

***DRAFT***

**AFFORDABLE HOUSING LOAN AGREEMENT**

**by and between**

**THE CITY OF GARDEN GROVE**

**and**

**TAMERLANE ASSOCIATES, LLC  
(12142 Tamerlane Drive)**

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# AFFORDABLE HOUSING LOAN AGREEMENT

This **AFFORDABLE HOUSING LOAN AGREEMENT** (the “Agreement”) is entered into as of January 24, 2012 (“Effective Date”), by and between the **CITY OF GARDEN GROVE**, a California municipal corporation (the “City”), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the “Owner”).

## RECITALS

A. Owner has entered or will enter into an agreement or agreements to purchase a parcel of real property located within the City of Garden Grove, at 12142 Tamerlane Drive, which is improved with a four (4) unit (each a “Unit”) apartment complex thereon (the “Property”), as particularly described in the Legal Description attached hereto as Exhibit A, and incorporated herein by reference.

B. By this Agreement, and subject to the terms and conditions herein, the City desires to provide financial assistance to Owner in the form of a loan in the principal amount of One Million One Hundred Ninety Thousand, Nine Hundred Ninety-Two Dollars (\$1,190,992) (“City Loan:”) and a payment of Thirty Thousand Dollars (\$30,000) (“Developer Fee”) from City general funds.

C. Owner agrees to use the City Loan to acquire, rehabilitate and operate the Property. Such acquisition, rehabilitation and operation will herein be referred to as the “Project.”

D. In consideration of the City Loan, the Owner agrees to complete the Rehabilitation and rent each Unit to households earning 80% of the median income in Orange County or less at an affordable rent for a period of at least twenty (20) years (“Operating Period”) from the date of the completion of the Rehabilitation.

E. The Project completion of the Project is in the vital and best interest of the City and the health, safety and welfare of its residents, and in accord with the public purposes and provisions of applicable federal, state and local laws and requirements.

**NOW, THEREFORE**, the parties hereto agree as follows:

## 100. CITY ASSISTANCE

**101. City Loan.** The City hereby agrees to loan to the Owner and the Owner hereby agrees to borrow from the City the amount of One Million, One Hundred Ninety Thousand, Nine Hundred Ninety Two Dollars (\$1,190,992), subject to the terms and conditions set forth in this Agreement, and subject further to the terms and conditions set forth within the documents and instruments executed by the Owner in connection with this transaction, including the “Promissory Note,” in substantially the form set forth in Exhibit B, the “Deed of Trust,” in substantially the form set forth in Exhibit C, the “Regulatory Agreement,” and the Notice of Affordability Restrictions substantially in the form of Exhibit H in substantially the form set forth in Exhibit E, the "Option Agreement" in substantially the form set forth in Exhibit F and the Notice of Affordability Restrictions substantially in the form of Exhibit H. The obligations of the Owner under the Promissory Note shall be non-recourse.

**101.1 Repayment of the City Loan.** The City Loan shall accrue simple interest at the rate of three percent (3%) per annum. Payments of the City Loan shall be made on an annual basis from seventy-five percent (75%) of the residual cash flow (“Net Profits”) from the operation of the Property until the entire principal amount of the Promissory Note is repaid in full.

**101.2 Review of Project Records by City.** The City shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 101, “Net Profits” means the gross income the Owner receives from the operation of the Property (“Project Revenues”), less deposits to reserve accounts and “Operating Expenses,” as hereafter defined. “Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the City as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 hereof; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to this Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates for comparable projects in Orange County. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the City not less than annually in annual financial statements accompanied by a certification of the Owner that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles. Owner shall transmit to the City copies of any audited financial statements received by Owner, if any, promptly after receipt.

**101.3 Substitution of Other Sources of Funding.** The City’s financial assistance under this Agreement is intended to come from the City’s General Funds; however, the City reserves the right, in its sole and absolute discretion, to substitute another funding source(s) for the General Funds committed by this Agreement. In the event the City changes the funding source(s), the parties hereby agree to amend this Agreement, as reasonably necessary, and to execute additional documents that may be required to comply with applicable law as a result of the change in funding source(s).

**102. Disbursement of the City Loan.** The City Loan shall be disbursed into the escrow established for the Acquisition of the Property. The City Loan shall be disbursed on behalf of the Owner upon satisfaction of all of the following conditions precedent (the “Conditions Precedent”):

(a) ***Execution and Delivery of Documents.*** Owner shall have executed and delivered into Escrow the Promissory Note, the Deed of Trust, the Regulatory Agreement, the Notice of Affordability Restrictions, the Option Agreement, and any other documents and instruments required to be executed and delivered by Owner (collectively, the “City Loan Documents”). The Deed of Trust shall not be subordinate to the lien of any other loans, mortgages or deeds of trust.

