

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

| | | | | |
|----------|---|-------|-----------------------|----------------|
| To: | Matthew Fertal | From: | Susan Emery | |
| Dept: | City Manager | Dept: | Community Development | |
| Subject: | PUBLIC HEARING ON AN AMENDMENT TO THE NEIGHBORHOOD STABILIZATION PROGRAM; AND CONSIDERATION OF AN AFFORDABLE HOUSING AGREEMENT WITH PROBLEM PROPERTY RESOLUTION TEAM, LLC | | Date: | April 13, 2010 |

OBJECTIVE

To request that the City Council conduct a Public Hearing regarding an amendment to the allowable activities for the Neighborhood Stabilization Program (NSP) and approve an Affordable Housing Agreement (AHA) with Problem Property Resolution Team, LLC, to carry out the new NSP activity.

BACKGROUND

On December 22, 2009, the California Department of Housing and Community Development (HCD) gave final approval to our Neighborhood Stabilization Program (NSP) application and awarded the City of Garden Grove (lead agency) and the City of Westminster (participant) a grant in the amount of \$1,521,464. HCD approved the grant funds to be used to create a homebuyer program by providing soft-second loans for the purchase of foreclosed homes and residential properties in Garden Grove and Westminster to qualified homebuyers whose household income is at or below 120% of Area Median Income. The housing market has changed over the last year and the amount of inventory that was available to make the program a success has practically vanished.

To date, we have expended \$69,338 in NSP funds and have committed an additional \$40,000 for a soft-second loan that is currently being processed. There is an HCD imposed deadline to have 75% (\$1,084,423.25) of the funds committed by March 31, 2010. We have been notified by HCD that they will recapture any portion of the required 75% of funds that have not been obligated if we do not meet their deadline or submit a request for an amendment to our existing agreement that would allow us to expand our program and commit funds more quickly.

DISCUSSION

Subject to any revisions that result from this public hearing, staff proposes to submit an amendment to our existing NSP agreement requesting HCD to expand

PUBLIC HEARING ON AN AMENDMENT
TO THE NEIGHBORHOOD STABILIZATION
PROGRAM

April 13, 2010

Page 2

our program and allow us to acquire and rehabilitate foreclosed properties that will subsequently be sold to eligible homebuyers. This amendment will allow us to commit our funds more quickly and meet HCD imposed deadlines. HCD has agreed to consider extending our deadline if we submit a viable plan that would result in 100% commitment by June 30, 2010.

The City intends to contract with Problem Property Resolution Team, LLC (PPRT) to acquire and rehabilitate foreclosed properties in NSP target areas and sell the properties to income eligible homebuyers. PPRT will acquire foreclosed properties from banks and other financial institutions through a program administered by the National Community Stabilization Trust ("NCST"), an organization that works with state and local governments and financial and lending institutions to facilitate the transfer of foreclosed and abandoned properties from financial institutions nationwide to local housing organizations to promote productive property reuse and neighborhood stability. PPRT will be able to access foreclosed properties before they are listed for sale through traditional mechanisms and immediately after the completion of the foreclosure process at a discounted purchase.

All other previously approved guidelines will stay the same.

FINANCIAL IMPACTS

A rejection of an amendment to NSP activities will result in HCD recapturing up to \$1,084,423.25 of our grant funds.

RECOMMENDATION

It is recommended that the City Council:

- Conduct a public hearing and accept public comments regarding an amendment to our NSP activities;
- Adopt the amended attached resolution authorizing the new acquisition and rehabilitation activity under the Neighborhood Stabilization Program;
- Approve the Affordable Housing Agreement between the City and Problem Property Resolution Team, LLC.



SUSAN EMERY
Community Development Director



By: Monica Covarrubias
Administrative Analyst

Approved for Agenda Listing



Matthew Feral
City Manager

Attachment 1: Resolution
Attachment 2: Affordable Housing Agreement

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, AUTHORIZING AN AMENDMENT TO THE NEIGHBORHOOD STABILIZATION PROGRAM ACTIVITIES FUNDED THROUGH THE CALIFORNIA STATE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT; THE EXECUTION OF AN AMENDED STANDARD AGREEMENT AND ANY AMENDMENTS THERETO; AND ANY RELATED DOCUMENT NECESSARY TO PARTICIPATE IN THE NEIGHBORHOOD STABILIZATION PROGRAM.

WHEREAS, the City of Garden Grove (City), a California municipal corporation, wishes to add a project activity to the Neighborhood Stabilization Program (NSP) amending and therefore superceding Resolution No. 8893-09; and

WHEREAS, the City determined that federal Citizen Participation requirements were met during the development of the NSP application; and the NSP program was approved by the City Council of the City of Garden Grove to provide financing mechanisms such as soft-seconds for low- and moderate-income homebuyers for the purchase of foreclosed homes and residential properties in approved targeted census tracts with a HUD foreclosure abandonment risk score of six (6) or above, which demonstrate a substantial quantity of foreclosed properties; and

WHEREAS, the City has an NSP agreement with the California State Department of Housing and Community Development (HCD) which includes the City of Westminster as a Participant; and

WHEREAS, the agreement allocates One Million, Five Hundred Twenty One Thousand, Four Hundred and Sixty-Four dollars (\$1,521,464), of which One Million, One Hundred Eighty Thousand, Eight Hundred Twenty-Three dollars (\$1,180,823) is awarded to the City as the Lead Agency and Three Hundred Forty Thousand, Six Hundred Forty-One dollars (\$340,641) is allocated to the Participant as a participating jurisdiction; and

WHEREAS, the City is not required to commit any cash match or leverage; however, the City will report on any private or other funds used to leverage activities; if any additional NSP funding become available at a later date, the City is authorized to apply for, and/or accept funding, up to One Million, Five Hundred Twenty One Thousand, Four Hundred and Sixty-Four dollars (\$1,521,464). Any additional NSP funding will be used in accordance with funding requirements established by the State of California Neighborhood Stabilization Program; and

WHEREAS, the use of NSP funds is to fulfill the following national objective:

Housing Activities: NSP funding will provide and improve permanent residential structures that will be occupied by a household whose income is at or below 120% of area median income (LMMH); and

WHEREAS, the City, as the lead agency, has the responsibility to HCD for executing the grant agreement, handling grant funds (including Program Income), all financial accounting and reporting, drafting Memorandum of Understandings, executing subrecipient agreements (if applicable), complying with all state and federal regulations (including environmental compliance), procuring consultant services and/or contractors, reporting to HCD, monitoring, and completing grant closeout and audits; and

WHEREAS, the City Council of the City of Garden Grove authorized the City Manager to execute in the name of the City of Garden Grove, the application, the Standard Grant Agreement, and all other documents required by HCD for participating in the NSP, and any amendments thereto with the State of California for the purpose of this grant; and

WHEREAS, the Project Manager is authorized to sign Funds Requests and other required reporting forms.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The City Council has reviewed and hereby approves the amendment to the current NSP program, for the following activity:

Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties in approved targeted census tracts with a HUD foreclosure abandonment risk score of six (6) or above.

**NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABLE HOUSING AGREEMENT**

by and among

**CITY OF GARDEN GROVE,
a California municipal corporation,**

**CITY OF WESTMINSTER,
a California municipal corporation,**

**CIVIC CENTER HOME LOANS AND REALTY, INC.,
a California corporation,**

and

**PROBLEM PROPERTY RESOLUTION TEAM, LLC,
a California limited liability company**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| 1. DEFINITIONS..... | 2 |
| 2. SELECTION AND ACQUISITION OF HOMES..... | 8 |
| 2.1 Selection of Homes..... | 8 |
| 2.2 Approval by City Party..... | 8 |
| 2.2.1 Initial Approval..... | 8 |
| 2.2.2 Preliminary Approval..... | 9 |
| 2.2.3 Final Approval..... | 9 |
| 2.3 Allowable Acquisition Price; Appraisal..... | 10 |
| 2.4 Acquisition Purchase Agreement..... | 11 |
| 2.4.1 Timing to Enter into Acquisition Purchase Agreement..... | 11 |
| 2.4.2 Conditions in Acquisition Purchase Agreement..... | 11 |
| 2.4.3 Compliance with Acquisition Purchase Agreement..... | 11 |
| 2.4.4 Good Faith Deposit..... | 12 |
| 2.5 Compliance with URA; Relocation..... | 13 |
| 2.5.1 Indemnification of City Parties for Costs and Liabilities re Relocation..... | 13 |
| 2.6 Purchase Expenses..... | 13 |
| 2.7 Acquisition Closing Date..... | 13 |
| 2.8 Environmental Review..... | 14 |
| 2.9 Addendum..... | 14 |
| 2.10 Conduct During Holding Period..... | 14 |
| 3. REHABILITATION PROJECTS..... | 14 |
| 3.1 Scope of Work; City Rehabilitation Guidelines..... | 14 |
| 3.2 Development Approvals and Permits..... | 15 |
| 3.3 Contractors; Construction Agreement..... | 15 |
| 3.4 Schedule of Performance..... | 15 |
| 3.4.1 Commencement and Completion..... | 15 |
| 3.4.2 Force Majeure..... | 16 |
| 3.5 Compliance with Laws and Regulations and NSP Requirements..... | 16 |
| 3.6 Right of Access..... | 16 |
| 3.7 City Rehabilitation Guidelines..... | 17 |
| 3.8 Pre-construction Meeting..... | 17 |
| 3.9 Right to Take Over Work..... | 17 |
| 4. FINANCING THE ACQUISITION AND REHABILITATION OF HOMES..... | 17 |
| 4.1 NSP Loan for each Home..... | 17 |
| 4.2 Use of NSP Loan; Project Expenses..... | 18 |
| 4.3 NSP Loan Funding Conditions..... | 18 |
| 4.4 Execution and Delivery of NSP Loan Documents..... | 20 |
| 4.5 Truth in Lending Statement..... | 20 |
| 4.6 Disbursement of NSP Loan for Project Expenses..... | 20 |
| 4.6.1 Purchase Expenses..... | 20 |
| 4.6.2 Other Project Expenses..... | 20 |
| 4.7 Repayment of NSP Loan..... | 21 |
| 4.8 NSP Loan Secured by Deed of Trust..... | 22 |
| 4.9 Return of NSP Loan Proceeds..... | 22 |
| 4.10 Other Financing..... | 22 |

TABLE OF CONTENTS

(continued)

| | <u>Page</u> |
|--|-------------|
| 4.10.1 Participant’s Efforts to Obtain Other Financing | 22 |
| 4.10.2 Approval of Other Financing Loan..... | 22 |
| 4.10.3 Participant’s Evidence of Financial Capability | 23 |
| 4.10.4 Right of City to Cure Mortgage or Deed of Trust Default | 23 |
| 4.10.5 Subordination..... | 24 |
| 5. PARTICIPANT’S SALE OF HOMES TO ELIGIBLE HOMEBUYERS..... | 24 |
| 5.1 Market Homes..... | 24 |
| 5.2 Eligible Homebuyers..... | 24 |
| 5.3 City’s Verification of Eligible Homebuyer Status | 25 |
| 5.3.1 Evidence of Lawful Residency in United States | 25 |
| 5.4 Priority | 25 |
| 5.5 Resale Price..... | 25 |
| 5.5.1 Permitted Resale Price..... | 25 |
| 5.5.2 Reduction of Resale Price..... | 26 |
| 5.6 Homebuyer Outside Resale Date; Repayment of NSP Loan | 26 |
| 5.7 Down Payment..... | 26 |
| 5.8 Financing to be Obtained by Eligible Homebuyer; Loan Documents. | 26 |
| 5.8.1 City Homebuyer Loan | 26 |
| 5.8.2 First Trust Deed Financing | 27 |
| 5.9 Homebuyer Purchase Agreement..... | 27 |
| 5.10 Conditions to Sale | 27 |
| 5.11 Coordination with City..... | 27 |
| 5.12 Homebuyer Counseling and Other services..... | 27 |
| 5.13 Right of City Party to Acquire Home | 27 |
| 6. HOME PROJECT BUDGET; REIMBURSEMENT OF PROJECT EXPENSES. | 28 |
| 6.1 Home Project Budget | 28 |
| 6.2 Project Expenses Defined | 28 |
| 6.3 Reimbursement of Project Expenses..... | 29 |
| 6.3.1 Payment of Project Expenses for Homes that Participant Acquires..... | 29 |
| 6.3.2 Payment of Project Expenses for Homes that Participant does not Acquire | 29 |
| 6.4 Participant Responsible for Expenses that Exceed Budget..... | 30 |
| 7. RESERVED..... | 30 |
| 8. GENERAL PROVISIONS RELATING TO PARTICIPANT SERVICES..... | 30 |
| 8.1 Standard of Performance..... | 30 |
| 8.2 Prohibition Against Assignment and Transfer..... | 30 |
| 8.3 Permits | 30 |
| 8.4 Compliance with Laws..... | 30 |
| 8.5 Independent Contractor..... | 30 |
| 9. RECORDS AND REPORTS..... | 31 |
| 9.1 Records..... | 31 |
| 9.1.1 Records to be Maintained | 31 |
| 9.1.2 Retention..... | 31 |
| 9.1.3 Location of Records..... | 31 |
| 9.1.4 Access to Records..... | 31 |

TABLE OF CONTENTS

(continued)

| | <u>Page</u> |
|--|-------------|
| 9.1.5 Audits..... | 32 |
| 9.2 Reports..... | 32 |
| 9.2.1 Quarterly Reports | 32 |
| 9.2.2 Other Reports..... | 32 |
| 10. INSURANCE AND INDEMNITY..... | 33 |
| 10.1 Insurance | 33 |
| 10.2 Indemnification | 33 |
| 11. RESERVED..... | 33 |
| 12. PROGRAM INCOME..... | 33 |
| 13. DEFAULTS AND REMEDIES..... | 33 |
| 13.1 Defaults | 33 |
| 13.2 Remedies..... | 34 |
| 13.3 Inaction Not a Waiver of Default..... | 34 |
| 13.4 Rights and Remedies are Cumulative | 35 |
| 13.5 No Cross Defaults | 35 |
| 13.6 Joint and Several Obligations..... | 35 |
| 14. TERM; TERMINATION..... | 35 |
| 15. ENVIRONMENTAL CLEARANCE..... | 36 |
| 16. GENERAL PROVISIONS..... | 36 |
| 16.1 Notices | 36 |
| 16.2 Nonliability of City Officials and Employees..... | 36 |
| 16.3 Contract Administration..... | 36 |
| 16.4 Time of the Essence | 36 |
| 16.5 Entire Agreement, Waivers and Amendments..... | 36 |
| 16.6 Applicable Law; Venue..... | 37 |
| 16.7 No Discrimination..... | 37 |
| 16.8 Litigation Expenses..... | 37 |
| 16.9 Severability | 37 |
| 16.10 Monitoring | 37 |
| 16.11 Condition to Release of Funds | 37 |
| 16.12 Binding on Heirs | 37 |
| 16.13 Covenants Run with the Land | 37 |
| 16.14 Further Assurances..... | 38 |
| 16.15 Execution in Counterparts..... | 38 |
| 16.16 Exhibits | 38 |

TABLE OF EXHIBITS

| | |
|-----------|--|
| Exhibit A | Additional Legal Requirements |
| Exhibit B | City Rehabilitation Guidelines |
| Exhibit C | Insurance Requirements |
| Exhibit D | Truth in Lending Statement |
| Exhibit E | Promissory Note Secured by Deed of Trust |
| Exhibit F | Deed of Trust |
| Exhibit G | Memorandum |
| Exhibit H | Seller's Occupancy Certification Under the Protecting Tenants at Foreclosure Act |

NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABLE HOUSING AGREEMENT

This **NEIGHBORHOOD STABILIZATION PROGRAM AFFORDABLE HOUSING AGREEMENT** (“Agreement”), dated as of April 13, 2010, is entered into by and among the **CITY OF GARDEN GROVE**, a California municipal corporation (“Garden Grove”), the **CITY OF WESTMINSTER**, a California municipal corporation (“Westminster”), **CIVIC CENTER HOME LOANS AND REALTY, INC.**, a California corporation (“Civic Center Participant”), and **PROBLEM PROPERTY RESOLUTION TEAM, LLC**, a California limited liability company (“Problem Property Participant”). Garden Grove and Westminster are collectively referred to herein as the “City Parties” and individually as a “City Party.” Civic Center Participant and Problem Property Participant are at times collectively referred to herein as the “Participant.”

RECITALS

A. Pursuant to the Housing and Economic Recovery Act of 2008 (“HERA”), Garden Grove and Westminster applied for and received an allocation of funds in the collective amount of One Million Five Hundred Twenty-One Thousand Four Hundred Sixty-Four Dollars (\$1,521,464) (“NSP Funds”). The NSP Funds were provided under the Neighborhood Stabilization Program at Title III of Division B of the HERA (“NSP”). The purposes of the NSP are to provide emergency assistance for the redevelopment of Abandoned and Foreclosed homes and residential properties for the benefit of persons and families whose household income does not exceed 120% of the Orange County median income adjusted for family size (“Middle Income Households”) and thereby stabilize neighborhoods impacted by such properties, and provide long-term affordability, and increase sustainability and attractiveness of housing and neighborhoods. Funds received through the NSP may be used to carry out five eligible uses, including financing mechanisms for Foreclosed homes and residential properties; acquisitions and rehabilitations to sell, rent or redevelop Abandoned or Foreclosed homes and residential properties; establishment of land banks for Foreclosed homes; demolition of blighted structures; and redevelopment of demolished or vacant properties.

B. The City Parties entered into that certain Memorandum of Understanding Neighborhood Stabilization Program Participation dated February 25, 2009 (“MOU”), pursuant to which Garden Grove was designated as the lead agency of the City Parties in the administration of the NSP Funds. Of the \$1,521,464 of NSP Funds allocated to the City Parties, \$1,180,823 was allocated to Garden Grove for use in connection with Homes in Garden Grove’s NSP Target Area and \$340,641 was allocated to Westminster for use in connection with Homes in Westminster’s NSP Target Area. Westminster has transferred its entire allocation of NSP Funds to Garden Grove and the parties acknowledge and agree that Garden Grove will administer this NSP Program and Agreement on behalf of both Garden Grove and Westminster. Garden Grove shall be entitled to use the NSP Funds designated for payment of Westminster’s administration costs to pay Garden Grove’s administration costs in connection with the purchase, rehabilitation, and resale of one or more Homes in Westminster.

C. The City Parties desire to use the NSP Funds for the acquisition and rehabilitation of homes that have been Abandoned or Foreclosed upon and for loans to eligible Middle Income Households who will purchase the homes after the completion of the rehabilitation.

D. The City Parties desire to contract with a third party to acquire and rehabilitate the homes in NSP Target Areas and sell the homes to eligible Middle Income Households. The City Parties have selected Participant as the party that will perform these services. The City Parties will provide loans to Participant of NSP Funds for the costs to acquire and rehabilitate the homes, on the terms and conditions set forth herein. City Parties and Participant anticipate that Participant will acquire Foreclosed Homes from banks and other financial institutions through a program administered by the National Community Stabilization Trust (“NCST”), an organization that works with state and local governments and financial and lending institutions to facilitate the transfer of Foreclosed and Abandoned properties from financial institutions nationwide to local housing organizations to promote productive property reuse and neighborhood stability (see NCST website at: <http://stabilizationtrust.com/index.php?q=frontpage>).

E. Civic Center Participant and Problem Property Participant shall work together to perform the duties of Participant hereunder. The parties generally anticipate that Problem Property Participant shall perform the responsibilities of Participant hereunder relating to the acquisition and rehabilitation of Homes and that Civic Center Participant shall administer the Homebuyer Loans and, if selected by an Eligible Homebuyer, shall act as real estate and/or mortgage broker on behalf of such Eligible Homebuyer; however, Problem Property Participant and Civic Center Participant shall each be responsible for ensuring full, complete, and timely performance of all duties and responsibilities of Participant hereunder and shall be jointly and severally liable as Participant hereunder.

F. The foregoing Recitals are true and correct and constitute a substantive part of this Agreement.

A G R E E M E N T

Based upon the foregoing Recitals and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by all parties, Garden Grove, Westminster, and Participant hereby agree as follows:

1. DEFINITIONS.

The following terms as used in this Agreement shall have the meanings given below unless expressly provided to the contrary:

“Abandoned” shall refer to a Home that satisfies all of the following requirements: (i) mortgage or tax foreclosure proceedings have been initiated for the property, and (ii) no mortgage or tax payments have been made by the property owner for at least 90 days, and (iii) the property has been vacant for at least 90 days and remains vacant.

“Acquisition Close of Escrow” or “Acquisition Closing” shall mean, as to each Home, the consummation of the transactions contemplated by this Agreement to occur through the Acquisition Escrow, including Participant’s acquisition of such Home.

“Acquisition Closing Date” shall mean, as to each Home, the date the deed conveying fee title to the Home to Participant is recorded in the Official Records of Orange County, California, which shall be on or before the Acquisition Outside Closing Date for such Home.

“Acquisition Escrow” shall mean, as to each Home, the escrow to be opened with a third party escrow company approved by the City Party for Participant’s acquisition of such Home.

“Acquisition Purchase Agreement” shall mean each of the purchase agreements to be entered into by Participant and the owner of a Home for Participant’s acquisition of the Home. The Acquisition Purchase Agreements shall be in such form as approved by the City Parties.

“Acquisition Outside Closing Date” shall mean, as to each Home, the outside date for the Acquisition Close of Escrow for the Home. The Acquisition Outside Closing Date that is approved by the City Party for a Home as part of the Final Loan Package for the Home pursuant to Section 2.2.3 of this Agreement shall be the “Acquisition Outside Closing Date” for that Home and it shall not be more than sixty (60) days after the execution of the Acquisition Purchase Agreement unless agreed to in writing by the City Party in its sole discretion. The Acquisition Outside Closing Date may be extended by mutual agreement of the City Party and Participant, in which event, all references to the term “Acquisition Outside Closing Date” shall be deemed to refer to the extended date.

“Affordable Housing Cost” shall mean the purchase price that would result in an Eligible Homebuyer obtaining a Primary Loan in an amount and on such terms as are consistent with the NSP Homebuyer Program Guidelines, including the requirement that the Eligible Homebuyer’s total monthly debt payments, including payments for first mortgage principal and interest in the Primary Loan, property taxes, and homeowner’s insurance, car payments, credit card debt, and other fixed monthly expenses not exceed forty-five percent (45%) of the Eligible Homebuyer’s gross monthly income. The Affordable Housing Cost for a Home may not exceed the single family mortgage limit prescribed by Section 203(b) of the National Housing Act, 12 U.S.C. § 1701, *et seq.*, as set forth in 24 CFR 92.254(a).

“Agreement” shall mean this Neighborhood Stabilization Program Affordable Housing Agreement among Garden Grove, Westminster, and Participant, including all exhibits and other documents attached hereto.

“Allowable Acquisition Price” shall mean the maximum allowable purchase price that Participant may pay for a Home, as more fully explained in Section 2.3 of this Agreement.

“Appraisal” shall have the meaning set forth in Section 2.3 of this Agreement.

“City Deed of Trust” shall mean, as to each NSP Loan, the Deed of Trust that secures Participant’s payment obligations under the City Note for that NSP Loan, substantially in the form attached hereto as Exhibit ”F.” A separate City Deed of Trust shall be executed for each NSP Loan.

