediment that would prevent them from complying with the Part 135 regulations.

C. The Borrower agrees to send to each labor organization or representative of workers with which the Borrower has a collective bargaining Agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the Borrower's commitments under this Section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the Section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

- D. The Borrower agrees to include this Section 3 clause in every subcontract subject to compliance with regulations in 24 CFR Part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this Section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR Part 135. The Borrower will not subcontract with any subcontractor where the Borrower has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.
- E. The Borrower will certify that any vacant employment positions, including training positions, that are filled (1) after the Borrower is selected but before the Agreement is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the Borrower's obligations under 24 CFR Part 135.

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

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

19. Barriers For the Disabled

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

20. 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.