(b) ***Property Appraisal.*** The Owner shall have submitted to City a true and correct copy of an appraisal of the fair market value of the Property, and City shall have

conducted any appraisals of the Property and/or evaluations of market data which it desires, demonstrating to the satisfaction of the City that the purchase price to be paid by the Owner for the Property is not greater than the fair market value of the Property.

(c) **Title Insurance.** The City shall have received from a title insurance company approved by the City, a pro forma of a policy of lender's title insurance, together with such endorsements as the City may require, which shall insure the Deed of Trust as a lien upon the Property, junior and subordinate only to Bank Loan as approved pursuant to Section 211 hereof.

(d) **Title to Land.** The Owner shall, as of the closing with respect to the acquisition of the Property, have good and marketable fee title to the Property, and there will exist thereon or with respect thereto no mortgage, lien, pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and assessments not yet due and payable, the deeds of and any other matters approved in writing by the City. The Owner's acquisition of the Property shall be completed no later than one hundred eighty (180) days from the Effective Date of this Agreement.

(e) **Recordation.** The Deed of Trust, the Regulatory Agreement, the Option Agreement, and the Notice of Affordability Restrictions shall be recorded against the Property concurrently with or prior to the time of the disbursement of the City Loan.

(f) **Management Plan.** City shall have approved the Management Plan pursuant to Section 309 hereof.

(g) **No Default.** There shall exist no condition, event or act which would constitute an Event of Default (as hereinafter defined) hereunder or which, upon the giving of notice or the passage of time, or both, would constitute an Event of Default.

(h) **Representations and Warranties.** All representations and warranties of Owner herein contained shall be true and correct.

The parties shall attempt to complete all of their pre-closing obligations as soon as possible after the execution of this Agreement, and no later than one hundred eighty (180) days from the Effective Date of this Agreement, unless the parties mutually agree to a later date. The Owner shall use a portion of the City Loan proceeds in the amount of Ten Thousand Dollars (\$10,000) to establish an Operating Reserve, pursuant to Section 308 hereof. The proceeds of the City Loan shall not be used for other reserve accounts, monitoring, servicing and origination fees, or for expenditures made or incurred more than one year after Property acquisition.

**103. Assumption of City Loan.** Except in connection with transfers approved or permitted pursuant to Section 604 hereof, the Promissory Note shall not be assignable by the Owner or assumable by successors and assigns of Owner. In no event, however, shall the Promissory Note be assigned except in connection with the conveyance of the Property to the person or entity which acquires the Promissory Note.

**104. Payment of Developer's Fee.** In further consideration of the obligations of Owner hereunder, the City shall pay a "Developer's Fee" in the amount of Thirty Thousand Dollars (\$30,000), payable upon Owner's acquisition of the Property to Owner or such other person or entity as Owner may direct.

**105. Condition of the Property.** The following requirements shall apply to the Property:

**105.1 Environmental Condition Prior to City Loan Disbursement.** Except as otherwise disclosed in reports obtained by or provided to the City, the Owner represents to the City that it is not aware of, to the best of its actual knowledge, and it has not received any notice or communication from any governmental City having jurisdiction over the Property, or any other person or entity, or any reports or studies, notifying it of the presence of Hazardous Materials or Hazardous Materials Contamination in, on, or under the Property, or any portion thereof, or any violation of applicable laws. The Owner further represents that it knows of no circumstances, conditions or events that may, now or with the passage of time, give rise to any environmental or other legal claim against or affecting the Property. The Owner represents that any inspection reports, environmental audits, reports or studies which concern the Property, or inspection reports from applicable regulatory authorities with respect to the Property, which the Owner has received, have been delivered to the City.

**105.2 Indemnification.** Owner shall save, protect, pay for, defend, indemnify and hold harmless the City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the City and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or the violation of Governmental Requirements.

**105.3 Release.** The Owner hereby waives, releases and discharges forever the City and the City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the City's and/or the City's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the City and/or City and their respective officers, employees, elected officials, consultants, attorneys, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

As such relates to this Section 105.3, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

**105.4 Duty to Prevent Release of Hazardous Materials.** During its ownership and operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the City, and provide to the City a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Owner shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

**105.5 Definitions.** For purposes of this Section 105, “Governmental Requirements” shall mean all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, City or instrumentality exercising jurisdiction over the City, the Owner or the Property.