“City Note” shall mean, as to each NSP Loan, the Promissory Note Secured by Deed of Trust setting forth the terms for Participant’s repayment of the NSP loan, substantially in the form attached hereto as Exhibit ”E.” A separate City Note shall be executed for each NSP Loan.

“City Party” shall individually refer to Garden Grove or Westminster, and “City Parties” shall collectively refer to Garden Grove and Westminster. All references to the term “City Party,” as they relate to a particular Home or NSP Loan, shall be deemed to refer to the City Party with responsibility hereunder for taking action or with authority for making a decision or determination, as

applicable; provided, the parties acknowledge and agree that Garden Grove will generally administer this Agreement and the NSP Program on behalf of Westminster.

“City Rehabilitation Guidelines” shall mean the NSP Single-Family Rehabilitation Program Policies and Procedures and all attachments thereto, substantially in the form attached hereto as Exhibit “B”, as may be amended by each Contract Officer. An amendment to the City Rehabilitation Guidelines made by a City Party shall be binding only as between Participant and that City Party and shall not apply to the other City Party unless and until the other City Party adopts the amendment in its sole discretion.

“Civic Center Participant” shall mean Civic Center Home Loans and Realty, Inc., a California corporation.

“Construction Agreement” shall mean, as to each Rehabilitation Project, the written agreement between Participant and a Contractor for the construction of the Rehabilitation Project, in such form as approved by the City Party. Participant shall cause to be included in the Construction Agreement all provisions required under this Agreement, any applicable law, including the applicable NSP Requirements, and any other requirements of the City Party. The City Party does not by its approval of a Construction Agreement assume any liability in connection with the Construction Agreement, nor does the City Party’s approval relieve Participant of its responsibility to ensure that all provisions required by law and this Agreement are included in the Construction Agreement.

“Contract Officer” shall mean the City Manager of a City Party or such person designated by the City Manager to administer this Agreement on behalf of the City Party.

“Contractor” shall mean, as to each Rehabilitation Project, the contractor that is selected by the City Party pursuant to Section 3.3.

“Disposition Expenses” shall mean, as to each Home, the Eligible Project Expense Items listed under the heading “Disposition Expenses” in Section 6.2 of this Agreement.

“Eligible Homebuyer” shall mean the persons or household eligible to purchase a Home after the completion of the Rehabilitation Project, as described in Section 5.2 of this Agreement.

“Eligible Project Expenses Items” shall mean the categories of expenses eligible to be included in the Project Expenses, as set forth in Section 6.2 of this Agreement. The Eligible Project Expense Items are comprised of the Purchase Expenses, the Predevelopment Expenses, the Rehabilitation Expenses, and the Disposition Expenses.

“Environmental Completion Date” shall mean, as to each Home, the date the City Party notifies Participant that the environmental review for the Home and the Rehabilitation Project required under the National Environmental Policy Act, 42 U.S.C. § 4321, *et seq.* (NEPA), and the related authorities at 24 CFR Part 58 (including the State Historical Preservation Office (SHPO)) and the California Environmental Quality Act, Public Resources Code Section 21000, *et seq.*, and the implementing guidelines set forth at 14 Cal. Code Regs. Section 15000, *et seq.* (CEQA) has been completed and that HUD or HCD, as applicable, has issued its release of funds pursuant to Section 16.11 of this Agreement.

“Excusable Default” shall have the meaning set forth in Section 2.4.4.

“Final Loan Package” shall have the meaning set forth in Section 2.2.3 of this Agreement.

“Financing Contingency” shall have the meaning set forth in Section 4.3(j) of this Agreement.

“Foreclosed” shall refer to a Home that satisfies both of the following conditions: (a) the Home has been foreclosed upon; and (b) the Home has been vacant since at least ninety (90) days prior to the commencement of discussions with the owner regarding the purchase of the Home and the Home remains vacant. A Home “has been foreclosed upon” at the point that, under state or local law, the mortgage or tax foreclosure is complete; a Home is generally not considered foreclosed until after the title for the property has been transferred from the former homeowner under some type of foreclosure proceeding or transfer in lieu of foreclosure, in accordance with state or local law.

“Funding Conditions” shall mean, as to each NSP Loan, the conditions set forth in Section 4.3 of this Agreement that must be satisfied or waived by the City Party prior to the City Party providing the NSP Loan to Participant.

“Gross Income” shall have the meaning set forth in Section 6914 of Title 25 of the California Code of Regulations, or any successor statute thereto.

“HCD” shall mean the California Department of Housing and Community Development.

“Home” shall mean each of the Abandoned or Foreclosed single family detached homes, condominiums and townhomes that is approved for inclusion in the NSP Program by a City Party, as more fully explained in Section 2.2 of this Agreement. It is specifically understood that multifamily rental apartments and manufactured homes are not included within the definition of the term “Home” for purposes of this Agreement.

“Homebuyer Loan” shall have the meaning set forth in Section 5.8.1.

“Home Project Budget” shall have the meaning set forth in Section 6.1 of this Agreement.

“HUD” shall mean the United States Department of Housing and Urban Development.

“Initial Approval” shall have the meaning set forth in Section 2.2.1 of this Agreement.

“Median Income” shall mean the Orange County area median income, adjusted for family size, as established and published periodically by HUD.

“Memorandum” shall mean, as to each Home, the Memorandum of this Agreement, substantially in the form attached hereto as Exhibit “G” that shall be recorded against the Home on the Acquisition Closing Date and removed as an encumbrance to title upon the sale of the Home to an Eligible Homebuyer or repayment of the NSP Loan in accordance with the terms set forth herein.

“Middle Income Household” shall mean a person or family whose Gross Income does not exceed 120% of the Median Income adjusted for family size; such term is also referred to in the NSP Requirements as “LMMH” or “low-, moderate-, and middle income households.” These income limits are set by HUD and adjusted and promulgated annually as posted at www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/2009/ca.

“MOU” is defined in Recital B.

“NCST” is defined in Recital D.

“NSP Funds” shall mean the Neighborhood Stabilization Program funds referred to in Recital A of this Agreement.

“NSP Homebuyer Program Guidelines” shall mean the Homebuyer Program Guidelines for the National Stabilization Program adopted by the City Council of the City of Garden Grove, which govern the City’s provision of a Homebuyer Loan to Eligible Homebuyers acquiring Homes from the Participant pursuant to the NSP Program.

“NSP Loan” shall mean, as to each Home, the loan to be provided by a City Party to Participant for the Project Expenses for the Home, as more fully explained in Section 4 of this Agreement.

“NSP Maximum Resale Price” shall mean the cumulative costs of acquiring, rehabilitating and redeveloping the Home, including direct costs to sell the Home pursuant to the NSP Requirements, but excluding the cost of boarding up, upkeep of landscaping, and general maintenance. The costs to be included in the NSP Maximum Resale Price shall be as approved by the City Party. Participant shall maintain complete and adequate records on each Home, including purchase and sale amount, source and uses of funds for each action and item related to each Home.

“NSP Program” shall mean the program established under this Agreement for the acquisition, rehabilitation and resale of Homes.

“NSP Requirements” shall mean the requirements of the Housing and Economic Recovery Act of 2008 (Pub. L. 110-289) (HERA), including Title III of Division B of the Housing and Economic Recovery Act of 2008 titled Emergency Assistance for Redevelopment of Abandoned and Foreclosed Homes, as may be amended from time to time, and any existing or future regulations or requirements imposed by HUD, HCD or any other government agency in connection with the NSP. Unless stated otherwise in the HERA, the NSP Requirements also include Title I of the Housing and Community Development Act of 1974 (42 U.S.C. § 5301 *et seq.*) as amended from time to time, and the implementing regulations set forth in 24 CFR § 570 *et seq.* as amended from time to time. If any amendment to this Agreement is necessary to comply with the NSP Requirements, the parties shall cooperate in good faith to negotiate the terms of and enter into such amendment(s).

“NSP Target Area” shall mean the following census tracts, which the City Parties have determined demonstrate a HUD foreclosure risk score of six (6) or above:

Census Tract No.- Garden Grove

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| 0761.03 | 0880.01 | 0880.02 | 0881.01 | 0881.06 | 0881.07 |
| 0882.02 | 0882.03 | 0883.01 | 0883.02 | 0884.02 | 0884.03 |
| 0885.01 | 0885.02 | 0886.02 | 0887.02 | 0888.01 | 0888.02 |
| 0889.01 | 0889.02 | 0889.03 | 0889.04 | 0890.01 | 0890.03 |
| 0891.02 | 0891.04 | 0891.06 | 0891.07 | 0992.03 | 0998.01 |

Census Tract No.- Westminster

| | | | | | |
|---------|---------|---------|---------|---------|---------|
| 0889.01 | 0889.05 | 0992.03 | 0996.01 | 0996.02 | 0997.03 |
| 0998.01 | 0999.03 | 0999.04 | 0999.05 | | |

“Other Financing” shall mean Participant’s own financing or an Other Financing Loan to be used for the Project Expenses for a Home, if the amount of the NSP Loan for the Home is less than the Project Expenses. The amount of the Other Financing for each Home, if such financing is required, shall equal the difference between the total of the Project Expenses for the Home as set forth in the approved Home Project Budget and the NSP Loan to be provided by the City Party for the Home. All references in this Agreement to “Other Financing” shall be deemed to refer only to Other Financing that is approved by the City Party and Participant.

“Other Financing Loan” shall mean Other Financing in the form of a loan approved by the City Party and obtained by Participant for the Project Expenses from a reputable financial or lending institution, governmental agency or other acceptable person or entity capable of performing or causing to be performed Participant’s obligations under this Agreement, on terms reasonably acceptable to the City Party and Participant, as more fully explained in Section 4.10.2.

“Participant” shall mean, collectively, Civic Center Home Loans and Realty, Inc., a California corporation, and Problem Property Resolution Team, LLC, a California limited liability company, having their offices at 6528 Greenleaf Avenue, Suite 204, Whittier, California 90601.

“Preliminary Loan Package” shall have the meaning set forth in Section 2.2.2 of this Agreement.

“Problem Property Participant” shall mean Problem Property Resolution Team, LLC, a California limited liability company.

“Project Expenses” shall have the meaning set forth in Section 6.2 of this Agreement.

“Purchase Expenses” shall mean, as to each Home, the Eligible Project Expense Items listed under the heading “Purchase Expenses” in Section 6.2 of this Agreement.

“Quarter” shall mean any of the three (3) month periods commencing July 1, October 1, January 1, or April 1.

“Rehabilitation Expenses” shall mean, as to each Home, the Eligible Project Expense Items listed under the heading “Rehabilitation Expenses” in Section 6.2 of this Agreement.

“Rehabilitation Project” shall mean the improvements to be made to a Home as described in the Scope of Work for the Home, with all such improvements to be consistent with the development and building plans and permits approved by the City Party. As to each Home if Participant (or the City Party) determines that work to repair, correct, or rehabilitate a Home will be required to meet the federal Housing Quality Standards set forth at 24 CFR 982.401 and 24 CFR 882.404 and all City code standards relating to any and all defects that constitute a threat to human life, safety, and public welfare, then Participant shall allocate sufficient funds for such rehabilitation to correct and repair such defects and violations of code standards prior to and as a condition to close of escrow for an Eligible Homebuyer’s purchase of a Home. In the event of any inconsistency between the description of the Rehabilitation Project in this Agreement and the approved plans and permits, the approved plans and permits shall govern.

“Relocation” or “Relocation Laws” shall mean all applicable federal and state relocation laws and regulations, including without limitation, (i) the relocation obligations under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“URA”), 42 U.S.C. 4201–4655, and the implementing regulations thereto set forth in 49 CFR Part 24, (ii) the California Relocation Assistance Act, Government Code Section 7260, *et seq.*, and the implementing regulations thereto set forth in Title 25, Section 6000, *et seq.*, of the California Code of Regulations, and (iii) any other applicable federal, state or local enactment, regulation or practice providing for relocation assistance, benefits, or compensation for moving and for property interests (including without limitation goodwill and furnishings, fixtures and equipment, and moving expenses), and (iv) any federal law or regulation prohibiting payment of relocation benefits or assistance to persons ineligible for relocation benefits or assistance. Participant shall be solely responsible for payment of all costs, expenses, and payments required to be made and/or incurred pursuant to any and all applicable Relocation Laws, including costs incurred by a City Party to administer Relocation assistance and/or benefits in connection with the NSP Program.

“Resale Price” shall mean the sale price of a Home to be paid by an Eligible Homebuyer to Participant pursuant to Section 5.5 of this Agreement.

“Scope of Work” shall have the meaning set forth in Section 3.1 of this Agreement.

“Section 3” shall mean Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. § 1701u, and the implementing regulations.

“SHPO” shall have the meaning set forth in Section 2.4.2 of this Agreement.

2. SELECTION AND ACQUISITION OF HOMES.

2.1 Selection of Homes. During the term of this Agreement and subject to the provisions set forth herein, Participant shall exercise best efforts to locate Homes in each City Party’s designated NSP Target Area to include in the NSP Program. The number of Homes to be included in each City Party’s NSP Program shall be determined by the City Party in consultation with Participant and shall be based on available NSP Funds. Prior to commencing a search for a Home to include in a City Party’s NSP Program, Participant shall confirm with the City Party that the City Party contemplates sufficient funds will be available for the inclusion of an additional Home and shall obtain authorization from the City Party to proceed with its search for a Home(s). The parties initially contemplate that at least one (1) Home will be included in Westminster’s NSP Program and at least two (2) Homes will be included in Garden Grove’s NSP Program.

2.2 Approval by City Party. The inclusion of a Home in a City Party’s NSP Program shall be subject to the prior approval of the City Party in whose jurisdiction the Home is located in that City Party’s sole and absolute discretion. The procedures for obtaining a City Party’s approval shall be as set forth in this Section 2.2.

2.2.1 Initial Approval. Upon identifying a Home that Participant reasonably believes will be appropriate to include in the NSP Program, Participant shall notify the City Party of the address and location of the Home and shall provide such other information as may be required by the City Party, including an initial scope of work, rehabilitation cost estimate, and list of contractors that Participant proposes to use for the Rehabilitation Project at the applicable Home. Within three (3) business days of receipt of such information from Participant, the City Party shall notify

Participant of its approval or disapproval of Participant proceeding to prepare a Preliminary Loan Package for the Home ("Initial Approval"). Participant shall not submit any Home to a City Party for Initial Approval that does not meet the eligibility criteria under this Agreement, including without limitation the requirement that the Home be Abandoned or Foreclosed and located in an NSP Target Area.

2.2.2 Preliminary Approval. Prior to entering into an Acquisition Purchase Agreement to purchase a Home or committing any NSP Funds to a Home, Participant shall submit to the applicable City Party the following documents and information for a Home that has received Initial Approval in accordance with Section 2.2.1 (collectively, the "Preliminary Loan Package"): (i) photographs of the Home, (ii) an estimate of the as-is market value of the Home based on the opinion of a California licensed real estate broker, (iii) the proposed purchase price, (iv) the preliminary scope of work for rehabilitation that shall be prepared in coordination with the City Party and shall be consistent with the City Rehabilitation Guidelines, (v) cost estimates of items that will constitute the Project Expenses prepared in coordination with the City Party, (vi) an estimate of the resale value of the Home with backup information including comparable sales data, (vii) information on the Other Financing to be obtained if such financing is required pursuant to Section 4.1 because the amount of the NSP Loan will be less than the Project Expenses, including any subordination or other terms required as a basis for approval, (viii) the proposed Acquisition Closing Date, (ix) a written statement from the seller of the Home that the Home is vacant and has been vacant since at least ninety (90) days prior to the date discussions were commenced regarding the purchase of the Home between the owner and Participant or any other party acting as a broker or facilitator of real estate transactions pursuant to HERA or any NSP Program; and (x) any other information or documentation required by the City Party. The City Party shall approve or disapprove the Preliminary Loan Package by delivery of written notice to Participant within five (5) business days after receipt of a complete submittal.

2.2.3 Final Approval. After the Appraisal for the Home is obtained and not later than eight (8) business days prior to the Acquisition Close of Escrow for Participant's acquisition of the Home, Participant shall submit to the City Party the following documents and information for the Home that has received Preliminary Loan Package approval in accordance with Section 2.2.2 (collectively, the "Final Loan Package"): (i) copies of the preliminary title report and title exceptions, (ii) any final and completed environmental review documentation requested by the City Party, (iii) the final scope of work that shall be prepared in coordination with the City Party and shall be consistent with the City Rehabilitation Guidelines, (iv) the Home Project Budget prepared in coordination with the City Party, with the costs of any items that are part of the Scope of Work to be in the amounts set forth in the Rehabilitation Project cost estimate approved by the City Party, (v) an estimate of the after-rehabilitation value of the Home with comparable sales data, (vi) the executed Acquisition Purchase Agreement that meets the requirements set forth in this Agreement, (vii) the evidence of financial capability required under Section 4.1 if Other Financing is required for the Home that meets the requirements of this Agreement and is consistent with the terms approved by the City Party under the Preliminary Loan Package approval, (viii) a certification from the owner of the Home substantially in the form attached hereto as Exhibit "H," (ix) the results of any assessments and testing performed by Participant, (x) the Acquisition Outside Closing Date that meets the requirements of this Agreement, (xi) the Allowable Purchase Price based on the Appraisal obtained in accordance with Section 2.3, together with a copy of the Appraisal, and (xii) any other information or documentation required by the City Party. The City Party shall process the documentation required for any review required under NEPA, CEQA, and SHPO and the results of any such review, together with any assessments and testing performed by the City Party, shall be included for

consideration as part of the Final Loan Package. The City Party shall approve or disapprove each Final Loan Package by delivery of written notice to Participant within seven (7) business days after receipt of a complete submittal. If, after the City Party approves a Final Loan Package, Participant desires to change any of the items that are the subject of the Final Loan Package due to unforeseen circumstances, Participant shall have the right to submit to the City Party modifications to the Final Loan Package and the City Party shall reasonably consider the requested modifications and respond to Participant within seven (7) business days after the submittal. In the event the City Party or Participant determines that the Project Expenses for the Home will exceed the Affordable Housing Cost for such Home, plus Forty Thousand Dollars (\$40,000), such Home shall be deemed ineligible for inclusion in the NSP Program.

2.3 Allowable Acquisition Price: Appraisal. The purchase price to be paid by Participant for each Home shall not exceed the lesser of (i) an amount equal to the appraised value of the Home, taking into account the current condition of the Home, discounted by at least one percent (1%), or (ii) Section 203(b) of the National Housing Act, 12 U.S.C. § 1701, *et seq.*, as set forth in 24 CFR 92.254(a), or (iii) such other amount as determined by the City Party (“Allowable Acquisition Price”). Although the minimum required discount under the NSP Requirements is 1% of the appraised value, Participant shall diligently negotiate with the owners of the Homes to obtain greater discounts to obtain price reductions commensurate with the avoided costs of holding, marketing and selling a Home. As used herein, the term “appraised value” shall mean the value of the Home established through an appraisal made in conformity with the appraisal requirements set forth in the following paragraph and completed within sixty (60) days prior to the date the final offer is made for the Home (“Appraisal”); provided however, Participant may make an initial offer on the Home subject to the completion of the Appraisal within sixty (60) days of a final offer. Upon the approval of a Preliminary Loan Package by a City Party and after the Environmental Completion Date, Participant shall cause an Appraisal of the Home to be performed, at the City Party’s cost, by a licensed appraiser selected by the City Party.

The Appraisal must meet the definition of 49 CFR 24.2(a)(3) and the five (5) following requirements of 49 CFR 24.103(a)(2) (and no review appraisal is required):

(a) an adequate description of the physical characteristics of the Home, including items identified as personal property, a statement of the known and observed encumbrances, if any, title information, location, zoning, present use, an analysis of highest and best use, and at least a five-year sales history of the Home;

(b) all relevant and reliable approaches to value. If the appraiser will use more than one approach, there shall be an analysis and reconciliation of approaches to value used that is sufficient to support the appraiser’s opinion of value;

(c) a description of comparable sales, including a description of all relevant physical, legal, and economic factors such as parties to the transaction, source and method of financing, and verification by a party involved in the transaction;

(d) a statement of the value of the Home to be acquired; and

(e) the effective date of valuation, date of appraisal, signature, and certification of the appraiser.

2.4 Acquisition Purchase Agreement.

2.4.1 Timing to Enter into Acquisition Purchase Agreement. The City Party shall indicate in its approval of a Preliminary Loan Package for a Home the date by which Participant must enter into an Acquisition Purchase Agreement for the Home (“Deadline Date”). If the City Party fails to notify Participant of the Deadline Date, the Deadline Date for Homes receiving Preliminary Loan Package approval between the date of this Agreement and June 30, 2010, shall be June 30, 2010. Upon a City Party’s approval of a Preliminary Loan Package, Participant shall exercise diligent efforts to enter into an Acquisition Purchase Agreement with the owner of the Home by the Deadline Date. If Participant fails to enter into an Acquisition Purchase Agreement by the applicable Deadline Date for the Home, the City Party’s approval of the inclusion of the Home in the NSP Program shall be deemed withdrawn and Participant shall not enter into an Acquisition Purchase Agreement for the Home without the prior written approval of the City Party.

2.4.2 Conditions in Acquisition Purchase Agreement. Each Acquisition Purchase Agreement shall be in such form as approved by the City Party and shall (a) state specifically that it is contingent on the owner’s approval of the Allowable Purchase Price (if the Appraisal has not been completed at the time the Acquisition Purchase Agreement is executed), environmental review, a physical inspection by a representative of the City Party, and approval by the State Historical Preservation Office (“SHPO”), if applicable; and (b) provide for the owner of the Property to remove all monetary liens and encumbrances upon title to the Property upon the Acquisition Closing Date. In addition, Participant shall exercise diligent efforts to cause to be included in each Acquisition Purchase Agreement, contingencies with respect to the City Party’s approval of the Final Loan Package for the Home and provision of the NSP Loan and on Participant securing Other Financing if required pursuant to Section 4.1; provided, however, the foregoing contingencies shall not be a prerequisite to Participant entering into an Acquisition Purchase Agreement, so long as Participant agrees to remain responsible for payment of the Good Faith Deposit in the event the Acquisition Escrow does not close due to Participant’s failure to obtain such Other Financing. Each and every Acquisition Purchase Agreement entered into prior to the Environmental Completion Date for the applicable Home shall include the following language:

“Notwithstanding any other provision of this [Contract/Agreement], Purchaser shall have no obligation to purchase the Property, and no transfer of title to the Purchaser may occur, unless and until [Responsible Entity] has provided Purchaser and/or Seller with a written determination, on the basis of a federally required environmental review and an approved request for release of federal funds, that purchase of the property by Purchaser may proceed, subject to any other Contingencies in this [Contract/Agreement], or may proceed only if certain conditions to address issues in the environmental review shall be satisfied before or after the purchase of the property. [Responsible Entity] shall use its best efforts to conclude the environmental review of the property expeditiously.”

2.4.3 Compliance with Acquisition Purchase Agreement. Participant shall comply with each and every condition, responsibility, and obligation it may have pursuant to each Acquisition Purchase Agreement in order to timely accomplish the Acquisition Close of Escrow for the Home prior to the Acquisition Outside Closing Date or such earlier date as may be set forth in the Acquisition Purchase Agreement. Participant shall not amend or modify an Acquisition Purchase

Agreement to be in any respect inconsistent with this Agreement without the prior written consent of the affected City Party, which consent the City Party may withhold in its sole and absolute discretion. Participant shall not terminate an Acquisition Purchase Agreement without the City Party's approval. In the event the seller under the Acquisition Purchase Agreement fails to perform, Participant shall have the option of either (a) terminating the inclusion of the Home in the NSP Program, in which case no Acquisition Fee shall be paid for the Home, or (b) seeking legal recourse against the seller, at Participant's cost, for specific performance and any other remedy available at law or equity and the Acquisition Outside Closing Date for the Home shall be extended for the period that Participant pursues its legal remedies.