For purposes of this Section 105, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a “hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C. §6903) or (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the City, including without limitation alcohol, aspirin, tobacco and saccharine.

**106. Timing of Acquisition.** The Owner hereby covenants and agrees to acquire the Property (the “Acquisition” or “Acquire”) no later than one hundred eighty (180) days from the Effective Date of this Agreement.



## **200. REHABILITATION OF THE PROPERTY**

**201. Rehabilitation of the Property.** The Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached hereto as Exhibit G and incorporated herein by reference, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the City pursuant to Section 203 hereof (the “Rehabilitate” or “Rehabilitation”). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the City the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the City shall be responsible for determining whether each contractor has been debarred. The City Manager (“City Manager”) or his designee shall reasonably approve such contract or contracts if the City Manager or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

**202. Cost of Rehabilitation.** The cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fourteen Thousand, Two Hundred Seventy Dollars (\$14,270) per unit, in the total amount of Fifty-Seven Thousand, Seventy-Seven Dollars (\$50,077) plus a contingency of Five Thousand, Seven Hundred Eight Dollars (\$5,708) and a construction management fee payable to Owner of Five Thousand, Seven Hundred Eight Dollars (\$5,708) (the “Rehabilitation Allocation”). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the City a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The City shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.

**203. Work Write-up.** Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the City detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the “Work Write-up”), and the City shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the City and the Owner shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the City-approved Work Write-up, it shall submit such proposed changes to the City and the City shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the City as to whether the proposed change is approved or disapproved. The City shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up, nor for any structural or other defects in any work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 203. The Owner shall hold harmless, indemnify and defend the City of Garden Grove and their respective officers, employees, elected

officials, consultants, attorneys, representatives and agents from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

**204. Timing of Rehabilitation.** The Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

**205. City and Other Governmental Agency Permits.** Before commencement of the Rehabilitation for the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the City or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the Agency final drawings with final corrections to obtain such permits.

**206. Right of the City to Satisfy Other Liens on the Property After City Loan Disbursement.** After the disbursement of the City Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner has had written notice and has failed after a reasonable time, but in any event not less than forty-five (45) days, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the City shall have the right but not the obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.

**207. Release of Construction Covenants.** Promptly after the completion of the Rehabilitation of the Property in conformity with this Agreement (as reasonably determined by the City Manager or his designee), upon the written request of the Owner, the City shall furnish the Owner with a Release of Construction Covenants (in the form attached hereto as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation, in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation as of the time of the issuance of the Release of Construction Covenants.

**208. Insurance and Indemnity.**

**208.1 Commencement of Work.** Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by City. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance.

**208.2 Workers Compensation.** For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against City, its officers, officials, agents, employees, and volunteers.

**208.3 Insurance Amounts.** The owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to City proof of

insurance and endorsement forms that conform to City's requirements, as approved by City. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate City as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

A waiver of subrogation for all policies shall be provided against the City, and its officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects City, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents, or volunteers shall by excess of the Owner's insurance and shall not contribute with it.

**209. Entry by the City.** Owner shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation to determine that the same is in conformity with the Work Write-up and all the requirements hereof. Owner acknowledges that the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the City therefor. Any inspection by the City is entirely for the purpose of determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

**210. Compliance With Laws.** The Owner shall carry out the Project in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

**210.1 Taxes and Assessments.** The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

**210.2 Relocation.** Owner shall conduct and submit to the City a tenant survey, completed by each tenant household currently residing on the Property and such other information as reasonably required by City to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Project. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the City shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the City and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b) ("HOME Regulations" shall mean 24 C.F.R. Part 92. The form of such notice shall be approved by the City prior to its delivery to the tenants. The Owner shall enter into a written lease with each tenant, in a form approved by the City, that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*, and the regulations adopted pursuant thereto by the State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the Owner's acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner's efforts to prevent such displacement as provided above, the City shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The City shall bear the cost of such relocation.

**210.3 Liens and Stop Notices.** The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the City's demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

**210.4 HOME Matching Contribution.** This Agreement and the City expenditures hereunder are intended to be a "Matching Contribution" as that term is used in the HOME

Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the “HOME Program”). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the City shall provide to the Owner a copy of applicable HOME Program requirements.

**210.5 Prevailing Wage Requirements.** The City and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the Project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the City has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be performed by Owner and covered by this Agreement is not a “public work,” as defined in Section 1720 of the Labor Code.

**210.6 City Parking Programs and Requirements.** The Owner shall comply with all ordinances and other requirements or programs established by the City with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.

**211. Financing of the Property.** . Until the City Loan is repaid in full, the Owner shall not enter into any financing for the Property without the prior written approval of the City, which approval City agrees to give if such proposed financing is provided by a responsible financial institution and the ratio of total debt and equity financing (including the City Loan) to the purchase price of the Property does not exceed One Hundred Percent (100%). The City’s approval of such financing shall not be unreasonably withheld or delayed. Upon the request of the Owner, the City Loan Deed of Trust shall be made subordinate to the Bank Loan provided that the Bank Loan meets the requirements of Section 312.

**211.1 Holder Performance of Rehabilitation.** The holder of any mortgage or deed of trust authorized by this Agreement shall not be obligated by the provisions of this Agreement to perform the Rehabilitation of the Property, or to guarantee such construction or completion; nor shall any covenant or any other provision in this Agreement be construed so to obligate such holder. Whenever the City may deliver any notice or demand to Owner with respect to any breach or default by the Owner in completion of Rehabilitation of the Property, the City may at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement a copy of such notice or demand. Each such holder shall (insofar as the rights granted by the City are concerned) have the right, at its option, within thirty (30) days after the receipt of the notice, upon expressly assuming the Owner’s obligations to the City by written agreement reasonably satisfactory to the City, to cure or remedy or commence to cure or remedy and thereafter to pursue with due

diligence the cure or remedy of any such default and to add the cost thereof to the mortgage debt and the lien of its mortgage.

### **300. OPERATION OF HOUSING**

**301. Affordable Units.** The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the “Affordable Units”), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the “Operation” or “Operate”).

For purposes of this Agreement, “High HOME Income Households”(hereinafter termed “Lower Income Households”) shall mean those households with incomes that do not initially exceed eighty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development (“HUD”) or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time. .

Upon the Owner’s acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall obtain such certification prior to the rental or lease of any Affordable Unit in the Properties to a new tenant, and within a reasonable time after the Owner’s acquisition of the Properties with respect to existing tenants, and annually thereafter. No new tenants shall be permitted to lease an Affordable Unit unless such certification demonstrates that such prospective tenant is a Low Income HOME Household and meets the eligibility requirements established for the Affordable Unit.

The Owner shall initially determine annual income in accordance with HOME regulations at 24 CFR 92.203 (a)(1)(i) by examining the source documents evidencing annual income (e.g. wage statement, interest statement, unemployment compensation statement) for the household and subsequently determine income during the period of affordability by obtaining a written statement and certification of annual income from each Low Income HOME Household established at 24 CFR 92.203(a)(1)(ii) and in accordance 24 CFR 92.252(h). Such income certification shall be available for inspection and copying by the City upon reasonable and advance notice during normal business hours. The Owner shall verify the income of each proposed and existing tenant of the Affordable Units in the Properties at least annually.

The Property shall be subject to the requirements of this Section 300 from the date of the Owner’s acquisition of the Property until the twentieth (20<sup>th</sup>) anniversary of such date. The duration of this requirement shall be known as the “Affordability Period.”

**302. Affordable Rent.** The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following “Affordable Rent” requirements.

The Affordable Units shall be “Fixed HOME Units” rented to Lower Income Households at “maximum HOME Rent limits” each as defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit,

less the monthly allowance for utilities and services to be paid by each tenant (“Affordable Rent”). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed thirty percent (30%) of the family’s adjusted income.

For purposes of this Agreement, “Monthly Rent” means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

**303. Lease Requirements.** Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City’s approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* (“CRL”) and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

**304. Affirmative Marketing.** The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

**305. Selection of Tenants.** Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

**306. Occupancy Standards.** Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.



**307. Maintenance.** The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

**308. Reserve Requirements.** The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Ten Thousand Dollars (\$10,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

**309. Long Term Management of the Property.** The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the “Property Manager”). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a “Management Plan” which sets forth in detail the Owner’s property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City for inspection and copying, upon reasonable advance notice during its normal hours of business.

**310. Monitoring and Recordkeeping.** Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and

shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner's consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner's expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

**311. Non-Discrimination Covenants.** Owner covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation clauses:

(a) ***In deeds:*** "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) ***In leases:*** "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased."