2.4.4 Good Faith Deposit. The deposit that Participant is required to deliver under each Acquisition Purchase Agreement for its performance thereunder shall not exceed the sum of One Thousand Dollars (\$1,000) unless such higher amount is approved by the City Party in its sole discretion prior to the execution of the Acquisition Purchase Agreement, and shall be applicable to the Allowable Acquisition Price ("Good Faith Deposit"). Unless otherwise approved by the City Party, the Acquisition Purchase Agreement shall state that the Good Faith Deposit is refundable to Participant in the event the Acquisition Escrow fails to close for any reason other than a default of Participant under the Acquisition Purchase Agreement. In the event (a) City approves a Preliminary Loan Package for a Home and the Acquisition Purchase Agreement for the Home terminates because a Final Loan Package is not approved for the Home or City approves a Final Loan Package for the Home and Participant does not acquire the Home by the Acquisition Outside Closing Date; and (b) Participant is not entitled to a return of the Good Faith Deposit under the Acquisition Purchase Agreement, the City Party shall reimburse Participant for the Good Faith Deposit unless the reason a Final Loan Package is not approved or, if a Final Loan Package is approved but Participant does not acquire the Home, the reason Participant does not acquire the Home, is one of the reasons listed in subdivisions (a) or (b) below other than an Excusable Default. If the reason is an Excusable Default or a reason set forth in the preceding sentence, Participant shall be entitled to a reimbursement of the Good Faith Deposit. As used herein, an "Excusable Default" shall mean a default of Participant under the Acquisition Purchase Agreement in failing to acquire the Home because the NSP Loan is not provided, unless the reason the NSP Loan is not provided is one of the other reasons listed in subdivisions (a) or (b) below.

(a) The following reasons for disapproval of a Final Loan Package (other than an Excused Default) relieve the City Party from the obligation to reimburse Participant for the Good Faith Deposit for the Home: (i) the total Rehabilitation Expenses in the Home Project Budget exceed the sum of \$25,000; (ii) the total Disposition Expenses, in the amounts set forth in the Home Project Budget, exceed the sum of \$20,000; (iii) the Financing Contingency is not satisfied; (iv) the Acquisition Purchase Agreement has terminated because the seller of the Home does not agree to the Allowable Acquisition Price; (v) Participant failing to enter into an Acquisition Purchase Agreement with the owner of the Home by the Deadline Date for the Home in accordance with Section 2.4.1, (vi) Participant failing to comply with the terms of this Agreement or the Acquisition Purchase Agreement, including without limitation the requirement that all documents and information required to be submitted by Participant are timely submitted in final and complete form and in compliance with the requirements of this Agreement, including the documents and information required for the Final Loan Package; (vii) there exists any condition on title to the Home that will prevent the Eligible Homebuyer from obtaining first mortgage financing for the Home or that is substantially inconsistent with the use of the Home under this Agreement; or (viii) the failure of the Environmental Completion Date to occur in such time as to allow the conditions dependent on such event to be satisfied within the times required under this Agreement, notwithstanding the City Party's compliance with its

submittal requirements under Section 2.8 of this Agreement; or (ix) the Home is no longer included in the NSP Program pursuant to the last sentence of Section 2.4.3.

(b) As to any Home that receives Final Loan Package approval but that is not acquired by Participant by the Outside Acquisition Closing Date for the Home, the City Party shall be required to reimburse Participant for the Good Faith Deposit for the Home so long as the reason for Participant not acquiring the Home is not the fault of Participant or a result of any of the following: (i) any of the events described in Section 2.4.4(a)(i) through (ix); or (ii) if Other Financing was approved as part of the Preliminary Loan Package, Participant's failure to obtain the Other Financing; or (iii) Participant's unilateral and arbitrary decision not to acquire the Home.

2.5 Compliance with URA; Relocation. Participant shall comply with all applicable Relocation Laws, including providing all required notices and provision of all required assistance and benefits. In the event Participant defaults on its obligation to submit Homes that meet the requirement that Homes qualify as Abandoned and/or Foreclosed under NSP Requirements and this Agreement (and remain vacant) and any former or present occupant is or becomes eligible for Relocation assistance and benefits as a result of the activities under this Agreement, then Participant shall have the sole and exclusive responsibility to cause to be provided and pay for Relocation assistance and benefits to such occupants and shall pay all costs to administer such Relocation required to comply with any and all Relocation Laws and any and all other applicable federal and state laws, rules, and regulations, and such costs are not reimbursable by the City Parties under this Agreement. Any Relocation shall be performed in accordance with a Relocation plan approved by the City Party and each Relocation claim is subject to prior review and approval of the City Party. In the event either City Party incurs third party costs as a result of Participant's obligations related to Relocation hereunder, then Participant shall be solely responsible to pay or reimburse such City Party third party costs therefor. Guidance regarding laws and regulations relating to acquisition and relocation requirements applicable to the NSP Program can be found on the HUD website at: <http://www.hud.gov/offices/cpd/library/relocation/nsp/index.cfm>.

2.5.1 Indemnification of City Parties for Costs and Liabilities re Relocation. Participant hereby agrees to indemnify, protect, defend and hold harmless each of the City Parties and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to the affected City Party, from and against any and all loss, liability, damage, claim, cost, and/or expense that relates in any way to Relocation obligations in connection with this Agreement or that results or arises in any way from the noncompliance by Participant with the Relocation Laws or any applicable local, state and/or federal law or requirement relating to displacement and/or Relocation, including the provision of Relocation advisory services and financial and other Relocation benefits. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Rehabilitation Projects for each of the Homes by Participant and resale of the Homes to Eligible Homebuyers in accordance with this Agreement.

2.6 Purchase Expenses. The Purchase Expenses to be paid by Participant for a Home shall be funded with the proceeds of the NSP Loan provided by the City Party and the Other Financing if such financing is required pursuant to Section 4.1 of this Agreement.

2.7 Acquisition Closing Date. The Acquisition Close of Escrow for each Home shall occur after the satisfaction of the Funding Conditions and no later than the Acquisition Outside Closing Date. If Participant does not complete an Acquisition Close of Escrow to acquire a Home on or before the Acquisition Outside Closing Date for the Home, the City Party shall have no obligation

to provide the NSP Loan for that Home and the Home shall not be included in the NSP Program unless otherwise agreed in writing by the City Party.

2.8 Environmental Review. No later than three (3) business days after the later of (a) the date of the City Party's approval of a Preliminary Loan Package for a Home, or (b) Participant's submittal to the City Party of all information necessary to process the environmental review required under NEPA, CEQA, and NHPA (which information shall be delivered concurrently with the Preliminary Loan Package documents), the City Party shall commence to process and shall thereafter diligently pursue to completion the environmental review required for the Home. In connection with the foregoing, any documentation required for SHPO approval shall be submitted to the appropriate regulatory agency by the City Party within the foregoing three (3) business day period.

2.9 Addendum. If, as to any Home, the City Party and Participant establish terms or conditions for the Home or the Home's Rehabilitation Project that are different from the terms set forth in this Agreement, the City Party and Participant shall enter into an Addendum to this Agreement setting forth the modified terms and such Addendum shall be deemed incorporated into this Agreement.

2.10 Conduct During Holding Period. During the period that Participant holds title to a Home, Participant (a) shall not enter into any mortgage or deed of trust for the Home except the City Deed of Trust and the deed of trust securing an Other Financing Loan if such financing is required pursuant to Section 4.1; (b) shall not permit any liens, easements or other encumbrances to be recorded against the Home, or enter into any lease, occupancy, tenancy, or license agreement or other agreements affecting said property; (c) shall not make any alteration to the Home or the improvements thereon except in accordance with the Scope of Work, or commit, suffer or permit any act upon the Home in violation of any law; (d) shall pay all property taxes, assessments, and utilities for the Home and maintain a homeowner's policy of insurance; (e) shall secure the Home to prevent vandalism; and (f) shall maintain the landscaping and other improvements.

3. REHABILITATION PROJECTS.

3.1 Scope of Work; City Rehabilitation Guidelines. Participant shall coordinate with the City Party to develop a scope of work for each Home that will at a minimum provide for the rehabilitation of the Home to a decent, safe, marketable and habitable condition and will incorporate the rehabilitation requirements set forth in the City Rehabilitation Guidelines attached hereto as Exhibit "B." As more fully explained in the City Rehabilitation Guidelines, if the Home was constructed prior to 1978, the Scope of Work shall include all requirements of Title X of the 1992 Housing and Community Development Act, 42 U.S.C. § 4800, *et seq.* (Title X) and the implementing regulations thereto that are aimed to take advantage of rehabilitation events as a cost-effective opportunity to reduce lead based paint (LBP) in existing housing. The Scope of Work also shall include such other improvements as required by the City Party and may include, at the request of the City Party, improvements to increase the energy efficiency or conservation of the Home or to provide a renewable energy source for the Home. The cost to construct the Rehabilitation Project shall not exceed the sum of Twenty-Five Thousand Dollars (\$25,000) for each Home acquired pursuant to this Agreement, without the prior written approval of the City Party's Contract Officer, which shall be provided or withheld in the Contract Officer's sole and absolute discretion. The scope of work that is approved by the City Party for a Home as part of the Final Loan Package for the Home pursuant to Section 2.2.3 of this Agreement shall for purposes of this Agreement be the "Scope of Work" for that

Home. Participant shall develop each Rehabilitation Project in a manner consistent with the applicable Scope of Work and in strict accordance with the plans approved by the City Party.

3.2 Development Approvals and Permits. After receiving approval of a Preliminary Loan Package for a Home and after the Environmental Completion Date and prior to the Acquisition Close of Escrow for the Home, Participant shall cause the final plans for the Rehabilitation Project to be processed with the City Party and shall secure or cause to be secured all permits and approvals which may be required by the City Party or any other governmental agency having jurisdiction over the Home and the Rehabilitation Project, including approval of the final construction drawings.

3.3 Contractors; Construction Agreement. Concurrently with Participant's submittal of information regarding a potential Home to the City for Initial Approval, Participant shall submit a preliminary proposed scope of work and an estimate of the costs for the Rehabilitation Project at the Home, along with a list of the contractors Participant proposes to use for the applicable Rehabilitation Project. City Party shall approve, disapprove, or conditionally approve the submittal within the time set forth in Section 2.2.1 for the Initial Approval of the Home. Concurrently with Participant's submittal to City Party of the Final Loan Package, Participant shall recertify each contractor by submitting to the City Party current and updated information on the contractor's business license, insurance and any other matter required by the City Party, including the certification in appendix B of 24 CFR Part 24 that neither the contractor nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in a City Party project. The City Party shall notify Participant whether the contractor's recertification is acceptable to the City Party prior to the submission of any proposals by contractors for the Rehabilitation Project. All contractors selected to perform work at Rehabilitation Projects pursuant to the NSP Program shall execute the form of the Construction Agreement approved by the City Party and shall agree to comply with all conditions in the Construction Agreement. The final amount of the Construction Agreement(s) for the Rehabilitation Project shall be subject to approval by the City Party and, once approved by the City Party, shall be utilized for purposes of preparing the Home Project Budget and calculating Participant's Rehabilitation Expenses that correspond to the items in the Construction Agreement(s), subject to additional costs incurred for change orders during the course of construction (which are also subject to the reasonable approval of the City Party, in accordance with the City Rehabilitation Guidelines). Each contractor that is selected for each Rehabilitation Project and that executes a Construction Agreement with Participant shall be the "Contractor" for the Rehabilitation Project. Participant shall not enter into Construction Agreements with any contractor that is debarred or suspended or otherwise excluded from participation in federal assistance programs pursuant to 24 CFR 85.35. Participant shall submit the executed Construction Agreement to the City Party prior to the Acquisition Closing Date.

3.4 Schedule of Performance.

3.4.1 Commencement and Completion. As to each Rehabilitation Project, if any, Participant shall commence work on the Home within twenty (20) days after the Acquisition Closing Date for the Home and shall complete the Rehabilitation Project no later than ninety (90) days after the Acquisition Closing Date. Once construction of a Rehabilitation Project is commenced, it shall be continuously and diligently pursued to completion, and shall not be abandoned or otherwise stopped for more than five (5) consecutive business days, except for an event of force majeure as defined in Section 3.4.2. During the course of construction, Participant shall provide to the City Party monthly written reports on the progress of construction and explanation of how any construction disputes have been resolved.

3.4.2 Force Majeure. Any prevention, delay or stoppage of a Rehabilitation Project due to strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, regulations, or controls, judicial orders, enemy or hostile governmental action, civil commotion, terrorist activities, fire or other casualty, and other causes (except financial) beyond the reasonable control of the Participant (or a City Party), shall excuse the performance by Participant (or a City Party) for a period equal to the prevention, delay or stoppage; provided the affected party gives the other party notice within fifteen (15) days of the event causing the prevention, delay or stoppage.

3.5 Compliance with Laws and Regulations and NSP Requirements. Participant shall carry out the design, construction and operation of each Rehabilitation Project in conformity with all applicable laws, regulations, and rules of governmental agencies having jurisdiction, including without limitation, the NSP Requirements, the LBP Regulations, and the legal requirements set forth in Exhibit "A" attached to this Agreement and the statutes referenced therein, the City Party's zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the applicable City Municipal Code, and all federal and state fair labor standards, including the payment of prevailing wages including compliance with California Labor Code Section 1720, *et seq.*, and the Davis-Bacon Act, if applicable. Participant agrees to comply with and to cause any contractors and/or subcontractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. §1701u, and the implementing regulations, in connection with rehabilitation of each Home. Because the source of the NSP Loan is funds received from HUD pursuant to the federal government's Neighborhood Stabilization Program, Participant is required to comply with all applicable NSP Requirements. In the case of any conflict between the NSP Requirements and this Agreement, the NSP Requirements shall control; it being understood, however, that in order to be in compliance with this Agreement and the NSP Requirements, Participant shall, to the extent possible, comply with the most restrictive provisions in this Agreement and the NSP Requirements. Participant shall indemnify, protect, defend and hold harmless each of the City Parties and their respective officers, employees, contractors and agents, with counsel reasonably acceptable to the affected City Party, from and against any and all loss, liability, damage, claim, cost, and/or expense that results or arises in any way from the noncompliance by Participant of any applicable local, state and/or federal law or requirement. The foregoing indemnity shall survive termination of this Agreement and shall continue after completion of the construction and development of the Rehabilitation Projects for each of the Homes by Participant.

3.6 Right of Access. The City Party and its officers, elected and appointed officials, employees, agents and representatives shall have the right of access to the Home, without charges or fees, for the purposes of this Agreement, including but not limited to, the inspection of the work being performed in constructing the Rehabilitation Project, so long as the City Party's representatives comply with all safety rules and do not interfere with, delay or interrupt Participant's construction activities. It is understood that a City Party does not by this right of access assume any responsibility or liability for a negligent inspection or failure to inspect. As lead agency, Garden Grove shall have the right of access to all Homes. The right of access under this Section 3.6 may be exercised only after the City Party has provided prior notice to Participant of the date and estimated time of its entry on the property, which notice may be made by email or telephone. Participant shall secure City a right of access to each Home upon the Home receiving Initial Approval so that the City Party can inspect the Home and perform any tests and investigations as the City Party deems necessary or desirable.

3.7 City Rehabilitation Guidelines. In addition to the terms and provisions of this Agreement, the parties shall comply with the City Rehabilitation Guidelines. In the event of any inconsistency between the terms of this Agreement and the City Rehabilitation Guidelines, this Agreement shall prevail. Participant acknowledges that the City Rehabilitation Guidelines provide for the parties to follow and comply with additional procedures and requirements.

3.8 Pre-construction Meeting. Participant shall attend all pre-construction meeting(s) or conference(s) as arranged by a City Party among the Contractor, the Participant, and City Party staff relating to the commencement of each Rehabilitation Project, compliance with Section 3 (as required and herein described), and other issues related to undertaking and completing the rehabilitation in conformity with the Scope of Work and this Agreement and applicable local, state, and federal laws.

3.9 Right to Take Over Work. If, subject to an event of force majeure as described in Section 3.4.2, Participant fails to timely commence, proceed with, or complete any Rehabilitation Project within the periods provided for herein, and such breach is not cured within the notice and cure period set forth in Section 13.1, then the City Party shall have the right, but not the obligation, upon delivery of written notice to Participant, to perform the uncompleted Rehabilitation Project, or applicable portions thereof, specified in such notice. In such event, the City Party shall have the right to modify Participant's construction plans as the City Party deems reasonably advisable in order to complete the Rehabilitation Project, or applicable portions thereof, over which the City Party has assumed control ("Takeover Work"). In such event, Participant shall cooperate with the City Party to enable the City Party to expeditiously complete such Takeover Work, including, without limitation, assigning to the City Party any of Participant's rights with respect to (a) the construction plans and specifications for the Rehabilitation Project, or applicable portions thereof, and each Construction Agreement shall so provide, (b) any and all governmental permits and approvals to perform the Rehabilitation Project, and (c) the Construction Agreements applicable to the Rehabilitation Project, or applicable portions thereof. Participant shall reimburse the City Party for the Takeover Work Costs within ten (10) days after Participant receives from the City Party an invoice for such costs, together with such documentation as may be reasonably necessary to enable Participant to verify the amount of such costs. If Participant does not timely pay such amounts invoiced by the City Party, the delinquent payment shall accrue interest at the rate of ten percent (10%), compounding annually, or the maximum legal rate, whichever is less, from the date payment was due until the date payment is received by the City Party. As used herein, the term "Takeover Work Costs" shall mean all reasonable and actual costs incurred by the City Party in performing the applicable Takeover Work (a) to the extent the costs for any items exceeds the amount in the approved Home Project Budget for that item, or are additional costs not included in the Home Project Budget, and (b) to the extent the increased costs or additional costs are attributable to the default of Participant under this Agreement.

4. FINANCING THE ACQUISITION AND REHABILITATION OF HOMES.

4.1 NSP Loan for each Home. Subject to the terms and conditions set forth herein and provided Participant is not in default of this Agreement, as to each Home a City Party approves for inclusion in the NSP Program, the City Party shall provide an NSP Loan to Participant for the Project Expenses, or portion thereof, for the Home. The amount of the NSP Loan provided by the City Party for each Home shall be as determined by the City Party in its sole and absolute discretion. Prior to Participant's submission of a Preliminary Loan Package, the City Party shall notify Participant, upon request by Participant, whether Other Financing will be required for the Home. Other Financing will be required for a Home if the amount of the NSP Loan that the City Party intends to provide is less than the estimated amount of the Project Expenses for the Home. If Participant is required to seek

Other Financing for a Home, the provisions of Section 4.10 shall be applicable to the Home. Nothing herein shall preclude a City Party from loaning additional NSP Funds to Participant during the period that Participant owns the Home. In such event, the parties shall execute all documentation required by the City Party's legal counsel to evidence the loan of the additional funds and the references in this Agreement to the "NSP Loan" shall be deemed to include the loan of additional funds.

4.2 Use of NSP Loan; Project Expenses. Participant shall be permitted to use the proceeds of each NSP Loan only for the Project Expenses described in the applicable Home Project Budget that are actually and reasonably incurred by Participant, and for no other purpose. The maximum amount of the NSP Loan proceeds that may be used for each of the Project Expenses will be set forth in the Home Project Budget for the Home; provided, however, that the Contract Officer shall have the authority in his or her sole and absolute discretion to reallocate the amounts that may be used for each Project Expense if the actual amounts incurred by Participant are different than the cost estimates set forth in the Home Project Budget. Participant shall not incur any Project Expenses for a Home prior to the Environmental Completion Date for the Home and any expenses incurred prior to said date will not be eligible for reimbursement or payment notwithstanding any other provision in this Agreement to the contrary.

4.3 NSP Loan Funding Conditions. Notwithstanding any other provision of this Agreement to the contrary, as to each NSP Loan, the City Party shall have no obligation to disburse any NSP Loan proceeds until such time that all of the following conditions (collectively the "Funding Conditions") are satisfied or the City Party waives such conditions in its sole and absolute discretion:

(a) *Approval of Final Loan Package.* The City Party shall have approved the Final Loan Package for the Home in accordance with Section 2.2.3 of this Agreement.

(b) *Execution and Delivery of Documents.* Participant shall have deposited into the Acquisition Escrow the City Note, City Deed of Trust, Memorandum, and such other documents and funds required to cause an Acquisition Close of Escrow pursuant to Section 4.4 of this Agreement.

(c) *Title Policy.* First American Title Insurance Company or such other title company selected by the City Party ("Title Company") is irrevocably committed to issue to the City Party an ALTA lender's policy of title insurance ("Title Policy") with liability in the amount of the NSP Loan showing fee title to the Home vested in Participant, insuring in favor of the City Party the priority of the City Deed of Trust subject only to (i) the standard printed exceptions and exclusions contained in the form of the title policy commonly used by the Title Company; (ii) non-delinquent property taxes and assessments; and (iii) such other matters as may be approved by the City Party in its sole and absolute discretion. The premium for the Title Policy shall be a Project Expense.

(d) *Insurance.* Participant shall have provided the City Party the evidence of insurance required pursuant to Section 10.1 of this Agreement.

(e) *Permits and Approval of Plans.* Participant shall have obtained approval of its final building plans for the Rehabilitation Project and all approvals and permits shall have been issued or be ready to be issued upon payment of fees and the Acquisition Close of Escrow.

(f) *Approval of Cost Estimate for Rehabilitation Project.* City Party shall have approved the estimated costs of the Rehabilitation Project, as set forth in the Construction Agreement(s) for the Rehabilitation Project, as described in Section 3.3.

(g) *Construction Agreement.* Participant shall have provided the City Party a copy of the executed Construction Agreement for the Rehabilitation Project certified by Participant to be a true and correct copy thereof.

(h) *Home Project Budget.* The Home Project Budget for the Project Expenses for the Home shall have been approved by the City Party.

(i) *Close Escrow.* The status of the Acquisition Escrow is in a condition that the Acquisition Closing will occur concurrently with the release of the portion of the NSP Loan that is to be provided for the Purchase Expenses and Participant is not in default of the Acquisition Purchase Agreement.

(j) *Financing Contingency.* If Other Financing is required for the Home because the amount of the Project Expenses in the Home Project Budget exceeds the NSP Loan, Participant shall have obtained Other Financing on the terms set forth herein, the City Party shall have approved Participant's evidence of financial capability to acquire the Home and develop the Rehabilitation Project in accordance with Section 4.10.3 of this Agreement, and any Other Financing Loans shall be ready to close concurrently with the Acquisition Closing Date ("Financing Contingency").

(k) *NSP Funds.* The City Party shall have received sufficient NSP Funds to fund the NSP Loan.

(l) *No Default.* Participant shall not be in material default of any of its obligations set forth in this Agreement.

(m) *Pre-construction Meeting.* Participant shall have attended all required pre-construction meeting(s) and conference(s) pursuant to Section 3.8.