(c) ***In contracts:*** “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

**312. Compliance with Equal Opportunity and Fair Housing.** Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

**313. Regulatory Agreement.** The requirements of this Agreement which are applicable after the disbursement of the City Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the City Loan, as set forth in Section 102 hereof. The Regulatory Agreement shall run with the land and shall be subordinate to the lien of the Bank Loan approved by the City pursuant to Section 211 hereof, provided that the City finds that an economically feasible method of financing for the acquisition and operation of the Property, without the subordination of the covenants as may be set forth in this Agreement and the Regulatory Agreement, is not reasonably available. Upon making such a finding, the City Manager (or designee) is hereby authorized to execute such subordination agreements and/or such other documents as may be necessary to evidence such subordination, provided that such subordination agreements contain written commitments which the City Manager (or designee) finds are reasonably designed to protect the City’s investment in the event of default, such as any of the following: (a) a right of the City to cure a default on the loan prior to foreclosure, (b) a right of the City to negotiate with the lender after notice of default from the lender and prior to foreclosure, (c) an agreement that if prior to foreclosure of the loan, the City takes title to the property and cures the default on the loan, the lender will not exercise any right it may have to accelerate the loan by reason of the transfer of title to the City, and (d) a right of the City to purchase the Property from the Owner at any time after a default on the loan.

#### **400. OPTION TO PURCHASE**

**401. Option.** The Owner hereby grants to the City, and the City shall have, subject to any deeds of trust which have been approved pursuant to Section 211 of this Agreement, an option (the “Option”) to purchase the Property from Owner at the purchase price set forth in the Option (the “Option”). The City shall have the right but not the obligation to exercise the Option at any time commencing upon the date of the Owner’s acquisition of the Property (the “Option commencement date”). If the Option has not been exercised by March 19, 2030, it shall automatically expire. Upon such expiration, the City shall, upon receipt of request therefor by the Owner, provide written confirmation in recordable form that such Option no longer remains in effect. The terms and conditions of the Option shall be set forth in an Option Agreement substantially in the form of Exhibit F, which is attached hereto and incorporated herein, which shall be executed by the parties to

the Option and recorded as an encumbrance to the Property concurrently with the Owner's acquisition of the Property.

## **500. DEFAULT AND REMEDIES**

**501. Events of Default.** A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the City Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a "Default" under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the City Loan, the Owner shall immediately deliver to the City a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the City shall each have the right (but not be obligated) to cure such default. In such event, the City shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The City shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

**502. Remedies.** The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement and/or the Promissory Note, Deed of Trust or Regulatory Agreement (collectively, the "City Loan Documents"), including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under the City Loan Documents or to enjoin acts or things which may be unlawful or in violation of the provisions of the City Loan Documents, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the City of any obligation to perform hereunder, including without limitation to make or continue the City Loan, and the right to cause all indebtedness of the Owner to the City under this Agreement and the Promissory Note, together with any accrued interest thereon, to become immediately due and payable.

**503. Force Majeure.** Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the City's acts or failure to act shall not excuse performance of the City hereunder). An extension of the time for

any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 503.

**504. Attorneys' Fees.** In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder or under any of the City Loan Documents, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

**505. Remedies Cumulative.** No right, power, or remedy given to the City by the terms of this Agreement or the City Loan Documents is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

**506. Waiver of Terms and Conditions.** The City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

**507. Non-Liability of City Officials and Employees.** No member, official, elected official, consultant, attorney, representative, employee or agent of the City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

## **600. GENERAL PROVISIONS**

**601. Time.** Time is of the essence in this Agreement.

**602. Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attention: Chuck Fry

City: Garden Grove Economic Development Department  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attn: City Manager

Such addresses may be changed by notice to the other party given in the same manner as provided above.

**603. Representations and Warranties of Owner.** Owner hereby represents and warrants to the City as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to make and accept the borrowings contemplated hereunder, to execute and deliver the City Loan Documents and all other documents or instruments executed and delivered, or to be executed and delivered, pursuant to this Agreement, to acquire and operate the Property, and to perform and observe the terms and provisions of all of the above.

(c) **Valid Binding Agreements.** This Agreement and the City Loan Documents and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to repay the City Loan or impair the security to be given to the City pursuant hereto.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the City that no government assistance other than the City Loan, comprised of City General Funds, has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the City in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.

**604. Limitation Upon Change in Ownership, Management and Control of the Property.**

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the City. It is because of this identity and these qualifications that the City has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property without the prior written approval of the City pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment or transfer of this Agreement, the City Loan, the Promissory Note, the Deed of Trust, the Regulatory Agreement, or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 604, shall not be required in connection with any of the following (the "Permitted Transfers"):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement and the Regulatory Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the City pursuant to Section 211 hereof.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the City assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the City's prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to City of such assignment or transfer.