As to each NSP Loan, the City Party's obligation to provide any NSP Loan proceeds is subject to the fulfillment by Participant or waiver by the City Party of each and all of the Funding Conditions described in this Section 4.3, which are solely for the benefit of the City Party, and each of which, if it requires action by Participant, shall also be a covenant of Participant, and any of which may be waived by the City Party's Contract Officer in his or her sole and absolute discretion. If, within the applicable periods set forth herein, the City Party shall disapprove of any of the items which are subject to the City Party's approval (and such items are not cured by Participant within any applicable time frames), or if any of the Funding Conditions are not satisfied within the times provided for in this Agreement or by the Acquisition Outside Closing Date for the Home if no other time is provided for in this Agreement, the City Party shall have no obligation to provide the NSP Loan for that Home and the Home shall not be included in the NSP Program unless otherwise agreed in writing by the City Party.

Although the City Party's provisions of an NSP Loan to Participant is contingent upon the satisfaction of the Funding Conditions for the Home and the parties proceeding with the acquisition and rehabilitation of the Home, the parties acknowledge that if the Funding Conditions are not

satisfied for a Home and the Home is not included in the NSP Program, an NSP Loan will not be provided for the Home but Participant may nonetheless be entitled to a direct reimbursement of its Project Expenses incurred for the Home in accordance with Section 6.3.2.

4.4 Execution and Delivery of NSP Loan Documents. As to each Home, no later than three (3) business days prior to the scheduled Acquisition Closing Date for the Home, Participant shall deposit into the Acquisition Escrow the following documents: (a) the City Note, executed by Participant; (b) the City Deed of Trust, executed and acknowledged by Participant; (c) the Memorandum, executed and acknowledged by Participant, and (d) all other documents and funds required to be delivered by Participant to acquire the Home and cause the Acquisition Closing. Participant shall notify the City Party of the scheduled Acquisition Closing Date at least ten (10) business days in advance. No later than one (1) business day prior to the scheduled Acquisition Closing Date and provided the Funding Conditions are satisfied, the City Party shall deposit into the Acquisition Escrow the portion of the NSP Loan that the City Party has agreed to provide for the Purchase Expenses for the Home and the Memorandum, executed, attested, and acknowledged by the City Party. The parties shall instruct the Acquisition Escrow agent at the Acquisition Closing to: (a) record the grant deed conveying the Home to Participant followed by the Memorandum and the City Deed of Trust; (b) upon recordation, deliver to the City Party the original recorded Memorandum and City Deed of Trust; (c) deliver to the City Party the signed original City Note; (d) apply the amounts deposited into the Acquisition Escrow by the City Party toward the Purchase Expenses (and return the excess to the City Party if the full amount is not used); and (e) deliver to the City Party a conformed copy of the grant deed conveying fee title to the Home to Participant.

4.5 Truth in Lending Statement. The City Party shall provide to Participant a truth in lending disclosure statement substantially in the form attached hereto as Exhibit "D" for each NSP Loan concurrently with the City Party's approval of the Final Loan Package for the NSP Loan.

4.6 Disbursement of NSP Loan for Project Expenses. As to each Home that Participant acquires, the NSP Loan shall be disbursed to Participant as set forth in this Section 4.6.

4.6.1 Purchase Expenses. The portion of the NSP Loan that is to be provided for the Project Expenses that constitute Purchase Expenses shall be disbursed on behalf of Participant upon the satisfaction of the Funding Conditions and concurrently with the Acquisition Close of Escrow for the Home.

4.6.2 Other Project Expenses. The portion of the NSP Loan that is to be provided for the Project Expenses other than the Purchase Expenses ("Other Project Expenses") shall be disbursed as set forth in this Section 4.6.2. Provided Participant is not in default of this Agreement, after the Acquisition Close of Escrow, the NSP Loan shall be disbursed to Participant for the Other Project Expenses) no more frequently than once each month as Other Project Expenses are incurred by Participant. No later than the fifth (5th) day of each month, Participant shall submit to the City Party a request for payment of NSP Loan proceeds to reimburse Participant for the eligible Other Project Expenses incurred by Participant for the previous month. The payment request shall include the total amount requested and itemized statements and invoices, with such supporting information as the City Party may reasonably require documenting that the costs for which Participant seeks payment were made and incurred by Participant, which supporting information required by the City Party may include without limitation, receipts, canceled checks, time records, billing statements, bank statements, and contracts. The payment request shall be in such form as prescribed by the City Party. The City Party shall have the authority to calculate and approve the amount of Participant's

Other Project Expenses which shall not be unreasonably withheld provided the conditions set forth herein are satisfied. Payment of the amount determined by the City Party to be owing to Participant for eligible Other Project Expenses each month shall be made by the City Party within thirty (30) days after Participant's submission of its completed payment request; provided, however, that in no event shall any proceeds be disbursed to Participant until after the Funding Conditions are satisfied. If payment is requested for amounts owing to a third party such as the Contractor under the Construction Agreement, the City Party shall have the right to disburse the NSP Loan payments directly to the third party. It is expressly understood that no disbursements of the NSP Loan proceeds shall be made to Participant until after the satisfaction of the Funding Conditions. In addition, a City Party's obligation to make periodic disbursements of NSP Loan proceeds to Participant pursuant to this Section 4.6.2 shall be conditional and contingent upon Participant's continuing satisfaction of all of its obligations under this Agreement at the time payments become due and the continuing satisfaction of the Funding Conditions.

In addition to the requirements in the preceding paragraph, the requirements of this paragraph also shall apply to Other Project Expenses that constitute Rehabilitation Expenses. The payment requests for the Rehabilitation Expenses shall include (i) certification from the Contractor that the work for which a disbursement is sought has been completed and conforms to the approved plans and permits; and (ii) appropriate conditional or unconditional lien releases and waivers, including for mechanic's liens, materialmen's liens, stop notice claims, and equitable lien claims, with said lien releases and waivers to be in a form reasonably required by the City Party and in conformance with the requirements of California Civil Code Section 3262. A 10% retention shall be withheld from each disbursement of NSP Loan proceeds for Rehabilitation Expenses and shall be disbursed upon the completion of the Rehabilitation Project and the satisfaction of the conditions in the preceding sentence as to the entire Rehabilitation Project. Prior to each disbursement for Rehabilitation Expenses, the City Party shall have inspected the rehabilitation work for which such disbursement is being requested and shall have determined that such work has been completed substantially and reasonably in conformity with the Scope of Work and this Agreement and the approved building plans. In the event Participant desires to obtain an advance disbursement for rehabilitation activities scheduled to be undertaken or rehabilitation activities not yet completed (e.g., as an advance payment or progress payment), Participant shall present to the City Party a contract or other evidence that the contractor or other party performing the work is entitled to an advance payment. Prior to and as a condition to final payment for Rehabilitation Expenses and prior to the issuance of the Certificate of Occupancy for the Home, Participant shall submit to the City Party all remaining Section 3 documentation. Participant shall supply to the City Party certification satisfactory to HUD and the Contract Officer as to compliance with the provisions of Section 3 before receiving the final disbursement of NSP Loan funds for Rehabilitation Expenses of a Home.

4.7 Repayment of NSP Loan. Participant's obligation to repay each NSP Loan shall be as set forth in the City Note for the NSP Loan. The City Note generally provides for Participant to pay to the City Party, concurrently with the transfer of the Home to an Eligible Homebuyer, an amount equal to the Affordable Housing Cost of the Home plus the down payment to be paid by the Eligible Homebuyer, and for the balance of the NSP Loan to be forgiven (to the extent of the City's Homebuyer Loan to the applicable Eligible Homebuyer). Participant shall make any and all payments and repayments of NSP Funds directly to Garden Grove, as lead agency on behalf of both Garden Grove and Westminster. The repayment proceeds shall constitute "NSP Funds" for purposes of this Agreement. It is contemplated that, so long as the amount of said funds is sufficient to fund the acquisition and rehabilitation of additional Homes, the funds will continue to be rolled over to new NSP Loans to be provided to Participant for that purpose; provided, however, nothing herein

shall preclude either City Party from exercising its right to terminate this Agreement as permitted under Section 14.

4.8 NSP Loan Secured by Deed of Trust. Participant's obligation to repay each NSP Loan shall be secured by a City Deed of Trust recorded against the Home for which the NSP Loan is provided. The City Deed of Trust also secures Participant's obligations under this Agreement to convey the Home to the City Party if and when any such obligation is triggered. The City Deed of Trust contains an acceleration clause which generally provides that, to the extent permitted by law, in the event that Participant shall: (a) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Home without the prior written consent of the City Party; or (b) refinance any lien or encumbrance which has priority over the City Deed of Trust for a loan amount in excess of the then outstanding sum secured by such lien or encumbrance or extend the term of any loan secured by any such lien or further encumber the Home; or (c) default on any of its obligations set forth in the City Note, City Deed of Trust or this Agreement or on any obligations under any documents relating to any Other Financing that is secured by the Home and fail to cure the default within any applicable cure period or within thirty (30) days of receipt of notice from the City Party if there is no cure period, then, or at any time thereafter, the City Party, at its option, may declare the entire indebtedness evidenced by the City Deed of Trust to be immediately due and payable and collectible then or thereafter as the City Party may elect, regardless of the date of maturity.

4.9 Return of NSP Loan Proceeds. Upon the termination of this Agreement, Participant shall transfer to the City Party any NSP Loan funds on hand for which Project Expenses have not been incurred. In addition, if it is determined, as a result of an audit or otherwise, that any of the disbursements of NSP Loan proceeds were improper or made for expenditures not eligible for payment, Participant shall immediately repay to the City Party the amounts of such disbursements. Pursuant to the MOU, Westminster shall transfer to Garden Grove such funds as Westminster may receive from Participant, if any.

4.10 Other Financing. The provisions of this Section 4.10 shall be applicable to a Home in the event Other Financing is required for the Home pursuant to Section 4.1.

4.10.1 Participant's Efforts to Obtain Other Financing. Upon notification from the City Party that the NSP Loan will be less than the Project Expenses, Participant shall exercise diligent efforts to obtain Other Financing to fund the gap. Participant shall submit to the City Party reports on the efforts undertaken by Participant to obtain Other Financing, including the lenders contacted by Participant, the terms of any loans available to Participant, and the reasons for Participant's rejection or disapproval of any Other Financing Loans (which disapproval shall be subject to the terms of Section 4.10.2).

4.10.2 Approval of Other Financing Loan. If the Other Financing is in the form of an Other Financing Loan, the Other Financing Loan shall be subject to the reasonable approval of the City Party and Participant, which approval shall not be unreasonably withheld so long as the Other Financing Loan is on commercially reasonable terms with a rate of interest not to exceed prevailing conventional home mortgage lending rates applied by any reputable institutional home mortgage lender. The approvals of the terms of an Other Financing Loan by Participant and the City Party shall be made with the Preliminary Loan Package.

4.10.3 Participant's Evidence of Financial Capability. Concurrently with delivery of the Final Loan Package to the City Party, Participant shall submit to the City Party evidence reasonably satisfactory to the City Party that Participant has the financial capability necessary for the acquisition of the Home and development of the Rehabilitation Project pursuant to this Agreement. Such evidence of financial capability shall include all of the following:

(a) A copy of the commitment or commitments obtained by Participant for all of the sources of funds for acquisition and construction financing for the Home and Rehabilitation Project. All copies of commitments submitted by Participant to the City Party shall be certified by Participant to be true and correct copies thereof. Each commitment for financing shall be in such form and content acceptable to the City Party as reasonably evidences a firm and enforceable commitment, with only those conditions which are standard or typical for similar projects. The terms for any Other Financing Loans obtained by Participant shall comply with the requirements set forth in Section 4.10.2 of this Agreement.

(b) Copies of the loan documents for each funding source to be obtained by Participant. Participant shall provide written certification to the City Party that the loan documents submitted are correct copies of the actual loan documents to be executed by Participant.

(c) If the total costs set forth in the Home Project Budget exceed the amount of the NSP Loan to be provided by the City Party and the financing commitments received pursuant to subparagraph (a) above, a financial statement and/or other documentation reasonably satisfactory to the City Party sufficient to demonstrate that Participant has adequate funds available and committed to cover such difference.

4.10.4 Right of City to Cure Mortgage or Deed of Trust Default. In the event of a mortgage or deed of trust default or breach by Participant, Participant shall promptly deliver to the City Party a copy of any notice of default or breach received from any other lender and the City Party may cure the default without acceleration of the subject loan following prior notice thereof to Participant. In such event, Participant shall be liable for, and the City Party shall be entitled to reimbursement from Participant within ten (10) days of written demand, of all costs and expenses associated with and attributable to the curing of the mortgage or deed of trust default, including any default consisting of a breach of this Agreement by Participant, which are incurred by the City Party. Any sums which become due to the City Party from Participant under the provisions of this Section 4.10.4 shall constitute a lien on the Home, effective upon recordation by the City Party or the City Party's authorized agent of a notice of lien ("Notice of Lien") concerning nonpayment of any sum due hereunder. The Notice of Lien shall state (i) the amount due, which amount shall include interest at the rate of the lesser of 10% or the maximum amount allowed under law from the date due to the date paid, and shall also include the cost of preparing and recording the Notice of Lien, (ii) the expenses of collection in connection with any nonpayment, including without limitation reasonable attorneys' fees, (iii) a description of the Home, (iv) the name and address of the City Party, (v) the name of Participant, and (vi) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the City Party to enforce the lien by sale. The lien established pursuant to this Section may be enforced by sale of the Home by the City Party, the City Party's attorneys, any title insurance company authorized to do business in California, or other persons authorized to conduct the sale as a trustee, after failure of Participant to pay any sum due pursuant to this Agreement within 30 days after recordation of the Notice of Lien. The sale shall be conducted in accordance with the provisions of the California Civil Code applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The City

Party, through its agents, shall have the power to bid on the Home at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for any amounts due under this Agreement shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section shall include reasonable attorneys' fees and expert witness fees, as fixed by the court.

4.10.5 Subordination. The City Party's City Deed of Trust and this Agreement shall be subordinate to the lien of any Other Financing Loan obtained by Participant and approved by the City Party, on such terms as the Contract Officer and the City Party's legal counsel determine are commercially reasonable and consistent with the purpose and effect of this Agreement; provided, however, that this Agreement shall be superior to the lien of any Other Financing Loan obtained by Participant from an affiliate or related party of Participant and, in the event of a foreclosure under such lien, the party acquiring the Property shall be required to comply with this Agreement and perform Participant's obligations hereunder.

5. PARTICIPANT'S SALE OF HOMES TO ELIGIBLE HOMEBUYERS.

5.1 Market Homes. Upon the Acquisition Closing Date for each Home, Participant shall diligently market the sale of the Home to Eligible Homebuyers pursuant to a marketing program approved by the City Party and shall exercise diligent efforts to sell and convey the Home to an Eligible Homebuyer as expeditiously as possible following the completion of the Rehabilitation Project.

5.2 Eligible Homebuyers. Participant shall sell each rehabilitated Home to an Eligible Homebuyer as expeditiously as possible following the completion of the Home's Rehabilitation Project. An "Eligible Homebuyer" is a homebuyer who meets all of the following requirements and eligibility has been verified by the City Party:

(a) *Maximum Income.* The potential homebuyer qualifies as a Middle Income Household.

(b) *Residency.* All persons comprising the Middle Income Household are qualified residents who lawfully reside in the United States.

(c) *Household Size.* The household size of the Eligible Homebuyer shall not exceed two persons per bedroom in the Home, plus one person (e.g., for a three bedroom Home the maximum number of persons in an Eligible Homebuyer's household is seven persons). In addition, the household size of the Eligible Homebuyer shall include at least as many people as the number of bedrooms at the Home, minus one bedroom, such that the occupancy of the Home upon acquisition is not overhoused (e.g., for a three bedroom Home the minimum number of persons in an Eligible Homebuyer's household is two persons).

(d) *Homebuyer Training.* Each person whose name will be on title to the Home or will be a co-borrower on any loan secured by the Home shall have attended and successfully completed a HUD-approved, eight- (8) hour homebuyer training workshop within the prior twelve (12) months, as required by Section 5.12.

5.3 City's Verification of Eligible Homebuyer Status. Participant shall be responsible for the initial determination of a buyer's Eligible Homebuyer status and shall provide information to the City Party to enable the City Party to verify that the proposed buyer is an Eligible Homebuyer. In order to verify the buyer's status as an Eligible Homebuyer, Participant shall submit to the City Party adequate information evidencing the income of the proposed buyer and the buyer's status as an Eligible Homebuyer, including evidence that the buyer lawfully resides in the United States. Said information shall include original or true copies of pay stubs, income tax records or other financial documents in order that the City Party may determine and verify the household income of the proposed buyer and qualification as Middle Income Household. The City Party may request additional information reasonably required to verify the proposed buyer's Eligible Homebuyer status. Participant shall complete or cause to be completed any applications, verification documents or other forms that may be provided by a City Party for Participant or the proposed buyers to complete. If the City Party is unable to verify the buyer's Eligible Homebuyer status, then the buyer shall not be eligible to purchase the Home and Participant shall select another applicant for approval of Eligible Homebuyer status.

5.3.1 Evidence of Lawful Residency in United States. In furtherance of Section 5.3 above, the City Parties inform Participant (and Participant shall be aware when selecting prospective buyers of the Homes) that the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, 8 U.S.C. §1601 *et seq.* (and the implementing guidelines in 8 CFR 104), in particular Section 1621 provides that an alien who is not a qualified alien, nor a non-immigrant, nor an alien paroled into the U.S. for less than one year, is not eligible for any state or local public benefit. "State and local public benefits" means any grant, contract, loan, professional license or commercial license provided by an agency of a state or local government or by their appropriated funds; and any retirement, welfare, health, disability, public or assisted housing, post-secondary education, food assistance, unemployment benefit, or any similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a state or local government or their appropriated funds. Participant acknowledges and agrees that no selected homebuyer shall be an unlawful resident in the United States.

5.4 Priority. Eligible Homebuyers will be selected on a first-come, first-served basis, based on the order in which such Eligible Homebuyers complete the required 8-hour homebuyer counseling requirements imposed by HUD and the NSP Requirements.

5.5 Resale Price.

5.5.1 Permitted Resale Price. The parties acknowledge that the NSP Requirements prohibit any profit from being made on the sale of the Homes. The sale price of a Home to be paid by an Eligible Homebuyer to Participant ("Resale Price") shall be the *lesser* of (a) the NSP Maximum Resale Price, or (b) the value of the Home after completion of the Rehabilitation Project, or (c) such other amount as determined by the City Party. With respect to clause (b) of the preceding sentence, the value shall be based upon any of the foregoing, at the election of the City Party: (i) an appraisal procured by the City Party, (ii) the appraisal conducted on behalf of the Eligible Homebuyer's first trust deed lender for the Home, or (iii) the opinion of a real estate agent or broker. The Resale Price shall be established by the parties upon the completion of the Rehabilitation Project. The Resale Price may be reduced from time to time in accordance with the provisions of Section 5.5.2. Participant shall cause the Resale Price proceeds to be paid to the City Party out of the escrow for the sale of the Home upon the conveyance of the Home to the Eligible Homebuyer and such payment shall constitute Participant's repayment of the NSP Loan

pursuant to Section 4.7. If Other Financing was obtained for the Project Expenses for the Home, the Resale Price proceeds shall be paid first to the City Party in repayment of the NSP Loan (less the amount of the Homebuyer Loan), then to Participant in repayment of the approved Other Financing.

5.5.2 Reduction of Resale Price. The City Party shall have the right at any time and from time to time to reduce the Resale Price. Participant shall promptly reduce the Resale Price upon receipt of notification from the City Party. In addition, if Participant believes after the establishment of the Resale Price that the market conditions warrant a reduction in the Resale Price, Participant shall have the right to request the City Party reduce the Resale Price and the City Party shall reasonably consider the request. If requested by the City Party, Participant shall provide to the City Party a broker's opinion or other evidence of the value of the Home to substantiate Participant's request to reduce the Resale Price.

5.6 Homebuyer Outside Resale Date; Repayment of NSP Loan. If Participant does not enter into a purchase agreement for a Home with an Eligible Homebuyer by the date that is the later of (a) one hundred twenty (120) days after the Acquisition Closing Date for the Home, or (b) thirty (30) days after the completion of the Rehabilitation Project for the Home, Participant shall promptly repay the NSP Loan in full. Upon repayment in full of the NSP Loan, Participant shall be entitled to sell the Home to any person or entity and the Home shall no longer be required to be sold to an Eligible Homebuyer at an Affordable Housing Cost; however, the City Party may agree to provide a Homebuyer Loan to an Eligible Homebuyer willing to purchase the Home at a Resale Price calculated in accordance with Section 5.5, in City Party's sole and absolute discretion and subject to compliance with all requirements of this Agreement relating to the sale of Homes to Eligible Homebuyers pursuant to the NSP Program and the NSP Homebuyer Program Guidelines.

5.7 Down Payment. Eligible Homebuyers shall be required to contribute a down payment of not less than one percent (1%) of the Affordable Housing Cost of the Home, from such Eligible Homebuyer's own funds and not using the proceeds of a loan secured by a lien against the Home.

5.8 Financing to be Obtained by Eligible Homebuyer; Loan Documents.

5.8.1 City Homebuyer Loan. The City Party shall provide to the Eligible Homebuyer who purchases a Home a loan of funds equal to the *lesser* of (i) the difference between (a) the Affordable Housing Cost of the Home plus the Eligible Homebuyer's down payment and (b) the Resale Price or (ii) Forty Thousand Dollars (\$40,000) ("Homebuyer Loan"). The form of the loan documents to be entered into by the City Party and each Eligible Homebuyer for a Homebuyer Loan ("Homebuyer Loan Documents") shall be substantially in the form prepared by Garden Grove and approved by HCD in connection with Garden Grove's initial NSP Down Payment Assistance Program and the NSP Homebuyer Program Guidelines. The Homebuyer Loan Documents shall include, without limitation, an Affordable Housing Loan Agreement (NSP Down Payment Assistance Program), a City of Garden Grove NSP Down Payment Assistance Program Promissory Note, a subordinate City of Garden Grove NSP Down Payment Assistance Program Deed of Trust, a Declaration of Conditions, Covenants and Restrictions, a request for notice of default, an NSP Down Payment Assistance Program Loan Disclosure Statement, a Buyer Disclosure—Regulation Z truth in lending statement, and a notice of right to cancel. Pursuant to the NSP Requirements, the affordability requirements for the Home shall, at a minimum, adhere to the affordability provisions under the Home Investment Partnerships Act at Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C. § 12741, *et seq.*), and the implementing regulations

(24 CFR § 92, *et seq*), including the requirement that the Affordable Housing Cost to be paid by the Eligible Homebuyer not exceed the limit prescribed by Section 203(b) of the National Housing Act, 12 U.S.C. § 1701, *et seq.*, as set forth in 24 CFR 92.254(a). The Contract Officers, together with their respective legal counsel, shall have the authority to revise, establish new terms of, and execute the Homebuyer Loan Documents consistent with the NSP Requirements and the NSP Homebuyer Program Guidelines. Subject to Section 5.8.2, the source of the Homebuyer Loans shall be NSP Funds.

5.8.2 First Trust Deed Financing. The Eligible Homebuyers shall be required to obtain from a private institutional lender or government agency a conventional fixed-rate, level-payment, fully amortizing thirty (30) year mortgage loan for the first trust deed financing for the acquisition of the Home on such terms as approved by the City Party. Principal and interest payments on the loan shall not exceed the prevailing conventional home mortgage lending rates applied by any reputable institutional home mortgage lender, or the lending rates of any government-subsidized or special mortgage program for which the Eligible Homebuyer qualifies and has obtained a first trust deed loan for the acquisition of the Home.