(c) **City Consideration of Requested Transfer.** The City agrees that it will not unreasonably withhold approval of a request made pursuant to this Section 604, provided (a) the Owner delivers written notice to the City requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement and the Promissory Note in a form which is reasonably acceptable to the City. Such notice shall be accompanied by evidence regarding the proposed assignee's or purchaser's qualifications and experience and its financial commitments and resources sufficient to enable the City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 604(c) and other criteria as reasonably determined by the City. The City shall approve or disapprove the request within thirty (30) days of its receipt of the Owner's notice and all information and materials required herein. In no event, however, shall the City be obligated to approve the assignment or transfer of the City Loan, Promissory Note or Deed of Trust pursuant to



this Section 604, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) **Successors and Assigns.** This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

**605. No Third Parties Benefited.** This Agreement is made and entered into for the protection and benefit of the City, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons, except that the City and Housing Authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and the covenants against discrimination contained in this Agreement, the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

**606. Partial Invalidity.** If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

**607. Governing Law.** This Agreement and the City Loan Documents and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

**608. Amendment.** This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the City.

**609. Approvals.** Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager or his or her designee. The City Manager or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the City, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the City hereunder.

*[Signature block begins on page 23.]*

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date and year set forth below.

**OWNER:**

**TAMERLANE ASSOCIATES, LLC**,  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

**CITY:**

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

By: \_\_\_\_\_  
City Manager

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Stradling Yocca Carlson & Rauth  
City Special Counsel

**EXHIBIT A**  
**LEGAL DESCRIPTION**

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

**EXHIBIT B**  
**PROMISSORY NOTE**

\$1,190,992

\_\_\_\_\_, 2012

Garden Grove, California

**FOR VALUE RECEIVED, TAMERLANE ASSOCIATES, LLC**, a California limited liability company (“Owner”), promises to pay to the **CITY OF GARDEN GROVE**, a municipal corporation (the “City”), or order at the City’s office at 11222 Acacia Parkway, Garden Grove, California 92840, or such other place as the City may designate in writing, the principal sum of One Million One Hundred Ninety Thousand Nine Hundred Ninety-Two Dollars (\$1,220,992) (the “Note Amount”), in currency of the United States of America, which at the time of payment is lawful for the payment of public and private debts.

**1. Agreement.** This Promissory Note (the “Note”) is given in accordance with that certain Affordable Housing Loan Agreement executed by the City and the Owner, dated as of January 24, 2012 (the “Agreement”). The rights and obligations of the Owner and the City under this Note shall be governed by the Agreement and by the additional terms set forth in this Note.

**2. Interest.** The Note Amount shall accrue simple interest at the rate of three percent (3%) per annum.

**3. Repayment of Note Amount.** The Owner shall make payments on this Note as follows, until the earlier to occur of (i) the full Note Amount is repaid in full or (ii) the Operating Period terminates: the Owner shall pay to the City an amount equal to seventy-five percent (75%) of the Net Profits from the Property on January 15<sup>th</sup> of each calendar year during the term of this Note. The City shall be entitled to review the books and records of the Owner pertaining to the Operating Expenses and Net Profits of the Property, during normal business hours and upon reasonable advance notice. For the purposes of this Section 3, “Net Profits” means gross income from the Property and any other income the Owner receives from the operation of the Property, less deposits to reserve accounts and “Operating Expenses,” as hereafter defined. “Operating Expenses” shall mean actual, reasonable and customary costs, fees and expenses directly incurred and attributable to the financing, operation, maintenance, and management of the Property, including without limitation payment of debt service on the loans approved by the City as set forth herein, painting, cleaning, repairs and alterations, landscaping, utilities, rubbish removal, sewer charges, real and personal property taxes and assessments, insurance, securities, advertising, promotion and publicity, office, janitorial, cleaning and building supplies, a management fee not to exceed five percent (5%) of gross rents and other income of the Property pursuant to Section 309 of the Agreement; purchase, repairs, servicing and installation of appliances, equipment, fixtures and furnishings, fees and expenses of accountants, attorneys, consultants and other professionals, capital repairs and improvements, and other payments by the Owner pursuant to the Agreement, including indemnity obligations; provided, however, that payments to parties related to or affiliated with Owner for Operating Expenses must not exceed market rates. The Operating Expenses shall not include non-cash expenses, including without limitation, depreciation. The Operating Expenses shall be reported to the City not less than annually in annual financial statements accompanied by a certification of the Owner that such financial statements present the financial position, results of operations, and cash flows fairly and in accordance with generally accepted accounting principles.

Owner shall transmit to the City copies of any audited financial statements received by Owner, if any, promptly after receipt.

Notwithstanding the above, however, the total amount of the principal, interest and any other amounts owed under this Note shall become immediately due and payable upon the earlier to occur of the following:

- (a) the sale, lease, exchange or other conveyance of the Property, as that term is defined in the Agreement (other than transfers permitted pursuant to Section 604 of the Agreement); or
- (b) in the event of a default by the Owner under the Agreement, the Deed of Trust securing this Note, the Regulatory Agreement, or this Note, which has not been cured within the period of time set forth in those documents.
- (c) the City's purchase of the Property pursuant to Section 400 of the Agreement.

Failure to declare such amounts due shall not constitute a waiver on the part of the City to declare them due subsequently.

**4. Sale or Conveyance of the Property.** Notwithstanding the provisions of Section 3, if the Property is sold or transferred by Owner to a Buyer and/or Transferee who is approved by the City pursuant to Section 604 of the Agreement, then the Note Amount together with accrued simple interest thereon, if any, is immediately due and payable or, Buyer and/or Transferee may, with the express written consent of the City in its sole and reasonable discretion, fully assume this Note and the Deed of Trust.

**5. Security.** This Note is secured by a Deed of Trust dated the same date as this Note.

**6. Waivers**

- (a) Owner expressly agrees that this Note or any payment hereunder may be extended from time to time at the City's sole discretion and that the City may accept security in consideration for any such extension or release any security for this Note at its sole discretion all without in any way affecting the liability of Owner.
- (b) No extension of time for payment of this Note made by agreement by the City with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Owner under this Note, either in whole or in part.
- (c) The obligations of Owner under this Note shall be absolute and Owner waives any and all rights to offset, deduct or withhold any payments or charges due under this Note for any reasons whatsoever.

**7. Attorneys' Fees and Costs.** Owner agrees that if any amounts due under this Note are not paid when due, Owner shall pay in addition, all costs and expenses of collection and reasonable attorneys' fees paid or incurred in connection with the collection or enforcement of this Note, whether or not suit is filed.

**8. Joint and Several Obligation.** This Note is the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their heirs, successors and assigns.

**9. Deed of Trust Acceleration.** The Deed of Trust and the Agreement provide for acceleration of the payments due under this Note in the event of default under the Deed of Trust or Agreement.

**10. Amendments and Modifications.** This Note may not be changed orally, but only by an amendment in writing signed by Owner and by the City.

**11. City May Assign.** City may, at its option, assign its right to receive payment under this Note without necessity of obtaining the consent of the Owner.

**12. Owner Assignment Prohibited.** Except in connection with transfers permitted pursuant to Section 604 of the Agreement, in no event shall Owner assign or transfer any portion of this Note without the prior express written consent of the City, which consent may be given or withheld in the City's sole discretion.

**13. Terms.** Any terms not separately defined herein shall have the same meanings as set forth in the Agreement.

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: \_\_\_\_\_

**EXHIBIT C**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: City Manager

This document is exempt from the payment of a recording fee pursuant to Government Code Section 6103.

**DEED OF TRUST AND ASSIGNMENT OF RENTS**

This **DEED OF TRUST AND ASSIGNMENT OF RENTS** is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 2012, by and among **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Trustor"), whose address is 14 Corporate Plaza, Suite 100, Newport Beach, California 92660, **ALLIANCE TITLE COMPANY** (the "Trustee"), whose address is 18831 Von Karman, Suite 380, Irvine, California 92612, and **CITY OF GARDEN GROVE**, a municipal corporation (the "Beneficiary"), whose address is 11222 Acacia Parkway, P.O. Box 3070, Garden Grove, California 92842.

FOR GOOD AND VALUABLE CONSIDERATION, including the indebtedness herein recited and the trust herein created, the receipt of which is hereby acknowledged, Trustor hereby irrevocably grants, transfers, conveys and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of Beneficiary, under and subject to the terms and conditions hereinafter set forth, the property located in the City of Garden Grove, County of Orange, State of California, that is described in Attachment No. 1, attached hereto and by this reference incorporated herein (the "Property");

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Property (collectively, the "rents"), provided that so long as Trustor is not in default hereunder, it shall be permitted to collect rents and operate the Property in accordance with the requirements of that certain Affordable Housing Loan Agreement entered into between Trustor and the Beneficiary as of \_\_\_\_\_, 20\_\_\_\_ (the "Agreement"), which Agreement is on file with the Beneficiary as a public record and is incorporated by reference herein;

TOGETHER WITH all interests, estates or other claims, both in law and in equity which Trustor now has or may hereafter acquire in the Property and the rents;