5.9 Homebuyer Purchase Agreement. Upon entering into a purchase agreement with an Eligible Homebuyer for the sale of a Home, Participant shall provide to the City Party a copy of the executed purchase agreement setting forth the Resale Price. The escrow period shall be no longer than necessary to satisfy the conditions required to close the escrow and convey the Home to the Eligible Homebuyer.

5.10 Conditions to Sale. Participant shall not transfer title to a Home until such time that the Rehabilitation Project is completed (and lien waivers are provided by the Contractor, if required by the City Party) as determined by the City Party, the City Party has verified the prospective buyer's status as an Eligible Homebuyer, the City Party has approved the terms of the Eligible Homebuyer's first trust deed financing, the Homebuyer Loan Documents have been executed, and all other conditions to the closing that may be required by the City Party have been satisfied.

5.11 Coordination with City. Participant shall keep the City Parties informed of the closing date for the transfer of Homes to Eligible Homebuyers so that the City Party can coordinate the disbursement of its Homebuyer Loans to the Eligible Homebuyers, if applicable, and the execution and delivery of the Homebuyer Loan Documents. Further, Participant shall otherwise keep both of the City Parties informed of the status of the marketing and sale of the Homes.

5.12 Homebuyer Counseling and Other services. Participant shall ensure that each Homebuyer receives and completes at least eight (8) hours of homebuyer counseling from a HUD-approved homebuyer counseling agency. Participant shall coordinate the provision of these housing counseling services and workshops. Participant shall provide reasonable accommodations to persons with disabilities, including but not limited to accessible format of information and accessible location(s). Participant shall arrange for translation services for non-English speaking persons as needed. The homebuyer counseling services and workshops will be provided to potential homebuyers by Participant at no cost to the City.

5.13 Right of City Party to Acquire Home. Notwithstanding any other provision set forth in this Agreement, the City Party shall have the right at any time after the Acquisition Closing Date to itself acquire the Home. If the City Party acquires the Home, the City Party shall not be required to pay any purchase price to Participant for the Home. Although the City Party shall not be required

to pay a purchase price for the Home, if Other Financing was obtained for the Home, the City Party shall be required to reimburse Participant for the Home's Project Expenses that were funded with Other Financing as approved by the City Party (whether the source of such Other Financing is Participant's own funds or an Other Financing Loan); provided Participant provides to the City Party evidence reasonably satisfactory to the City Party that the Project Expenses funded by the Other Financing were actually incurred in accordance with the approved Final Loan Package and provided Participant is not in default of this Agreement. If the City Party acquires the Home pursuant to this Section, the NSP Loan for the Home shall be forgiven upon Participant's transfer of title to the Home free and clear of all monetary liens and encumbrances and rights of possession and any other exceptions placed on title during the period of Participant's ownership of the Home. In the event Participant is in default of this Agreement, the City Party's acquisition of a Home shall not preclude the City Party from exercising all rights and remedies available at law or equity for the default.

6. HOME PROJECT BUDGET; REIMBURSEMENT OF PROJECT EXPENSES.

6.1 Home Project Budget. The "Home Project Budget" shall mean, as to each Home, a line item budget of the Project Expenses for the Home. The budget that is approved by a City Party as part of the Final Loan Package for a Home pursuant to Section 2.2.3 of this Agreement shall be the Home Project Budget for that Home. The cost estimates in the Home Project Budget for the Project Expenses shall reflect the amounts set forth in the approved Construction Agreement and the approved Scope of Work and shall include a cost breakdown for each item in the Scope of Work. The Home Project Budget may not be changed without the prior written approval of the City Party.

6.2 Project Expenses Defined. The "Project Expenses" shall mean, as to each Home, the actual and reasonable expenses for the Eligible Project Expense Items incurred by Participant after the Environmental Completion Date for the Home and after the Home has received Initial Approval, not to exceed the amounts set forth in the Home Project Budget. It is expressly understood that Project Expenses do not include (a) any direct or indirect costs, fees, charges, or profits allocated to Participant's own internal administrative, payroll, or overhead expenses or to any person or entity affiliated with Participant, (b) the direct or indirect costs of Participant's inspector, (c) any expenses incurred prior to the Environmental Completion Date for the Home, or (d) expenses for a Home that does not receive Initial Approval. If a City Party does not receive sufficient NSP Funds from HUD or HCD or if its NSP Funds are withdrawn, then the City Party shall promptly notify Participant of such lack of funding and no costs incurred from the date of notice thereof will be or become Project Expenses. As used herein, the term "Eligible Project Expense Items" shall mean the following:

Purchase Expenses

Allowable Acquisition Price

Good Faith Deposit, which shall be applicable to the Allowable Acquisition Price if the Home is acquired

Appraisal (based on actual costs, but not to exceed \$450)

Home inspection and report, if conducted by someone other than City Party staff (actual cost, but not to exceed \$350 for each Home)

Participant's portion of escrow and closing costs for the purchase of the Home

Premium for the City Party's lender's title insurance policy

Premium for Participant's owner's title insurance policy, if this cost is not paid by the seller

Rehabilitation Expenses

Permits and plan check fees

Architecture and design fees
Asbestos/LBP/Mold/Structural/etc studies/surveys
Amounts paid to the Contractor for the construction of the Rehabilitation Project, as approved in advance by the City Party. Contractor fees shall not exceed \$75 per hour for labor.
Actual cost of Rehabilitation materials.
Project Management and Development Fee (5% of total hard costs of the Rehabilitation Project)

Disposition Expenses

Broker's price opinion report (actual cost, but not to exceed \$350 for each Home)
Applicant credit report (actual cost, but not to exceed \$20 for each Eligible Homebuyer)
Loan underwriting (not to exceed \$350 per Home)
One half of the escrow and closing costs for sale of a Home to Eligible Homebuyer (seller's portion only)
Real estate broker commission – listing agent only (3% of Affordable Housing Cost)
Real estate broker commission – selling agent only (3% of Affordable Housing Cost)
Real estate broker commission – listing and selling agent (4.5% of Affordable Housing Cost)

6.3 Reimbursement of Project Expenses. The provisions for a City Party's payment of the Project Expenses shall be as set forth in this Section 6.3.

6.3.1 Payment of Project Expenses for Homes that Participant Acquires. As to each Home that Participant acquires pursuant to this Agreement, the City Party's reimbursement of Participant's Project Expenses shall be made in the form of the City Party's provision of an NSP Loan for the Home on the Acquisition Closing Date in accordance with the requirements of Section 4 of this Agreement and the NSP Loan shall be disbursed for the Project Expenses as set forth in Section 4.6.

6.3.2 Payment of Project Expenses for Homes that Participant does not Acquire. As to each Home that receives Initial Approval in accordance with Section 2.2.1 but that Participant *does not* acquire, an NSP Loan will not be provided by the City Party for the Home, but the City Party will nonetheless reimburse Participant for the Project Expenses incurred by Participant for the Home prior to the date it is determined that the Home will not be included in the NSP Program, provided Participant has complied with all provisions of this Agreement and is not in default of this Agreement and provided further that the failure to acquire the Home is not a result of Participant failing to comply with any requirements under this Agreement or the Acquisition Purchase Agreement (other than an Excusable Default). No later than thirty (30) days after it is determined that such a Home will not be included in the NSP Program, Participant shall submit to the City Party a payment request for Project Expenses for the Home. The payment request shall include the total amount requested and itemized statements and invoices, with legible and complete supporting information provided by Participant to the City Party in order to document the reasonable costs incurred by Participant and for which Participant seeks payment or reimbursement. The supporting information required by the City Party may include without limitation, originals or complete and legible copies of receipts, canceled checks, time records, billing statements, bank statements, and contracts. Payment of the amount determined by the City Party to be owing to Participant for eligible Project Expenses under this Section shall be made by the City Party within thirty (30) days after Participant's submission of a complete payment request. Participant acknowledges that no reimbursement payments will be made for each and any Home that did not receive Initial Approval or for any Project Expenses incurred prior to the Environmental Completion Date. Notwithstanding

the foregoing, the terms for the reimbursement of the Good Faith Deposit shall be governed by the provisions of Section 2.4.4 of this Agreement rather than this Section.

6.4 Participant Responsible for Expenses that Exceed Budget. If any costs or expenses paid or incurred by Participant exceed the amounts set forth in the Home Project Budget approved by the City Party, Participant shall be responsible for such additional amounts and such amounts shall not be eligible for payment or reimbursement under this Agreement and shall not constitute Project Expenses.

7. RESERVED.

8. GENERAL PROVISIONS RELATING TO PARTICIPANT SERVICES.

8.1 Standard of Performance. As a material inducement to the City Parties entering into this Agreement, Participant represents and warrants that Participant is a qualified provider of first-class work and services and Participant is experienced in performing the work and services contemplated herein and, in light of such status and experience, Participant covenants that it shall follow the highest professional standards in performing the work and services required hereunder.

8.2 Prohibition Against Assignment and Transfer. The qualifications and identity of Participant are of particular concern to the City Parties. The City Parties have entered into this Agreement in reliance of Participant's qualifications and identity. Accordingly, Participant shall not, whether voluntarily, involuntarily, or by operation of law, undergo any change in ownership or membership or assign, transfer or convey all or any part of this Agreement or any rights hereunder or in any Home or in any Rehabilitation Project.

8.3 Permits. Participant shall obtain at its sole cost and expense all licenses, permits and approvals as may be required by applicable Federal, State or local laws for the performance of the work and services required under this Agreement.

8.4 Compliance with Laws. Participant shall provide all work and services rendered hereunder and perform all obligations under this Agreement in accordance with all applicable ordinances, resolutions, statutes, rules, and regulations of the applicable City Party and any applicable Federal, State or local governmental agency having jurisdiction. Each and every provision required by law to be included in this Agreement shall be deemed to be included, and this Agreement shall be read and enforced as though they were included. Participant shall keep itself fully informed of and in compliance with all local, state and federal laws, rules and regulations in any manner affecting the performance under this Agreement; in particular, but without limitation, Participant acknowledges and agrees that it shall be, and shall cause its employees, contractors and agents, to be, and remain fully knowledgeable and apprised of the NSP Requirements and related laws and regulations and notices referenced therein as well as all updates and amendments thereto. If Participant performs any work knowing it to be contrary to such laws, rules and regulations and without giving written notice to the City Parties, Participant shall be solely responsible for all costs arising therefrom.

8.5 Independent Contractor. Neither the City Parties nor any of their respective officers, employees or agents shall have any control over the manner, mode or means by which Participant or its members, agents or employees perform the services required herein except as set forth herein. Participant shall perform all services required herein as an independent contractor of the City Parties

and shall remain at all times as to the City Parties a wholly independent contractor with only such obligations as are consistent with that role. Participant shall not at any time or in any manner represent that it or any of its members, agents or employees are agents or employees of either City Party.

9. RECORDS AND REPORTS.

9.1 Records.

9.1.1 Records to be Maintained. Participant shall keep and maintain records providing a full description of the activities undertaken pursuant to this Agreement, including the acquisition of the Homes and the development of the Rehabilitation Projects and participation in the NSP Program, records demonstrating the eligibility of the activities constituting the Project Expenses, records demonstrating compliance with the NSP Requirements, data demonstrating client eligibility for services provided including the name, income level, family size of each client and other information for determining eligibility and a record of the services provided to each client, and such other records as may be reasonably required by the City Party to enable the City Party to evaluate the acquisition of the Homes, the development of the Rehabilitation Projects, the operation of the NSP Program and Participant's compliance with the NSP Requirements, and to identify and account for the use of the NSP Loan proceeds and expenditures of Project Expenses and all costs pertaining to this Agreement, and to enable the City Party to comply with the City Party's record keeping and reporting requirements under the NSP Requirements, including without limitation the records specified in 24 CFR 570.493 and 24 CFR 570.506 as they pertain to the activities under this Agreement. Books and records pertaining to the Project Expenses shall be kept and prepared in accordance with generally accepted accounting principles. Nothing in the foregoing shall authorize or allow the disclosure by Participant or either City Party to any third party of personal identifying information, such as names, income, employment, legal status, etc., of a household, prospective buyer, or other person receiving NSP Funds or otherwise participating in this Agreement or the implementation thereof by Participant or a City Party to the extent non-disclosure is protected and/or prohibited by URA and other applicable Federal and State laws and regulations.

9.1.2 Retention. The books and records required to be maintained by Participant under this Agreement shall be retained for a period of five (5) years following the date this Agreement has terminated as to all parties; provided, however, in the event any litigation, audit, negotiation, or other action involving the books and records is commenced prior to the expiration of the five (5) year retention period, Participant shall retain the books and records until completion of the action and resolution of all issues which arise from it.

9.1.3 Location of Records. The books and records required to be maintained by Participant shall be kept at the office of Participant located at the address set forth on the signature page or another reasonably accessible location in Orange County, California. Further, to the extent such records include confidential and/or non-disclosable information pursuant to applicable Federal and State laws and regulations, Participant shall take all reasonable and necessary steps and precautions to keep such information and records confidential and non-disclosed to third parties without legal authorization to so disclose or produce.

9.1.4 Access to Records. The City Parties, HUD, HCD and/or their representatives shall have full and free access to, and the right to examine, inspect, and audit, all

books and records of Participant pertaining to this Agreement at all times during normal business hours.

9.1.5 Audits. Participant shall perform all audits of its books and records required by the NSP Requirements, a City Party, HUD or HCD and a copy of such audits shall be forwarded to the City Parties within thirty (30) days after completion. Participant shall be subject to all audit and review requirements imposed on either City Party in connection with this Agreement and shall, at its sole cost and expense, cause such audits and reviews to be timely performed.

9.2 Reports.

9.2.1 Quarterly Reports. No later than five (5) days after the end of each Quarter, Participant shall submit to the City Party the following quarterly reports in a form provided by or otherwise approved by the Contract Officer:

(a) *Performance Reports.* A report on the status of the acquisition of Homes, the Rehabilitation Project improvements and a summary of the NSP Program activities undertaken by Participant under this Agreement for the previous Quarter (“Performance Report”). The Performance Report shall, at a minimum, describe the status of the acquisition of Homes and the development of Rehabilitation Projects, costs incurred, funds remaining, a narrative explanation of problems, delays, or adverse conditions that impaired the ability of Participant to meet any obligations if any were not met, favorable developments which enabled Participant to satisfy obligations and meet objectives sooner or at less cost than anticipated or producing more beneficial results than planned, a description of the NSP Program activities, and any additional pertinent information related to contract performance.

(b) *Client Characteristics.* If and to the extent required by the NSP Requirements, a report on the number of clients served through the NSP Program in the previous Quarter and on the characteristics of those clients with respect to gender, race/ethnicity, age, and family income, and any other basis for determining eligibility for participation in the NSP Program.

(c) *Program Income.* A report on the program income generated for the Quarter, if any, as more fully explained in Section 12 of this Agreement.

9.2.2 Other Reports. In addition to the reports referenced in Section 9.2.1, Participant shall, at such times and in such forms as required by a City Party, prepare and submit to the Contract Officer, such other reports concerning the activities under this Agreement, the costs and obligations incurred or to be incurred in connection therewith, and any other matters covered by this Agreement and compliance with NSP Requirements, as the City Party may require from time to time. Participant acknowledges that as of the date of this Agreement, HUD and HCD have not provided definitive guidance on the reporting requirements for the NSP Program and that the requirements may be different from those set forth in this Agreement. Participant shall promptly provide to the City Party all records and reports as may be required by the City Party to enable the City Party to comply with its record keeping and reporting requirements under the NSP or as otherwise required by HUD or HCD.

10. INSURANCE AND INDEMNITY.

10.1 Insurance. No later than five (5) days after the date of this Agreement, Participant shall furnish or cause to be furnished to the City Parties evidence reasonably satisfactory to each City's Contract Officer that Participant has obtained the insurance required in Exhibit "C" to this Agreement; provided, however, that the property insurance required for each Home shall be provided prior to the Acquisition Close of Escrow for the Home. Nothing in this Section 10.1 or Exhibit "C" shall in any way limit Participant's indemnity obligations set forth in this Agreement.

10.2 Indemnification. Participant shall indemnify, defend, and hold harmless each City Party and their respective officers, elected and appointed officials, employees, representatives and agents (collectively, the "Indemnitee") from and against any and all claims, causes of action, liabilities, and damages arising out of any acts or omissions of Participant or Participant's members, officers, employees, contractors, clients, invitees, and agents, in the performance under this Agreement, except to the extent of such loss as may be caused by the sole negligence or willful misconduct of an Indemnitee.

11. RESERVED.

12. PROGRAM INCOME.

Participant shall submit to each City Party quarterly reports as set forth in Section 9.2.1 on all program income as defined 24 CFR 570.500(a) generated by activities carried out with NSP Funds, if any. Upon receipt of program income, Participant shall return the program income to the City Party. Any program income that is received by Westminster shall be transferred to Garden Grove as the lead agency in accordance with the MOU.

13. DEFAULTS AND REMEDIES.

13.1 Defaults. The occurrence of any of the following shall constitute a default of this Agreement:

(a) the failure or delay by either party to perform any term or provision of this Agreement if such failure is not cured, corrected or remedied within the time period set forth in this Agreement; or

(b) if no specific time period is set forth herein:

(i) the failure to commence to cure the default within fifteen (15) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default; or

(ii) the failure of a nonperforming party to diligently proceed to prosecute a cure, correction or remedy once commenced; or

(iii) the failure of a nonperforming party to complete a cure, correction or remedy to completion within thirty (30) days after the nonperforming party's receipt of written notice from the other party specifying the nature of the default, or for defaults that cannot reasonably be cured, corrected, or remedied within such thirty (30) day time period, the failure of

such party to complete the cure within an additional thirty (30) days following the conclusion of such thirty (30) day period (for a total of sixty (60) days).

A party claiming a default shall give written notice of default to the other party specifying the default complained of. Except as otherwise expressly provided in this Agreement or as required to protect against further damages, the injured party may not institute proceedings against the party in default until the time for cure, correction, or remedy of a default has expired. The City Parties will provide written notice of any default of Participant under this Agreement to any lender of Other Financing requesting notice and will recognize any cure of any default of Participant tendered by any such lender with the same effect as if the same were tendered by Participant.

13.2 Remedies. In addition to any other rights or remedies available at law or in equity, upon a default of Participant, a City Party may: (a) withhold disbursement of NSP Loan proceeds and any other funding under this Agreement pending correction of the default by Participant; (b) refuse to advance all or any part of the NSP Loan and any other funding under this Agreement and reallocate said funds to another activity; (c) wholly or partially suspend or terminate the award of the NSP Loan and any other funding under this Agreement; (d) wholly or partially suspend or terminate this Agreement; (e) withhold further awards for the Homes; (f) require Participant to repay the NSP Loan funds; (g) exercise its right to take over a Rehabilitation Project pursuant to Section 3.9; and/or (h) institute legal action to cure, correct, or remedy any default, recover actual but not consequential damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement.

In addition to any other rights or remedies available at law or in equity, upon a default of a City Party, Participant may: (a) wholly or partially suspend or terminate this Agreement as to the City Party in default; and (b) institute legal action against the City Party in default to cure, correct, or remedy any default, to recover actual but not consequential damages for any default, or to obtain any other remedy consistent with the purposes of this Agreement. In the event Participant exercises its remedy in clause (a) of the preceding sentence to terminate this Agreement as to the City Party in default (and Participant is not in default hereunder), subject to the following sentence, any Homes owned by Participant at the time of default by City may, after expiration of 120 days following Participant's acquisition of each such Home and provided that Participant has during that time used Participant's best efforts to sell the Home to an Eligible Homebuyer pursuant to the terms of this Agreement, be conveyed to any person or entity. In the event Participant sells a Home to a person or entity that is not an Eligible Homebuyer pursuant to the immediately preceding sentence, the proceeds of such sale shall be applied first to repayment of approved Other Financing obtained by Participant in connection with such Home, next to City in repayment of the NSP Loan, and any excess proceeds may be retained by Participant. If Participant terminates this Agreement, Participant's obligation to the City Party shall not end until all close-out requirements are completed. Activities during this close-out period shall include, but are not limited to: making final payments, disposing of program assets (including the return of all unused materials, equipment, unspent cash advances, program income balances, and accounts receivable to Participant), and determining the custodianship of records. Notwithstanding the foregoing, the terms of this Agreement shall remain in effect during any period that Participant has control over NSP Funds, including program income.

13.3 Inaction Not a Waiver of Default. Any failures or delays by any party in asserting any of its rights and remedies as to any default shall not operate as a waiver of any default or of any such rights or remedies, or deprive any such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

13.4 Rights and Remedies are Cumulative. The rights and remedies of the parties are cumulative, and the exercise by any party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other party.

13.5 No Cross Defaults. In no event shall a breach or default under this Agreement by a City Party constitute a breach of or default under this Agreement of the other City Party and in no event shall the City Parties be jointly or severally liable for the obligations or liabilities of one another. In no event shall a breach or default under this Agreement by Participant as to a particular City Party(ies) constitute a breach or default as to the other City Party(ies) to the extent the default does not pertain to the other City Party(ies).

13.6 Joint and Several Obligations. The obligations and liabilities of Civic Center Participant and Problem Property Participant (together, as "Participant" hereunder) shall be joint and several.

14. TERM; TERMINATION.

As between each City Party and Participant, the term of this Agreement shall continue until the earlier of (a) the date the City Party no longer has sufficient NSP Funds for the acquisition and rehabilitation of additional Homes under the NSP Program, or (b) the date the City Party notifies Participant that the City Party is terminating this Agreement which may occur prior to the event in clause (a). In connection with clause (b) of the preceding sentence, Participant acknowledges that a City Party may at any time, for any reason, with or without cause, suspend or terminate this Agreement or any portion hereof as it relates to that City Party and Participant, by serving written notice upon Participant. Upon receipt of said notice, Participant shall immediately cease all work under this Agreement as it relates to the City Party providing the notice, unless the notice provides otherwise. In the event this Agreement is suspended or terminated pursuant to this Section 14 and the reason for the termination is an uncured default by Participant, the affected City Party shall be entitled to receive a return of any fees or other compensation paid to Participant pursuant to Section 6.2, or portion thereof, that relates to the services for which Participant is in default. In the event this Agreement is terminated and Participant is not in default, subject to Section 15, Participant shall be entitled to a reimbursement of Project Expenses incurred prior to the date of termination in accordance with the terms of this Agreement. Notwithstanding any other provision of this Agreement to the contrary, a City Party's termination of this Agreement shall not preclude or prejudice any other remedy to which the City Party may be entitled in law or in equity.

Upon the termination of this Agreement by a City Party, the terminating City Party shall notify the other City Party of the termination. The termination of this Agreement by a City Party shall not affect the terms of this Agreement (a) as they relate to the other City Party and Participant, or (b) as they relate to the terminating City Party and the other City Party, except that Garden Grove shall return any remaining NSP Funds allocated to Westminster, after paying administration costs incurred by Garden Grove in connection with Garden Grove's administration of the NSP Program and this Agreement on behalf of Westminster.

If, at the time this Agreement is terminated, Participant holds title to a Home within the terminating City Party's jurisdiction, the City Party may elect, in addition to any other remedies of the City Party hereunder, to either require that Participant continue to perform its obligations under this Agreement as to the Home (i.e., complete rehabilitation and sell the Home to an Eligible

Homebuyer), in which case this Agreement shall survive for that purpose, or require Participant to repay the NSP Loan for that Home to the City Party.

In addition to the foregoing, if for any reason, the NSP Funds required by a City Party to fund the Project Expenses are not received by the City Party or are withdrawn from the City Party, the City Party may unilaterally terminate or modify the terms of this Agreement to reflect the loss of funding; provided, however, such a modification or termination by a City Party shall not affect the terms of this Agreement as they relate to the other City Party and Participant. If a reduction in funding is required, the affected City Party will provide Participant with modified Home Project Budget(s), as needed.

15. ENVIRONMENTAL CLEARANCE.

Participant expressly acknowledges and agrees that notwithstanding any other provision in this Agreement to the contrary, Participant shall not receive any funds from either City Party under this Agreement, including without limitation, any NSP Loan funds, as reimbursement for Project Expenses, to the extent such Project Expenses are incurred prior to the Environmental Completion Date for the applicable Home.

16. GENERAL PROVISIONS.

16.1 Notices. All notices required to be delivered under this Agreement to a City Party or Participant shall be delivered to the respective parties at the address and to the person set forth next to the party's signature to this Agreement or to such other person or address as the parties may hereafter designate by written notice to the other parties.

16.2 Nonliability of City Officials and Employees. No member, officer, elected or appointed official, employee, agent, or representative of either City Party shall be personally liable to Participant or the other City Party in the event of any default or breach by the City Party or for any amount which may become due or on any obligations under this Agreement.

16.3 Contract Administration. Each City Party shall maintain authority of this Agreement and the authority to administer, oversee, and implement this Agreement through its Contract Officer. The Contract Officer shall have the authority to make approvals, issue interpretations, execute documents, waive provisions, and/or enter into amendments of this Agreement or agreements necessary to implement this Agreement on behalf of its City Party so long as such actions do not add to the costs incurred or to be incurred by the City Party as specified herein. Notwithstanding the foregoing, the Contract Officer may take any decision to be made under this Agreement or proposed modification of this Agreement to its City Council for approval.

16.4 Time of the Essence. Time is of the essence in the performance of this Agreement.

16.5 Entire Agreement, Waivers and Amendments. This Agreement and its exhibits contain the entire agreement among the parties relating to the subject matter hereof, and supersedes all negotiations and previous agreements between the parties with respect to the subject matter hereof. All waivers of the provisions of this Agreement must be in writing and signed by the appropriate authorities of the party to be charged. Any amendment or modification to this Agreement must be in writing and executed by the affected City Party(ies) and Participant.

16.6 Applicable Law; Venue. The internal laws of the State of California shall govern the interpretation and enforcement of this Agreement without regard to conflict of interest principles. All legal actions must be instituted and maintained in the Superior Court of the County of Orange, State of California, or in any other appropriate court in that County.

16.7 No Discrimination. Participant covenants that, by and for itself, its heirs, executors, assigns, and all persons claiming under or through them, that in the performance of this Agreement there shall be no discrimination against or segregation of, any person or group of persons on account of any impermissible classification including, but not limited to, race, color, creed, religion, sex, marital status, sexual orientation, national origin, or ancestry.

16.8 Litigation Expenses. If any party to this Agreement is required to initiate or defend litigation in any way connected with this Agreement, the prevailing party in such litigation, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to reasonable attorneys' fees from the losing party. Attorneys' fees shall include attorney's fees on any appeal, and a party entitled to attorneys' fees shall be entitled to all other reasonable costs for investigating such action, retaining expert witnesses, taking depositions and discovery, and all other necessary costs incurred with respect to such litigation.

16.9 Severability. If any term, provision, covenant, or condition of this Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of this Agreement shall not be affected thereby to the extent such remaining provisions are not rendered impractical to perform taking into consideration the purposes of this Agreement.

16.10 Monitoring. The City Parties shall have the right to monitor and evaluate Participant's performance under this Agreement to determine compliance with this Agreement and the NSP Requirements. Participant shall cooperate with the City Parties and shall make available to the City Parties all information, documents, and records reasonably requested by the City Parties and shall provide the City Parties the reasonable right of access to the Homes for purposes of this Agreement and evaluating Participant's performance hereunder.

16.11 Condition to Release of Funds. Notwithstanding any provision of this Agreement, the City Parties and Participant agree and acknowledge that this Agreement does not constitute a commitment of federal funds, and that such commitment of funds may occur only upon satisfactory completion of environmental review and receipt by the City Parties, as applicable, of a release of funds from HCD or HUD, as applicable. The City Parties and Participant are further prohibited from undertaking or committing any federal funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance; City Parties and Participant understand that the violation of this provision may result in the denial of any federal funds under this Agreement.

16.12 Binding on Heirs. This Agreement shall be binding upon the parties hereto and their respective heirs, representatives, transferees, successors, and assigns.

16.13 Covenants Run with the Land. Upon Participant's acquisition of each Home, the Home shall be held, sold, conveyed, hypothecated, encumbered, used, occupied and improved subject to the covenants, conditions, and restrictions set forth herein. The covenants, conditions, restrictions, reservations, equitable servitudes, liens and charges set forth in this Agreement shall run with the Homes and shall be binding upon Participant and all persons having any right, title or

interest in the Homes, or any part thereof, their heirs, and successive owners and assigns, shall inure to the benefit of the City Party and its successors and assigns, and may be enforced by the City Party and its successors and assigns. The covenants established in this Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City Party and its successors and assigns, and the parties hereto expressly agree that this Agreement and the covenants herein shall run in favor of the City Party, without regard to whether the City Party is or remains an owner of any land or interest therein to which such covenants relate. However, all such covenants and restrictions shall be deemed to run in favor of all real property owned by the City Party which real property shall be deemed the benefited property of such covenants and this Agreement shall create equitable servitudes and covenants appurtenant to all real property owned by the City Party and running with the Home in accordance with the provisions of Civil Code Section 1468. Furthermore, all of the covenants, conditions, and restrictions contained herein shall also constitute easements in gross running in favor of the City Party. The City Party is deemed the beneficiary of the terms and provisions of this Agreement and of the covenants running with the land, for and in its own right and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Agreement and the covenants running with the land have been provided. Participant hereby declares its understanding and intent that the burden of the covenants set forth herein touch and concern the land and that the Participant's interest in the Home is rendered less valuable thereby. Participant hereby further declares its understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Home by the residents of the City Party and by furthering the health, safety, and welfare of the residents of the City Party. In connection with the foregoing, a Memorandum shall be recorded against each Home upon the Acquisition Closing Date for the Home. The Memorandum shall be removed as an encumbrance upon title to the Home upon the sale of the Home to the Eligible Homebuyer in accordance with this Agreement and the payment of the Resale Price proceeds to the City Party pursuant to Section 5.5.1.

16.14 Further Assurances. The City Parties and Participant shall execute and deliver to the other party(ies), upon demand, such further documents, instruments and conveyances, and shall take such further actions as are necessary or desirable to effectuate this Agreement.

16.15 Execution in Counterparts. This Agreement may be executed in several counterparts, and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all parties are not signatories to the original or the same counterpart.

16.16 Exhibits. This Agreement incorporates by reference the following eight (8) Exhibits attached hereto:

| | |
|-----------|--|
| Exhibit A | Additional Legal Requirements |
| Exhibit B | City Rehabilitation Guidelines |
| Exhibit C | Insurance Requirements |
| Exhibit D | Truth in Lending Statement |
| Exhibit E | Promissory Note Secured by Deed of Trust |
| Exhibit F | Deed of Trust |
| Exhibit G | Memorandum |
| Exhibit H | Seller's Occupancy Certification Under the Protecting Tenants at Foreclosure Act |

[Signatures appear on following pages.]

IN WITNESS WHEREOF, Garden Grove, Westminster, Civic Center Participant and Problem Property Participant have entered into this Agreement as of the date first set forth above.

Address:

“GARDEN GROVE”

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attn: Community Development Director


CITY OF GARDEN GROVE, a California
municipal corporation

Matthew Fertal, City Manager

ATTEST:

Kathleen Bailor, City Clerk

APPROVED AS TO FORM:
STRADLING YOCCA CARLSON & RAUTH



Special Counsel

Address:

“WESTMINSTER”

City of Westminster
8200 Westminster Blvd.
Westminster, California 92683
Attn: _____

CITY OF WESTMINSTER, a California
municipal corporation

By: _____

Its: _____

ATTEST:

City Clerk

APPROVED AS TO FORM:
JONES & MAYER

City Attorney

[Signatures continue on following page.]

SIGNATURES FOR NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABLE HOUSING AGREEMENT


[Signatures continue from previous page.]

Address:

Civic Center Home Loans and Realty, Inc.
6528 Greenleaf Avenue, Suite 204
Whittier, California, 90601
Attn: Matthew Callahan

“CIVIC CENTER PARTICIPANT”

**CIVIC CENTER HOME LOANS AND
REALTY, INC.**, a California corporation



Matthew Callahan, President

Address:

Problem Property Resolution Team, LLC
6528 Greenleaf Avenue, Suite 204
Whittier, California, 90601
Attn: Matthew Callahan

“PROBLEM PROPERTY PARTICIPANT”

**PROBLEM PROPERTY RESOLUTION
TEAM, LLC**, a California limited liability
company


Matthew Callahan, President

**SIGNATURES FOR NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABLE HOUSING AGREEMENT**

EXHIBIT "A"

ADDITIONAL LEGAL REQUIREMENTS

In addition to the requirements set forth in other provisions of the Agreement, Participant shall comply with the following regulations and requirements insofar as they are applicable to the performance of the Agreement.¹

1. *Equal Opportunity and Nondiscrimination.*

a. Participant shall comply with Title VI of the Civil Rights Act of 1964, as amended, which provides in part that no person shall, on the grounds of race, color, or national origin be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

b. Participant shall comply with Section 104 (B) and Section 109 of Title I of the Housing and Community Development Act of 1974, as amended, which provides in part that no person shall on the grounds of race, color, or national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving funds under this Title.

c. Participant shall comply with Executive Order 11246, as amended by Executive Orders 11375 and 12086, and all rules and regulations pursuant thereto, which among other things prohibits discrimination on the grounds of race, creed, color, sex or national origin in employment under federally assisted contracts.

d. Participant shall comply with Executive Order 11063, as amended by Executive Order 12259, which requires equal opportunity in housing and related facilities.

e. Participant shall comply with Section 504 of the Rehabilitation Act of 1973, and implementing regulations, which provides in part that handicapped individuals may not be excluded from participation in, be denied the benefits of or be subjected to discrimination under any program or activity receiving federal financial assistance.

f. EEO/AA Statement. Participant shall, in all solicitations or advertisements for employees placed by or on behalf of Participant, state that it is an Equal Opportunity or Affirmative Action Employer.

g. Minority/Women Business Enterprise. To the extent permitted by law, Participant will use its best efforts to afford minority and women-owned business enterprises the maximum practicable opportunity to participate in the performance of the Agreement. As used in the Agreement, the term "minority and female business enterprise" means a business at least fifty-one percent (51%) owned and controlled by minority group members or women. For the purpose of this

¹ This exhibit is a list and summary of certain legal requirements and shall not be construed as a complete list of all Participant requirements. In the event of any conflict between this summary and the requirements imposed by applicable laws, regulations, and requirements, the applicable laws, regulations, and requirements shall apply.

definition, "minority group members" are Afro-Americans, Spanish-speaking, Spanish surname or Spanish-heritage Americans, Asian-Americans, and American Indians. Participant may rely on written representations by businesses regarding their status as minority and female business enterprises in lieu of an independent investigation.

h. Participant shall comply with Section 3 of the Housing and Community Development Act of 1968.

i. Participant shall comply with Title VIII of the Civil Rights Act of 1968 as amended, the Americans with Disabilities Act of 1990, and the Age Discrimination Act of 1975.

j. Participant shall comply with the non-discrimination in employment and contracting opportunities laws, regulations, and executive orders referenced in 24 CFR 570.607, as revised by Executive Order 13279. Participant shall not discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, disability or other handicap, age, marital status, or status with regard to public assistance. Participant shall take affirmative action to insure that all employment practices are free from such discrimination. Such employment practices include but are not limited to the following: hiring, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, termination, rates of pay or other forms of compensation and selection for training, including apprenticeship. Participant shall post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City Party setting forth the provisions of this nondiscrimination clause.

2. *Uniform Administrative Requirements.* If and to the extent required by the NSP Requirements, Participant shall comply with the uniform administrative requirements described in 24 CFR § 570.502.

3. *Other Program Requirements.* Participant shall carry out each activity under the Agreement in accordance with all applicable federal laws and regulations described in Subpart K of 24 CFR § 570 except for a City Party's environmental responsibilities under 24 CFR § 570.604 and a City Party's responsibility for initiating the review process under the provisions of 24 CFR Part 52.

4. *Religious Organizations.* If Participant is a religious organization as defined by the NSP Requirements, Participant shall comply with all conditions prescribed by HUD for the use of NSP funds by religious organizations, including the First Amendment of the United States Constitution regarding church/state principles and the applicable constitutional prohibitions set forth in 24 CFR § 200(j). Participant agrees that funds provided under the Agreement will not be utilized for inherently religious activities prohibited by 24 CFR 570.200(J), such as worship, religious instruction or proselytization.

5. *Reversion of Assets.* Upon the expiration or sooner termination of the Agreement, Participant shall transfer to the City Party (a) any and all NSP Funds and program income on hand, and (b) any accounts receivable attributable to the use of NSP Funds or program income.

6. *Environmental.*

a. *Limitation on Activities Pending Clearance.* In accordance with 24 CFR § 58.22 entitled "Limitations on activities pending clearance," neither a recipient nor any participant in the development process, including public or private nonprofit or for-profit entities, or any of their

contractors, may commit HUD assistance under a program listed in 24 CFR § 58.1(b) on an activity or project until HUD or the state has approved the recipient's Request for Release of Funds (RROF) and the related certifications have been approved. Neither a recipient nor any participant in the development process may commit non-HUD funds or undertake an activity or project that would have an adverse environmental impact or limit the choice of reasonable alternatives. Upon completion of environmental review or receipt of environmental clearance, the City Party shall issue a Notice to Proceed signifying the environmental requirements under this section have been met. HUD funds shall not be utilized until the City Party has issued a Notice to Proceed. The environmental review or violation of the provisions may result in approval, modification or cancellation of the NSP Loans. If a project or activity is exempt under 24 CFR § 58.34, or is categorically excluded (except in extraordinary circumstances) under 24 CFR § 58.35(b), no RROF is required and the recipient may undertake the activity immediately after the City Party has documented its determination that each activity or project is exempt and meets the conditions specified for such exemption under this section by issuing a Notice to Proceed.

b. **Air and Water.** Participant shall comply with the following regulations insofar as they apply to the performance of the Agreement: Clean Air Act, 42 U.S.C. Section 7401, *et seq.*, Federal Water Pollution Control Act, as amended, 33 U.S.C. Section 1251, *et seq.*, as amended, Section 1318 relating to inspection, monitoring, entry, reports, and information, as well as other requirements specified in said Section 114 and Section 308, and all regulations and guidelines issued thereunder; and the U.S. Environmental Protection Agency regulations pursuant to 40 CFR Part 50, as amended.

c. **Flood Disaster Protection.** In accordance with the requirements of the Flood Disaster Protection Act of 1973 (42 U.S.C. § 4001), Participant shall assure that for activities located in an area identified by FEMA as having special flood hazards, flood insurance under the National Flood Insurance Program is obtained and maintained as a condition of financial assistance for acquisition or construction purposes (including rehabilitation).

d. **Lead-Based Paint.** Participant shall comply with the LBP Regulations referenced in 24 CFR § 570.608, including 24 CFR Part 35, *et seq.*

e. **Historic Preservation.** Participant shall comply with the historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended (16 U.S.C. § 470) and the procedures set forth in 36 CFR Part 800, Advisory Council on Historic Preservation Procedures for Protection of Historic Properties, insofar as they apply to the performance of this Agreement. In general, this requires concurrence from the State Historic Preservation Officer for all rehabilitation and demolition of historic properties that are fifty years old or older or that are included on a federal, state, or local historic property list.

7. **Conflict of Interest.** Participant will comply with the provisions of the applicable HUD requirements of 24 CFR § 570.611 and 24 CFR 84.42 regarding the avoidance of conflict of interest.

8. **Labor Standards.** When applicable, Participant shall comply with the provisions of 24 CFR § 570.603 and related requirements and shall include in all applicable construction contracts the provisions of federal law imposing labor standards on federally assisted contracts.

9. *Records and Reports.* Participant shall provide to the City Parties all records and reports relating to the activities under the Agreement that may be reasonably requested by the City Parties in order to enable them to perform their record keeping and reporting obligations pursuant to the NSP Requirements.

10. *Federal Procurement.* If and to the extent applicable to the NSP Program, Participant shall procure all construction contracts for rehabilitation activities in compliance with federal procurement regulations (24 CFR, part 85.36). Participant shall document and provide to the City Party evidence of proper federal procurement processes. Such documentation shall include without limitation copies of bidding documents containing all required clauses and provisions, contracts containing all required clauses and provisions, detailed inspection and progress reports, and adequate accounting of progress payments.

11. *Construction Documents.* Bidding documents and construction contracts for rehabilitation activities must include all legally required contract clauses and provisions.

12. *Section 3.* Participant shall comply with and cause its contractors to comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. § 1701u), the HUD regulations issued pursuant thereto at 24 CFR Part 135, and any applicable rules and orders of HUD issued thereunder. The Section 3 clause, set forth in 24 CFR § 135.38 provides:

i. The work to be performed under this contract 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.

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

iii. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding if any, a notice advising the labor organization or workers' representative of the contractor'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.

iv. The contractor 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 contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR Part 135.

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

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

Participant shall abide by the Section 3 clause set forth above and will also cause this Section 3 clause to be inserted in all contracts entered into with third parties for the rehabilitation of the Homes.

13. *Anti-Lobbying Certification.* By its execution of the Agreement, Participant hereby certifies that:

i. No Federal appropriated funds have been paid or will be paid, by or on behalf of it, 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 any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

ii. 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 of 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, it will complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

iii. It will require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients 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. This certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S.C. 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.

At the request of either City Party, Participant shall execute a separate document that contains the certifications set forth above.

14. *Hatch Act.* Participant agrees that no funds provided, nor personnel employed under this Agreement, shall be in any way or to any extent engaged in the conduct of political activities in violation of Chapter 15 of Title V of the United States Code.

EXHIBIT "B"

CITY REHABILITATION GUIDELINES

NEIGHBORHOOD STABILIZATION PROGRAM (NSP) SINGLE-FAMILY REHABILITATION PROGRAM POLICIES AND PROCEDURES

I. PROGRAM DESCRIPTION

The Cities of Garden Grove and Westminster (collectively, "City"), as an approved recipient of Neighborhood Stabilization Program (NSP) funds by the State of California Department of Housing and Community Development (HCD), Civic Center Home Loans and Realty, Inc., and Problem Property Resolution Team, LLC, a California limited liability company (collectively, "Participant"), have entered into that certain Neighborhood Stabilization Program Affordable Housing Agreement dated April 13, 2010 ("NSP Agreement"), establishing a Single Family Rehabilitation Program ("Program"). All terms not otherwise defined herein shall have the meaning set forth in the NSP Agreement. In the event of any conflict between the provisions of the NSP Agreement and these Policies and Procedures, the NSP Agreement shall control. The primary objectives of the Program are to correct nonconforming uses, remedy code violations, and generally repair and improve deteriorating properties in an effort to provide decent housing and a suitable living environment for persons and families of low-, moderate, and middle-income (LMMI). The subject properties must meet Program eligibility criteria, including without limitation financial feasibility evaluation relating to implementation of the Residential Lead-Based Paint Hazard Reduction Act of 1992 at 19 U.S.C. 4852d and the implementing regulations at 24 CFR Part 35 ("LBP Regs").

II. NOTIFICATION OF AND EVALUATION FOR LBP AND LBP HAZARDS

A. **LBP Evaluation of Subject Property.** Assuming receipt of a complete project proposal from Participant for a property that includes rehabilitation work and the City's approval of a Preliminary Loan Package for the property, the City, as a part of this Program, will cause to be conducted and pay for an LBP evaluation of the subject property in accordance with the LBP Regs.

1. **Evaluation.** LBP evaluation shall be conducted by a qualified inspector under contract with the Participant in conformity with the LBP Regs. The LBP requirements for rehabilitation work under Subpart J of the LBP Regs differ based on the level of funding provided for the rehabilitation of the subject property. Assessment for LBP for a proposed federally funded rehabilitation project will include: (1) visual inspection on all properties constructed prior to 1978 to identify defective paint surfaces; (2) for rehabilitation costs estimated at \$5000 or less, the painted surfaces that will be disturbed during rehabilitation must be *tested* for LBP, unless a surface is assumed to contain LBP; (3) for rehabilitation costs estimated between \$5000 to \$25,000, the housing unit requires LBP hazard evaluation, including: (i) paint testing: for surfaces to be disturbed by the rehabilitation for LBP; and (ii) risk assessment: an assessment of a dwelling to check for the presence of LBP hazards, including visual assessment of dust, soil, and paint with a written report of the results, or (iii) assumption of presence of LBP and/or LBP hazards and directly proceeding with standard treatment of LBP and LBP hazards; and (4) for rehabilitation costs estimated to exceed \$25,000 (which is not anticipated as part of the Program), the housing unit requires a higher level of LBP hazard evaluation, including: (i) paint testing: for surfaces to be disturbed by the rehabilitation

for LBP, and (ii) risk assessment of dwelling to check for the presence of LBP hazards, including visual assessment of dust, soil, and paint with a written report of the results, or (iii) assumption of presence of LBP and/or LBP hazards and directly proceeding with full abatement of all painted surfaces disturbed during rehabilitation that are presumed to have LBP and all presumed LBP hazards.

(a) The results of the LBP evaluation and estimated costs of standard treatment options and/or abatement through clearance will be a part of the evaluation caused to be conducted by the City to the subject property and said results will be a factor in the assessment by the City staff of financial feasibility of funding the treatment through clearance of the LBP and LBP hazards from the property and proceeding with all other rehabilitation improvements under the Program.

(b) Participant will be provided any required HUD approved disclosure form(s) relating to the results of the evaluation.

B. Discretion to Proceed with LBP Treatment and/or Rehabilitation Expressly Reserved to City. The City expressly reserves all reasonable discretion to review the results of the LBP evaluation and recommended course of treatment (by paint repair, LBP hazard reduction, and/or abatement through clearance) and decide whether the cost of treatment through clearance, using safe work practices, of LBP and/or LBP hazards from the subject property in conjunction with the costs of the rehabilitation improvements requested by Participant are financially feasible for Program funding.

If, prior to Final Loan Package approval for a property, the City in the exercise of its sole discretion determines the costs of treatment through clearance using safe work practices of LBP and LBP hazards *plus* the costs of the requested rehabilitation improvements to the property are not financially feasible, then the Participant will be denied and no other loan or grant will be available or provided to the property under the Program. If the City in the exercise of its sole discretion determines the costs of treatment through clearance using safe work practices of LBP and LBP hazards plus the costs of the requested rehabilitation improvements are financially feasible, then the rehabilitation will be further considered in accordance with the terms set forth in the NSP Agreement.

III. TREATMENT THROUGH CLEARANCE OF LBP AND LBP HAZARDS

A. Election to Proceed with Treatment through Clearance. Pursuant to the discretion reserved to the City, as set forth in Section II above, the results of the evaluation of the subject property for LBP and LBP hazards and estimated costs of treatment through clearance of LBP and LBP hazards from the subject property will be reviewed by City staff and a determination made whether to proceed with treatment through clearance and with the rehabilitation improvements.

B. Property Eligibility for Rehabilitation Improvements. Real property will be evaluated and must meet **each** of the minimum requirements set forth below to be considered eligible property.

1. **Location.** All assisted properties must be located in an NSP Target Area in the City of Garden Grove or the City of Westminster and must meet all other eligibility requirements in the NSP Agreement.

2. **LBP Evaluation.** An LBP evaluation in conformity with the LBP Regs shall have been conducted on the subject property.

3. **LBP Treatment Through Clearance, Using Safe Work Practice.** As set forth in Section II above and this Section III, if after the LBP evaluation it has been determined by the City, through its staff and agents, that there are no LBP hazards or LBP that require treatment through clearance, using safe work practices, or that LBP hazards exist at the subject property and it is financially feasible to cause LBP treatment through clearance, using safe work practices, of the subject property, then provided the property is approved for inclusion in the NSP Program, the City will provide a loan for the treatment through clearance, using safe work practices, in accordance with and subject to all of the terms set forth in the NSP Agreement. All LBP treatment through clearance, using safe work practices, shall be conducted in conformity with the applicable LBP Regs and shall be completed prior to commencement of any eligible rehabilitation improvements that are a part of the Work Write-Up for the subject property.

(a) **Treatment.**

(i) For rehabilitation work to the subject property of less than \$5,000, LBP treatment option is paint repair by repair of surfaces that are to be disturbed by rehabilitation in a safe manner.

(ii) For rehabilitation work to the subject property between \$5,000 and \$25,000, LBP treatment option is lead hazard reduction work. Any LBP or LBP hazards found during the risk assessment must be controlled using interim controls or abatement methods. Standard treatments must be performed when no evaluation is conducted and the presence of LBP hazards is assumed.

(iii) For rehabilitation work to the subject property in excess of \$25,000, LBP treatment option is abatement. Any LBP hazards or LBP found in units and any common areas, as applicable, must be controlled using full abatement methods. LBP hazards on exterior surfaces that are not disturbed during rehabilitation must be controlled using either interim controls or abatement.

(b) **Safe Work Practices.** Rehabilitation work that disturbs surfaces known or assumed to contain LBP or LBP hazards must be performed using safe work practices.

(i) Safe work practices are not required for work that disturbs surfaces below the *de minimis* levels set forth in the LBP Regs.

(ii) The LBP Regs include a list of prohibited methods of treatment and exclusions from safe work practices.

(iii) The LBP Regs include additional safety precautions for occupant protection, worksite preparation, and cleanup activities.

(c) **Clearance.** Once LBP hazard and LBP treatment work is complete using safe work practices, a clearance examination must be performed by a certified professional to ensure that no LBP or LBP hazards remain.

(i) Clearance is *required* for all categories of rehabilitation activities.

(1) For rehabilitation assistance less than \$5000, clearance is required only for the worksite.

(2) For rehabilitation assistance greater than \$5000, clearance is required for the housing unit, common areas, if any, and exterior areas where rehabilitation work occurred.

(ii) Clearance involves a visual assessment and dust testing after cleanup of treatment activities is complete. A clearance report must be prepared by a certified professional.

(iii) If abatement is the treatment method conducted, an abatement report is required in place of a clearance report prepared by a certified professional.

4. **Condition.** The property may be in need of repairs to (i) correct existing nonconforming development standards, (ii) correct existing nonconforming local and/or state code requirements, (iii) correct existing local and/or state code violations, (iv) protect the structural integrity of the property, (v) promote neighborhood safety, (vi) improve energy efficiency, (vii) refurbish exterior and/or interior improvements, or (viii) aid the mobility of the physically disabled and/or elderly. All eligible repairs must meet the Housing Quality Standards set forth at 24 CFR 982.401 and 24 CFR 882.404. After LBP notice, evaluation, treatment through clearance, using safe work practices pursuant to the LBP Regs and these Program Policies and Procedures, as applicable, Program funds must first be expended to correct such code violations with the balance available to finance exterior improvements approved as part of the Rehabilitation Project, in such amounts as approved in the Home Project Budget.

C. **Eligible Improvements.** In addition to LBP evaluation and treatment through and clearance, if such occur, eligible improvements to the property shall include only those physically attached to the property and be permanent in nature. All rehabilitation work must be completed by pre-approved, licensed, and insured contractors selected in accordance with Program procedures and the attached Construction Standards.

1. Subject to the requirements set forth in the NSP Agreement concerning the permissible expenditure of Program funds, improvements eligible to be considered for inclusion in the Rehabilitation Project include, but are not limited to, the following:

(a) LBP hazards and LBP and the evaluation and treatment through clearance, using safe work practices, thereof pursuant to applicable LBP Regs.

(b) Correction of existing or incipient health and safety code violations.

(c) Repairs, restoration or replacement of building components and mechanical structural systems, such as heating systems, plumbing systems, septic tanks, electrical wiring and service, and built-in residential appliances.

(d) Structural and foundation repairs and qualified building additions or alterations to increase the health, safety, and livability of existing structures, such as porches,

stairways, closets, cabinets, bathrooms, kitchens and entrances. Garage requirements will have to meet the individual cities' requirements and will be reviewed on a case by case basis.

(e) Exterior work to help preserve or protect structures, such as painting, roofing, siding, and property enhancements, such as landscaping, sidewalks, and fences. Defensible fencing improvements may be required as a condition of loan approval.

(f) Interior work to make a structure more livable, such as painting, plastering, new flooring, and tile work.

(g) Fumigation and treatment of termites and pest control.

(h) Energy and water conservation improvements and devices such as tankless water heaters, insulation, window caulking and energy efficiency appliances.

(i) Access improvements, special safety features, and any modifications or additions to aid the physically disabled and the elderly.

(j) Limited landscaping work, including the construction of walls and fences and walkways and drives, but only when related to other rehabilitation work and in accordance with defensible fencing concepts. Landscape work must include the installation of an automatic irrigation system.

D. **Ineligible Improvements.** Ineligible improvements include, without limitation, improvements that are (i) cosmetic in nature and/or accessory use improvements, including, but not limited to, greenhouses; barbecue pits and outdoor fireplaces; bathhouses, swimming pools, saunas and hot tubs; valances, cornice boards and drapes and indoor or outdoor home furnishings, unless City and Participant determined that such improvements are required to increase the marketability of the home at resale; and (ii) any improvements **not** approved by the City Party staff and not included in the Scope of Work developed in accordance with the NSP Agreement.

E. **Eligible Costs.** Program proceeds may be used only for eligible costs which shall include the following to the extent they constitute Project Expenses and are included in the approved Home Project Budget for the Home:

1. The actual reasonable costs of LBP evaluation, treatment through clearance, using safe work practices, as applicable, and the actual reasonable costs of the materials and services necessary to complete the rehabilitation work approved by the City Party staff as set forth in the Work Write-Up.

2. Building permit, inspection, and other related fees necessary for the completion of the approved LBP work and the rehabilitation work.

F. **Ineligible Costs.** Specific costs **not** eligible for payment from Program assistance include, but are not limited to, the following:

1. Work, improvements, or repairs undertaken by persons who are not properly licensed and certified for LBP evaluation and/or LBP or LBP hazards treatment through clearance, using safe work practices, pursuant to the LBP Regs.

2. Free-standing appliances other than stoves and energy saving appliances, unless the need is justified, as determined by the City Party staff.

3. Purchase, installation, or repair of home furnishings.

4. Compensation/reimbursement for ineligible improvements or any work not within the Scope of Work or Change Orders approved in accordance with Program procedures.

5. Work performed by a contractor under a separate contract.

IV. TERMS AND CONDITIONS OF PROGRAM ASSISTANCE

A. **Compliance with Program Policies and Procedures.** Throughout the applicable term of Program assistance, Program participants shall comply with all Program requirements and procedures as set forth in these Policies and Procedures, as required by the City Party staff, and as set forth in the NSP Agreement and related attachments.

V. PROGRAM PROCEDURES

A. **Property Inspection**

1. **LBP Evaluation.** After Participant has identified an eligible property, staff shall schedule an appointment with the Participant at the subject property to inspect the premises, and to arrange for LBP evaluation as soon as reasonably practicable following the Initial Approval of a property. Inspection may include any tests deemed necessary and appropriate by the staff inspector, including, without limitation, LBP evaluation and/or treatment through clearance, using safe work practices, pursuant to the LBP Regs. The Participant or Participant's designee must accompany staff during the initial inspection. As a part of the initial inspection staff will document existing code violations, incipient code violations, and other Participant requested improvements on a Preliminary Work Write-Up. Failure by staff to identify any existing or incipient code violations shall not in any way relieve the Participant of liability to correct such violations in accordance with applicable state and/or local codes. Following the inspection, Participant will (i) itemize eligible and ineligible improvements, (ii) prioritize eligible work and prepare a preliminary estimate of such work to be completed, and (iii) assess whether the deficiencies can be corrected within the maximum dollar limitation of the Program assistance.

2. **Work Write-Up.** After the LBP evaluation has been conducted, if such occurs, and after the evaluation of the financial feasibility of completion of treatment through clearance, using safe work practices, of LBP hazards and LBP, if any, a second meeting will be scheduled by staff with the Participant to review and complete the final Work Write-Up. Estimated costs will be determined by the City Building Inspector. The Participant must review the Work Write-Up and cost estimate and sign the Work Write-Up and, from the time that the Work Write Up is approved as part of the Final Loan Package, no changes or additions to the Work Write-Up will be accepted, except as permitted in the City's sole discretion. The Participant will be provided a copy of the final Work Write-Up describing the (i) scope of work, (ii) construction method, (iii) quantity of materials, and (iv) property location. This form will be used during the contractor selection process.

B. **Rehabilitation/Field Inspections.** Participant will monitor the date of start-up by the Contractor and will perform field inspections to monitor the progress of the rehabilitation work

on a regular basis. The City Building Inspector will visit the job site regularly in order to check the work in progress of the scope of work, inspect materials, and to confirm the job is on schedule and within budget pursuant to the Construction Agreement. Participant will work with the City Building Department and inspectors to track the progress of the project and confirm that the work meets permit requirements and applicable local codes, the building code, and other uniform codes while not exceeding funding limits.

City Building Inspector will review the work status with Participant and with the Contractor in order to identify and seek to remedy potential problems quickly and to oversee satisfaction with the construction process. At the completion of each identifiable portion of the work write up, Participant and City Building Inspector will inspect the work and Participant will authorize payments to the Contractor pursuant to the Construction Agreement, in accordance with paragraph D.3., below. Upon completion of construction pursuant to the Construction Agreement, Participant and City Building Inspector will review the completed work; Participant and City Building Inspector will refer back to the approved work write-up, plans and specifications, bid documents, and the Construction Agreement to verify the work was completed as contracted.

C. Contractor Selection.

1. **Preliminary Requirements.** After LBP notice and LBP evaluation, if such occurs, Participant shall be responsible for selecting a qualified general contractor in accordance with applicable federal requirements and the procedures set forth herein. Qualified contractors, including all subcontractors performing work on the property, for both the LBP treatment through clearance and for the rehabilitation improvements, must have a current California state contractor's license and City business license and submit evidence of workers' compensation insurance and general liability insurance in amounts deemed adequate by the City Party staff. The selected general contractor or the selected subcontractor(s) completing the LBP treatment through clearance shall meet all certification and qualifications set forth in the LBP Regs and California Administrative Code, Title 17, for certified LBP contractors. The selected general contractor must add the City of Garden Grove and, for Homes in the City of Westminster, the City of Westminster as additional insured/loss payee under its general liability policy. The contractor(s) or subcontractor(s) conducting the LBP treatment through clearance shall also meet all insurance and indemnification requirements established by the City's risk manager for such work and substantially in the form set forth in the approved agreement between the Participant and the Contractor for the LBP and rehabilitation improvements. No agreements, written or otherwise, with a contractor, or any other vendor, will be binding for Program funding unless they are first approved by the City Party staff.

If rehabilitation work involves a significant alteration of the existing structure(s), Participant may be required under state and local codes to apply for and obtain approval from the Building and Planning Division of the City of Garden Grove or the City of Westminster, as appropriate. Such approval will require submittal of a preliminary site plan or drawing of the proposed improvements to the property in order to determine compliance with applicable code requirements. Upon approval of the proposed improvements by the Building and Planning Division, Participant may proceed with contractor selection. However, for any rehabilitation work for which a building permit or other permit is required under applicable state and/or local codes, the Participant is solely responsible and obligated to obtain or cause to be obtained any and all permits and approvals necessary to commence and undertake the work of rehabilitation prior to a contractor commencing work and prior to disbursement of Program funds.

2. **Scope of Work Limitation.** Participant shall not contract independently with the selected contractor to concurrently perform additional work on the property beyond the scope of the final Work Write-Up until a Notice of Completion is issued by staff and acknowledged by the Participant evidencing satisfactory completion of the improvements identified in the final Work Write-Up and Construction Agreement and final inspection has been obtained and approved for all outstanding building or other permits for the work. Until such Notice of Completion is issued and final inspection has been approved for the permits, Participant shall not contract independently with any other contractor to undertake any other improvements or work.

D. Contract Management and Disbursement of Program Funds.

1. **Pre-Construction Conference.** A pre-construction conference between the City Party staff, the Participant, and the contractor will be held before work commences, and will include terms of contract management and disbursement of Program funds. Every item on the scope of work should be read and discussed to ensure that the Participant and contractor each fully understand the scope of work and work schedule, inspection and permit requirements, and City payment schedule, so that all parties will be aware of the time line and order of progression to completion. The meeting will include, if necessary, discussion of pre- LBP treatment through clearance and the use of safe work practices. Work shall not commence until the City Party staff has issued a Notice to Proceed.

2. **Change Order Procedures.** Change orders are discouraged and will be reviewed carefully by the City Party staff. Change orders will be considered for approval only where required by job conditions or as reasonably requested by the Participant with a statement of explanation. All change order requests must be in writing, including detailed scope of work and price, and agreed to by the Participant, contractor, and City Party staff before the additional work is commenced. Work completed without such approval shall not be compensated with Program assistance.

3. **Funds Disbursement.** Program funds shall be disbursed in progress payments.

(a) Funds for LBP treatment through clearance, using safe work practices, shall be disbursed in progress payments or in a single lump sum, as solely determined by the City staff, upon satisfactory completion of the LBP treatment through clearance, using safe work practices, in conformity with the LBP Regs.

(i) Program funds will not be disbursed for LBP treatment through clearance, using safe work practices, without all necessary permits and required inspections, including without limitation, building permits, or for work that does not meet the approval or standards of the LBP Regs, Building and Planning Division, applicable state and local codes, applicable permits, and the Program. The City Party staff will visit the job site and verify that (i) the work included for payment is satisfactorily completed and within the scope of eligible work as outlined for LBP treatment through clearance, using safe work practices, and (ii) all necessary inspections by the Building Division or other responsible department or entity have been satisfactorily accomplished. Upon such determinations, the City Party staff will process payment to Participant through a Payment Authorization Form, which includes the amount of disbursement, name and address of property owner and LBP contractor, and a description of the LBP treatment through clearance work completed, using safe work practices.

(b) NSP Loan proceeds will be disbursed into an escrow account opened upon approval of the NSP Loan, and shall be disbursed according to this paragraph. Ninety percent (90%) of the Construction Agreement amount may be disbursed to the Contractor in the form of progress payments during construction of the approved Work Write-Up pursuant to the Construction Agreement. The final ten-percent (10%) of the contract amount is set aside as a retention payment. The Contractor requests a progress payment from the Participant by submitting an invoice for work performed and notifies the City Party that he/she has done so. Upon favorable inspection by the Participant and the City Party's Building Inspectors, the payment authorization is signed by the Participant and submitted for payment through a disbursement of NSP Loan proceeds from the escrow account pursuant to the Construction Agreement.

(i) The Participant or contractor, as designee, is responsible for submitting a Payment Authorization Form and contacting the City Party staff to arrange a job site inspection and for payment. The Participant or contractor, as designee, is also responsible to call for permit inspections. Program funds will not be disbursed for work completed without all necessary permits and required inspections, including without limitation, building permits, or which does not meet the approval or standards of the Building and Planning Division, applicable state and local codes, applicable permits, and the NSP Single Family Rehabilitation Program.

(ii) The City Building Inspector and/or City Party staff will visit the job site and verify that (A) the work included for payment is satisfactorily completed and within the scope of eligible work as outlined in the Work Write-Up, and (B) all necessary inspections by the Building Division or other responsible department or entity have been satisfactorily accomplished. Upon such determinations, the City Party staff will process a Payment Authorization Form, which includes the amount of disbursement, property address, and a description of the work completed. The Participant, contractor, and City Party staff will be required to sign the Payment Authorization Form before it can be processed.

(1) For disbursement of NSP Loan proceeds for Rehabilitation Expenses, City Party may make checks payable to Participant, to the Contractor, or jointly to the Participant and Contractor.

4. **Final Inspection.** The City Party staff, Participant, and contractor shall make a final inspection of the completed work of improvements set forth in the Work Write-Up together. When the improvements are completed and all permits have been signed off with final inspections the job is considered complete, except for a one-year guarantee on labor and materials which is a required provision of the Rehabilitation Contract. The City Party staff will issue a Notice of Completion upon satisfactory completion of the work and final permits. All material suppliers and subcontractors will be required to execute and deliver to the property owner lien release(s) or lien waiver(s) with a copy to the City Party staff prior to release of the 10% Retention for the rehabilitation work.

5. **Retention Amount.** The City will retain from each monthly payment of the Program assistance, ten percent (10%) of the proceeds ("Retention") until thirty-five (35) days from the date the City Party staff determines that the work has been completed in a satisfactory manner and a Notice of Completion is recorded. The Retention amount shall be disbursed at that time, provided all building and other required permits have been finalized and no mechanic's liens or stop notices have been filed in connection with the rehabilitation work.

E. **Conflict Resolution.**

1. **Participant/Contractor Disputes.** In the event of any dispute between the Participant and the contractor concerning the contracted work, either one, or both, shall submit in writing the fact and nature of such dispute(s) to the City Party staff. Within thirty (30) days of such notice, the contractor and the Participant shall either resolve the dispute or shall seek a resolution of the dispute pursuant to binding arbitration in accordance with the provisions of the Construction Agreement to be approved by the City.

2. **Program Concerns.** Complaints concerning the NSP Program must be in writing and addressed to the City Party staff. The City Party staff will contact the complainant and attempt to resolve the problem. A written response will be made within thirty (30) days of receipt of a written complaint. If the complainant is not satisfied after the written response, a complaint may be filed with the City's Contract Officer who will schedule a meeting with the Housing Rehabilitation Coordinator. A written response by the City's Contract Officer will be made within fifteen (15) working days of the receipt of the complaint.

EXHIBIT "C"

INSURANCE REQUIREMENTS

1. Insurance. Participant and its successors and assigns shall procure and keep in full force and effect or cause to be procured and kept in full force and effect for the mutual benefit of Participant and the City Parties, the insurance policies required by this Agreement with respect to the Homes and the rehabilitation, ownership, use, and operation of the Homes by or on behalf of Participant and the performance of any construction work thereon. The insurance limits are subject to such increases in amount as a City Party may reasonably require from time to time but not more frequently than every 12 months; provided, that the percentage increase in coverage shall not be required to exceed the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim Average, All Items (1984 = 100) (the "Index"), from and after the date of this Agreement, or if said Index is discontinued, such official index as may then be in existence and which is most nearly equivalent to said Index. In no event shall the limits of any policy be considered as limiting the liability of Participant hereunder or limiting the indemnity obligation set forth in the Agreement.

2. Scope and Limits of Insurance: The insurance policies required to be maintained by Participant pursuant to this Agreement are as follows:

a. *Comprehensive General Liability Insurance* including premises-operations, products/completed operations, broad form property damage, blanket contractual liability, independent contractors, personal injury in a form at least as broad as ISO Form #CG 001 ED. 11/88, with a limit of not less than Two Million Dollars (\$2,000,000) combined single limits, per occurrence and aggregate.

b. *Business Automobile Liability Insurance* including coverage for owned, hired and non-owned automobiles in a form at least as broad as ISO Form #CA 000 T ED. 6/92, with a limit of not less than Two Million Dollars (\$2,000,000), combined single limits, per occurrence and aggregate.

c. *Workers' Compensation Insurance* as required by the State of California and Employer' Liability Insurance with limits of not less than Two Million Dollars (\$2,000,000) each accident.

d. *All Risk Property Insurance* for each Home with a minimum limit equal to the full actual replacement cost of the improved Home, as approved by the City Party, as the same may change from time to time, and with no coinsurance penalty provision.

e. *Builder's Risk Insurance* shall be maintained during construction of the Homes written on a completed value basis in an amount equal to the full replacement cost of the improvements with coverage available on the so-called non-reporting "all risk" form of policy.

3. Deductibles and Self-Insured Retentions. Any deductible or self-insured retention must be declared to and approved by the City Parties.

4. Additional Insurance Provisions. The insurance policies required to be carried by Participant pursuant to this Agreement shall contain or be endorsed to contain the following provisions:

a. *Commercial General Liability and Business Automobile Liability.* The City Parties and their elected and appointed boards, officials, officers, agents employees and volunteers are to be covered as additional insureds with respect to liability arising out of work or operations performed by or on behalf of Participant, including materials, parts or equipment furnished in connection with such work or operations; or with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of Participant; or with respect to liability arising out of Participant's operation, ownership, maintenance, occupancy, or use of the Homes. Coverage shall not extend to any indemnity coverage for the active negligence of the additional insured in any case where an agreement to indemnify the additional insured would be invalid under Civil Code Section 2782(b). The coverage shall contain no special limitations on the scope of its protection afforded to either City Party or their respective officers, employees and volunteers. This insurance shall be primary insurance with respect to each City Party and their respective officers, employees and volunteers and shall apply separately to each insured against whom a suit is brought or a claim is made. Any insurance or self-insurance maintained by a City Party or its officers, employees and volunteers shall be in excess of this insurance and shall not contribute with it.

b. *All Risk Property and Builder's Risk.* The City Parties shall be named as loss payees.

c. *Workers' Compensation/ Employers' Liability Insurance.* A waiver by the insurer of any right to subrogation against the City Parties and their respective officers, employees and volunteers.

d. *All Insurance Policies.* Each insurance policy required by this Agreement shall be endorsed to state that coverage shall not be cancelled, reduced or materially altered in a manner adverse to the insured without first giving the City Parties a minimum of thirty (30) days' prior written notice by certified mail, return receipt requested.

5. Acceptability of Insurers. All policies of insurance required to be carried by Participant shall be written by responsible and solvent insurance companies with a "Best" rating of not less than A-Class VII or better. Workers' compensation insurance may be placed with the California State Compensation Insurance Fund. All insurers shall be licensed by or hold admitted status in the State of California. At the sole discretion of each City Party, insurance provided by non-admitted or surplus carriers with a Best's rating of no less than A- Class X may be accepted if Participant evidences the requisite need to the sole satisfaction of the City Party.

6. Verification of Coverage. Participant shall furnish the City Parties with certificates of insurance which bear original signatures of authorized agents and which reflect insurers' names and addresses, policy numbers, coverage, limits, deductibles, and self-insured retentions. In addition, Participant shall provide the City Parties with certified copies of all policy endorsements required under this Agreement. All certificates and endorsements must be received and approved by the City Parties within five (5) days of the date of this Agreement. The City Parties reserve the right to require at any time complete, certified copies of any or all required insurance policies and endorsements.

EXHIBIT "D"

TRUTH IN LENDING STATEMENT

| TRUTH IN LENDING | | | |
|--|---|--|---|
| City of _____ | | | |
| ANNUAL PERCENTAGE RATE _____% The cost of your credit as a yearly rate. | FINANCE CHARGE \$ _____ The dollar amount the credit will cost you. | AMOUNT FINANCED \$ _____ The amount of credit provided to you or on your behalf | TOTAL OF PAYMENTS \$ _____ The amount you will have paid after making all payments as scheduled. |

| PAYMENT SCHEDULE | | |
|-------------------------|--------------------|-------------|
| NUMBER OF PAYMENTS | AMOUNT OF PAYMENTS | PAYMENT DUE |
| | | |

******ESTIMATES: The Finance Charge, Total of Payments and Payment Schedule are estimates.**

I AM GIVING YOU A SECURITY INTEREST IN MY PROPERTY LOCATED AT:

(Street Address) _____, CA _____
 (Zip Code)

ACCELERATION: Full payment of the outstanding loan balance is due upon sale, transfer, assignment, disposition, alienation, encumbrance, hypothecation or lease of the property without the prior written consent of the City; the refinance of any lien or encumbrance which has priority over the City's deed of trust for a loan amount in excess of an amount equal to the then outstanding sum secured by such lien or encumbrance or the extension of the term of any loan secured by any such lien, or upon default of the loan documents.

ASSUMPTION: Someone buying the property cannot assume the loan.

LATE CHARGES: If your payment is late, you will be charged interest at the rate of 10% or the maximum legal rate of interest, whichever is lower.

PREPAYMENT: If you prepay the loan in full or in part, you will not have to pay a penalty.

See your contract documents for any additional information regarding non-payment, default, and required repayment in full before scheduled date.

Signature of Owner - _____ Date - _____

Signature of Owner - _____ Date - _____

EXHIBIT "E"

PROMISSORY NOTE SECURED BY DEED OF TRUST

_____, 20__ ("Note Date")

FOR VALUE RECEIVED, the undersigned, **PROBLEM PROPERTY RESOLUTION TEAM, LLC**, a California limited liability company, and **CIVIC CENTER HOME LOANS AND REALTY, INC.**, a California corporation (collectively, "Borrower"), promises to pay to the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), so much principal as may be advanced and outstanding in accordance with the terms of this Promissory Note Secured by Deed of Trust ("Note"), not exceeding _____ Dollars (\$_____), plus such other costs, charges, and fees which may be owing from time to time, all subject to the terms, conditions, and provisions hereinafter set forth in this Note.

Reference is made to the following:

(a) The Neighborhood Stabilization Program Affordable Housing Agreement, with all exhibits thereto, by and among City, Borrower, and the City of Westminster, dated April 13, 2010, as may be amended from time to time ("NSP Agreement"), which sets forth terms and conditions for the acquisition and rehabilitation of that certain real property located at _____ in the City of _____, County of Orange, State of California, more particularly described in the legal description attached as Exhibit 1 to the Deed of Trust referred to below ("Property"). All terms not otherwise defined herein shall have the meaning given in the NSP Agreement.

(b) The Deed of Trust securing this Note, executed by Borrower in favor of City, which is to be recorded against the Property on or about the date hereof, as may be amended from time to time.

1. Loan Amount. The principal amount of City's loan to Borrower ("City Loan") is _____ Dollars (\$_____). The City Loan shall be disbursed to Borrower in accordance with the terms set forth in the NSP Agreement. No interest shall accrue on the City Loan except in the event of a default hereunder or under the NSP Agreement.

2. Terms of Repayment. Concurrently with the transfer of the Property to an Eligible Homebuyer following the completion of the Rehabilitation Project and in compliance with all requirements of the NSP Agreement, Borrower shall pay to City an amount equal to the Resale Price of the Property, less the amount of the Homebuyer Loan provided to the Eligible Homebuyer, if any. The balance of the City Loan shall be forgiven.

Notwithstanding the foregoing, the entire outstanding City Loan balance shall be due and payable if City shall have accelerated the obligations hereunder pursuant to Section 4 of this Note. If Borrower fails to timely pay the amount of the City Loan owing hereunder, interest at the rate of ten percent (10%), compounding annually, or the maximum legal rate then applicable, whichever is less, shall accrue on the City Loan, dating from the day when payment was due. Borrower shall have the right to prepay all or any portion of this Note at any time without penalty.

3. Default. Borrower shall be deemed in default of this Note in the event (i) Borrower fails to timely make a required payment within ten (10) days following the due date of any payment due hereunder, or (ii) Borrower is in default of any of the other terms of this Note and such default is not cured within thirty (30) days after Borrower's receipt of written notice from City specifying the event constituting the default, or (iii) Borrower is in default of the NSP Agreement or the Deed of Trust or on any obligations under any documents relating to any other financing that is secured by the Property, and fails to timely cure such default under the terms of the applicable agreement, or within thirty (30) days of receipt of notice from City if there is no cure period, it being understood and agreed by Borrower that a default of any of the foregoing agreements shall be a default of this Note. In the event Borrower is in default of this Note, City may declare the City Loan and all other amounts payable hereunder immediately due and payable.

4. Acceleration Upon Sale, Lease, Encumbrance, Refinance. To the extent permitted by applicable law, in addition to City's acceleration rights under Section 3, if Borrower shall (i) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Property without the prior written consent of City; or (ii) refinance any lien or encumbrance which has priority over the Deed of Trust for a loan amount in excess of the then outstanding sum secured by such lien or encumbrance or extend the term of any loan secured by any such lien or further encumber the Property, then, or at any time thereafter, City, at its option, may declare the entire indebtedness evidenced hereby immediately due and payable.

5. Collection Costs; Litigation. If this Note is not paid when due, whether at maturity or by acceleration, Borrower promises to pay all costs of collection, including, but not limited to, reasonable attorneys' fees, expert witness fees, and all expenses incurred in connection with the protection or realization of the collateral securing the payment hereof or enforcement of any guarantee, incurred by City on account of such collection, whether or not suit is filed hereon. In any litigation between the parties arising out of this Note, the Superior Court of the State of California in and for the County of Orange shall have exclusive jurisdiction.

6. Waiver of Presentment. To the extent permitted by law, Borrower and all endorsers, guarantors, and persons liable or to become liable on this Note waive presentment, protest, and demand, notice of protest, demand, and dishonor and nonpayment of this Note and any and all other notices or matters of a like nature, and consent to any and all renewals and extensions near the time of payment hereof and agree further that at any time and from time to time without notice, the terms of payment herein may be modified or the security described in any documents securing this Note released in whole or in part or increased, changed, or exchanged by agreement between City and any owner of the premises affected by said documents securing this Note, without in any way affecting the liability of any party to this Note or any persons liable or to become liable with respect to any indebtedness evidenced hereby.

7. No Waiver by City. No waiver of any breach, default, or failure of condition under the terms of this Note or the Deed of Trust or the obligations secured thereby shall be implied from any failure of City to take, or any delay be implied from any failure by City in taking action with respect to such breach, default, or failure from any prior waiver of any similar or unrelated breach, default, or failure.

8. Not Assignable. This Note shall not be assignable or assumable without the express written consent of City, which may be given or withheld in City's sole and absolute discretion.

9. Severability; Governing Law; Amendment. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other provisions or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable. This Note has been executed and delivered by Borrower in the State of California and is to be governed and construed in accordance with the laws thereof. Neither this Note nor any term hereof may be waived, amended, discharged, modified, changed, or terminated orally; nor shall any waiver of any provision hereof be effective except by an instrument in writing signed by Borrower and City.

10. Joint and Several Obligations. If the Borrower under this Note is comprised of one or more persons or entities, the obligations and liabilities of the Borrower hereunder shall be joint and several.

11. Nonrecourse Obligation. Borrower shall not have any personal liability under this Note to pay the indebtedness evidenced under this Note, and any judgment, decree or order for the payment of money obtained in any action to enforce the obligation of Borrower to pay the City Loan shall be enforceable against Borrower only to the extent of Borrower's interest in the Property.

12. Third Party Beneficiary. If the Property is located in the City of Westminster, then the City of Westminster shall be an intended third party beneficiary of City's rights under this Note, with full right (but no obligation) to enforce the terms hereof.

[Signatures appear on following page.]

IN WITNESS WHEREOF, Borrower has executed this Note as of the Note Date.

**PROBLEM PROPERTY RESOLUTION TEAM,
LLC**, a California limited liability company

Matthew Callahan, President

**CIVIC CENTER HOME LOANS AND REALTY,
INC.**, a California corporation

Matthew Callahan, President

EXHIBIT "F"

DEED OF TRUST

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Community Development Director

(SPACE ABOVE FOR RECORDER'S USE)

This Deed of Trust is recorded at the request and for the benefit of the City of Garden Grove and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

DEED OF TRUST

(This Deed of Trust Contains an Acceleration Clause)

This **DEED OF TRUST** ("Deed of Trust") is made as of the _____ day of _____, 20__, by and among **CIVIC CENTER HOME LOANS AND REALTY, INC.**, a California corporation, and **PROBLEM PROPERTY RESOLUTION TEAM, LLC**, a California limited liability company (collectively, "Trustor"), whose address is 6528 Greenleaf Avenue, Suite 204 Whittier, California, 90601 Attention: Matthew Callahan; First American Title Insurance Company ("Trustee"), whose address is _____; and the **CITY OF GARDEN GROVE**, a California municipal corporation ("City" or "Beneficiary"), whose address is 11222 Acacia Parkway, Garden Grove, California 92840, Attention: Community Development Director.

1. Grant in Trust. For the purposes and upon the terms and conditions in this Deed of Trust, Trustor grants, transfers, and assigns to Trustee, in trust, with power of sale and right of entry and possession, the following property and any interest therein (collectively, the "Trust Estate"): (a) Trustor's fee interest in and to that certain real property in the City of _____, County of Orange, State of California, described in Exhibit "1" attached hereto and incorporated herein by reference ("Real Property"); (b) all buildings and other improvements and structures now or hereafter located on the Real Property (collectively, the "Improvements" and together the Real Property and Improvements shall sometimes be referred to as the "Property"); (c) all existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing; and (d) all rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use, management, operation, leasing or occupancy of the Property, including, without limitation, cash or security deposited under any lease to secure the performance by the lessee of its obligations thereunder.

2. Obligations Secured. Trustor makes this grant and assignment for the purpose of securing the following obligations: (a) payment of the sum of \$ _____ ("Loan") according to the terms of a promissory note or notes of even date herewith made by Trustor, payable

to order of City, and modifications, extensions or renewals thereof (“Note”); and (b) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust; and (c) any obligation of Trustor under that certain Neighborhood Stabilization Program Affordable Housing Agreement among Trustor, Beneficiary, and certain other cities dated April 13, 2010 (“NSP Agreement”), to convey the Property to City. Any capitalized terms contained in this Deed of Trust which are not defined herein shall have the meaning given in the NSP Agreement, unless expressly provided to the contrary.

3. Acceleration of Loan Upon Sale, Encumbrance, Refinance, or Default. To the extent permitted by applicable law, if Trustor shall: (i) directly or indirectly, voluntarily or involuntarily, sell, assign, transfer, dispose of, alienate, encumber, lease, or agree to sell, assign, transfer, dispose of, alienate, encumber, or lease all or any portion of any interest in the Property without Beneficiary’s prior written consent; or (ii) refinance any lien or encumbrance which has priority over this Deed of Trust for a loan amount in excess of the then outstanding sum secured by such lien or encumbrance or extend the term of any loan secured by any such lien or further encumber the Property; or (iii) default on any of its obligations set forth in the Loan Documents or on any obligations under any documents relating to any other financing that is secured by the Property and fail to cure the default within any applicable cure period or within thirty (30) days of receipt of notice from Beneficiary if there is no cure period, then, or at any time thereafter, Beneficiary, at its option, may declare the entire indebtedness evidenced by the Note secured by this Deed of Trust immediately due and payable and collectible then or thereafter as City may elect, regardless of the date of maturity. This term “Loan Documents” shall mean this Deed of Trust, the Note, and the NSP Agreement, as such agreements may be amended from time to time.

4. Incorporation of Fictitious Deed of Trust. To protect the security of this Deed of Trust, and with respect to the Property, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County on August 17, 1964, and in all other counties on August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

| COUNTY | BOOK | PAGE | COUNTY | BOOK | PAGE | COUNTY | BOOK | PAGE | COUNTY | BOOK | PAGE |
|--------------|------|--------|-------------|--------|------|-----------------|---------------------------------|------|------------|------|------|
| Alameda | 1288 | 556 | Kings | 858 | 713 | Placer | 1028 | 379 | Sierra | 38 | 187 |
| Alpine | 3 | 130-31 | Lake | 437 | 110 | Plumas | 166 | 1307 | Siskiyou | 506 | 762 |
| Amador | 133 | 438 | Lassen | 192 | 367 | Riverside | 3778 | 347 | Solano | 1287 | 621 |
| Butte | 1330 | 513 | Los Angeles | T-3878 | 874 | Sacramento | 5039 | 124 | Sonoma | 2067 | 427 |
| Calaveras | 185 | 338 | Madera | 911 | 136 | San Benito | 300 | 405 | Stanislaus | 1970 | 56 |
| Colusa | 323 | 391 | Marin | 1849 | 122 | Orange | 6213 | 768 | Sutter | 655 | 585 |
| Contra Costa | 4684 | 1 | Mariposa | 90 | 453 | San Francisco | A-804 | 596 | Tehama | 457 | 183 |
| Del Norte | 101 | 549 | Mendocino | 667 | 99 | San Joaquin | 2855 | 283 | Trinity | 108 | 595 |
| El Dorado | 704 | 635 | Merced | 1660 | 753 | San Luis Obispo | 1311 | 137 | Tulare | 2530 | 108 |
| Fresno | 5052 | 623 | Modoc | 191 | 93 | San Mateo | 4778 | 175 | Tuolumne | 177 | 160 |
| Glenn | 469 | 76 | Mono | 69 | 302 | Santa Barbara | 2065 | 881 | Ventura | 2607 | 237 |
| Humboldt | 801 | 83 | Monterey | 357 | 239 | Santa Clara | 6626 | 664 | Yolo | 769 | 16 |
| Imperial | 1189 | 701 | Napa | 704 | 742 | Santa Cruz | 1638 | 607 | Yuba | 398 | 693 |
| Inyo | 165 | 672 | Nevada | 363 | 94 | Shasta | 800 | 633 | | | |
| Kern | 3756 | 690 | Orange | 7182 | 18 | San Diego | SERIES 5 Book 1964, Page 149774 | | | | |

shall inure to and bind the parties hereto, with respect to the Property. Said agreements, terms and provisions contained in said subdivision A and B (identical in all counties, and printed on pages 6

and 7 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and City may charge for a statement regarding the obligation secured hereby, provided the charge therefore does not exceed the maximum allowed by law.

5. Third Party Beneficiary. If the Property is located in the City of Westminster, then the City of Westminster shall be an intended third party beneficiary of City's rights under this Deed of Trust, with full right (but no obligation) to enforce the terms hereof.

[Signatures appear on following page.]

IN WITNESS WHEREOF, Trustor has executed this Deed of Trust as of the date and year first written above.

**PROBLEM PROPERTY RESOLUTION TEAM,
LLC**, a California limited liability company

Matthew Callahan, President

**CIVIC CENTER HOME LOANS AND REALTY,
INC.**, a California corporation

Matthew Callahan, President

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared _____,
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

1) To keep said property in good condition and repair, not to remove or demolish any building thereon; to complete or restore promptly and in a good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at the option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, 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 may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; 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, pay necessary expenses, employ counsel and pay his reasonable fees.

5) 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 to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

1) That any award in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property

then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or be a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collecting 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.

6) That upon default by Trustor in payment of any indebtedness secured hereby or in the performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable 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, said 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 said 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 said 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 as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7) 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 or counties where said property is situated 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, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO FIRST AMERICAN TITLE INSURANCE COMPANY, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes and of all indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, an all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated

Please mail Deed of Trust,
Note and Reconveyance to

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

CERTIFICATE OF ACCEPTANCE
NSP Loan Deed of Trust

This is to certify that the interest in real property conveyed by the foregoing Deed of Trust dated _____, 20__ from **CIVIC CENTER HOME LOANS AND REALTY, INC.**, a California corporation, and **PROBLEM PROPERTY RESOLUTION TEAM, LLC**, a California limited liability company, to the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), is hereby accepted by the undersigned officer on behalf of City pursuant to authority conferred by Resolution of the City Council adopted on April 13, 2010, and City, as beneficiary, consents to recordation thereof by its duly authorized officer.

CITY OF GARDEN GROVE, a California
municipal corporation

By: _____
City Manager or Authorized Designee

ATTEST:

Kathleen Bailor, City Clerk

EXHIBIT "1" TO DEED OF TRUST

LEGAL DESCRIPTION OF PROPERTY

All that certain property located in the City of _____, County of Orange, State of California, described as follows:

EXHIBIT "1" TO EXHIBIT F

EXHIBIT "G"

MEMORANDUM

RECORDED AT THE REQUEST OF
AND WHEN RECORDED RETURN TO:

City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Community Development Director

(Space Above Line for Recorder's Use)

This Memorandum of Neighborhood Stabilization Program Affordable Housing Agreement is recorded at the request and for the benefit of the City of Garden Grove and is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

MEMORANDUM OF NEIGHBORHOOD STABILIZATION PROGRAM AFFORDABLE HOUSING AGREEMENT

This **MEMORANDUM OF NEIGHBORHOOD STABILIZATION PROGRAM AFFORDABLE HOUSING AGREEMENT** ("Memorandum") is entered into this ____ day of _____, 20____, by and between the **CITY OF GARDEN GROVE**, a California municipal corporation ("City"), and **PROBLEM PROPERTY RESOLUTION TEAM, LLC**, a California limited liability company, and **CIVIC CENTER HOME LOANS AND REALTY, INC.**, a California corporation (collectively, "Participant").

This Memorandum is made with reference to the following:

1. Participant, City, and the City of Westminster entered into that certain Neighborhood Stabilization Program Affordable Housing Agreement dated as of April 13, 2010 ("NSP Agreement"), pursuant to which City contracted with Participant to acquire and rehabilitate certain Homes that have been Abandoned or Foreclosed upon and to convey the Homes to eligible Middle Income Households after the completion of the rehabilitation. All terms not otherwise defined herein shall have the meanings given to them in the NSP Agreement.

2. The NSP Agreement was entered into pursuant to the Housing and Economic Recovery Act of 2008 ("HERA") and the Neighborhood Stabilization Program at Title III of Division B of the HERA ("NSP").

3. On or about the date of the recordation of this Memorandum, Participant acquired that certain real property located at _____ in the City of _____, County of Orange, State of California, more particularly described in the legal description attached hereto as Exhibit "1" ("Property"). The Property constitutes a "Home" under the NSP Agreement.

4. Pursuant to the NSP Agreement, City provided a loan of NSP funds to Participant for the acquisition and rehabilitation of the Home.

5. The NSP Agreement provides for Participant and City to enter into this Memorandum and to record the same in the Official Records of the County of Orange to provide notice to all persons of the existence of said NSP Agreement.

6. This Memorandum is not intended as a full description of the terms and conditions of the NSP Agreement. This Memorandum shall not replace, alter, or modify any term or condition set forth in the NSP Agreement, nor shall it be used to interpret the terms and conditions of the NSP Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Memorandum as of the date first set forth above.

“CITY”

CITY OF GARDEN GROVE,
a California municipal corporation

Matthew Fertal, City Manager

ATTEST:

Kathleen Bailor, City Clerk

“PARTICIPANT”

**PROBLEM PROPERTY RESOLUTION
TEAM, LLC,** a California limited liability
company

Matthew Callahan, President

**CIVIC CENTER HOME LOANS AND
REALTY, INC.,** a California corporation

Matthew Callahan, President

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared ____,
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared ____,
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

State of California)
County of _____)

On _____, before me, _____,
(insert name and title of the officer)

Notary Public, personally appeared ____,
who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT "1"
TO MEMORANDUM OF NEIGHBORHOOD STABILIZATION PROGRAM
AFFORDABLE HOUSING AGREEMENT

LEGAL DESCRIPTION OF PROPERTY

That certain real property located in the City of _____, County of Orange, State of California, legally described as follows:

EXHIBIT "H"

**SELLER'S OCCUPANCY CERTIFICATION UNDER
THE PROTECTING TENANTS AT FORECLOSURE ACT**

(FOR VACANT PROPERTY ONLY)

[To be completed and signed by the seller of the property.]

Address of Property ("Property")

City, State Zip

The undersigned, Seller of the Property certifies to _____ (Buyer) that

1. Seller has complied with the provisions of the *Protecting Tenants at Foreclosure Act*, Title VII of the *Helping Families Save Their Homes Act of 2009* ("PTFA") in connection with the Property, including any requirements of the giving of notice to vacate ("Notice") as required pursuant to PTFA to any bona fide tenant of the Property if any such tenant was in possession of the Property prior to Seller's notice of foreclosure; and
2. The Property will be delivered vacant, unoccupied and without any party in possession or with a right to possession to the Property.

The Seller also certifies and agrees that it has not now and will not after the date hereof allow any person, including the former owner, to occupy the Property under a lease or any other agreement for possession of the Property either oral or written.

Signature of Seller

Date: _____

By: _____
Its: _____

TEXT BELOW SHOWN FOR REFERENCE BUT SHOULD BE DELETED FOR THE FINAL CERTIFICATION FORM

**NOTES TO SELLER'S OCCUPANCY CERTIFICATION UNDER
THE PROTECTING TENANTS AT FORECLOSURE ACT**

1. A bona fide tenant is a tenant under a bona fide lease. A "bona fide" lease is considered a bona fide lease only if:
 - a) the mortgagor (or the child, spouse, or parent of the mortgagor) under the contract (lease) is not the tenant;
 - b) the lease or tenancy was the result of an arms-length transaction; and
 - c) the lease or tenancy requires the receipt of rent that is not substantially less than fair market rent for the property or the unit's rent is reduced or subsidized due to a Federal, State, or local subsidy. PTFA Section 702(b) (Note the Bridge Notice provides for a slightly different definition at 1(a)).
2. Generally, the PTFA requires that the initial successor in interest (typically the Seller) provide a 90-day notice to vacate to a bona fide tenant of the foreclosed property acquired by the successor in interest. If the tenant has an existing bona fide lease, the tenant may occupy the premises until the remaining term of the lease or 90 days after receipt of the 90-day notice, whichever is longer. However, the successor in interest may terminate the tenant's lease (even a lease for a greater remaining term than 90 days) if the successor in interest sells the unit to a purchaser who will occupy the unit as a primary residence, and the successor in interest provides 90-day notice to the tenant. PTFA Section 702(a)(2).
3. Notice given under the PTFA is notice given as required by state law.
4. The effective date of the requirements of PTFA are May 20, 2009, however the original requirements for protection of tenants was found in the so called Stimulus Bill ("ARRA") which had an effective date of February 17, 2009.