TOGETHER WITH all easements, rights-of-way and rights used in connection therewith or as a means of access thereto, including, without limiting the generality of the foregoing, all tenements, hereditaments and appurtenances thereof and thereto;

TOGETHER WITH any and all buildings and improvements now or hereafter erected thereon, and all property of the Trustor now or hereafter affixed to or placed upon the Property, including, without limitation, all fixtures, attachments, appliances, furnishings, equipment and

machinery (whether fixed or movable) and other articles (including, in each instance, improvements, restorations, replacements, repairs, additions, accessions or substitutions thereto or therefor);

TOGETHER WITH all leasehold estate, right, title and interest of Trustor in and to all leases or subleases covering the Property or any portion thereof now or hereafter existing or entered into, and all right, title and interest of Trustor thereunder, including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of similar nature;

TOGETHER WITH all right, title and interest of Trustor in and to all options to purchase or lease the Property or any portion thereof or interest therein, and any greater estate in the Property owned or hereafter acquired;

TOGETHER WITH all right, title and interest of Trustor, now owned or hereafter acquired, in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Property, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property;

TOGETHER WITH all the estate, interest, right, title, other claim or demand, of every nature, in and to such property, including the Property, both in law and in equity, including, but not limited to, all deposits made with or other security given by Trustor to utility companies, the proceeds from any or all of such property, including the Property, claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Trustor now has or may hereafter acquire, any and all awards made for the taking by eminent domain or by any proceeding or purchase in lieu thereof of the whole or any part of such property, including without limitation, any awards resulting from a change of grade of streets and awards for severance damages;

All of the foregoing, together with the Property, is herein referred to as the "Security".

FOR THE PURPOSE OF SECURING:

1. Repayment of the City Loan of One Million One Hundred Ninety Thousand Nine Hundred Ninety-Two Dollars (\$1,220,992) , payable pursuant to the Promissory Note.
2. Payment of any sums advanced by Beneficiary to protect the Security pursuant to the terms and provisions of this Deed of Trust following a breach of Trustor's obligation to advance said sums and the expiration of any applicable cure period and upon fifteen (15) business days notice to the Trustor, with interest thereon as provided herein;
3. Payment of such additional sums and interest thereon which may hereafter be loaned to Trustor, or its successors or assigns, by Beneficiary, when evidenced by a promissory note or notes or other documents reciting that they are secured by this Deed of Trust; and
4. Performance of every material obligation, covenant or agreement of Trustor contained herein or in the Promissory Note or the Agreement (and any amendments thereto).



## ARTICLE I

### DEFINITIONS

1. "Agreement" means that Affordable Housing Loan Agreement entered into by and among Trustor and the Beneficiary hereof, dated as of \_\_\_\_\_, 20\_\_\_\_, said Agreement (a copy of which is on file with the Beneficiary at the address stated above, and including all of its attachments) is incorporated herein by reference.

2. The term "Expiration Date" means the date upon which the City Loan amount due pursuant to the Promissory Note (if any), has been paid in full, and all other obligations the performance of which is secured by this Deed of Trust have been satisfied.

3. "Mortgage" means any permanent or long-term loan (other than a loan by an entity related to or controlled by the Trustor), or any other financing device (including without limitation deeds of trust) the proceeds of which were used by Trustor to acquire the Property, which loan is secured by a security interest in the Property;

4. "Promissory Note" collectively means the Promissory Note of even date herewith from Trustor in favor of Beneficiary evidencing Trustor's obligation to repay the City Loan.

5. "Property" means the real property referred to in Attachment No. 1 attached hereto.

6. "Security" means the Property and all appurtenant improvements.

7. "Standards" means those standards of rehabilitation and operation required by the Agreement and in accordance with the Federal Housing Quality Standards, 24 CFR § 982.401.

8. "Trustor" means Tamerlane Associates, LLC, a California limited liability company, and each of its transferees and successors in interest. Where an obligation is created herein binding upon Trustor, the obligation shall be joint and several and shall also apply to and bind any transferees or successors in interest. Where the terms of the Deed of Trust have the effect of creating an obligation of the Trustor and a transferee, such obligation shall be deemed to be a joint and several obligation of the Trustor and such transferee.

Unless the context clearly otherwise requires, any capitalized term used herein and not defined herein shall have the meaning given to it under the Agreement (and any amendments thereto).

## ARTICLE II

### MAINTENANCE AND MODIFICATION OF THE PROPERTY AND SECURITY; RELEASE UPON PAYMENT

Section 2.1 Maintenance and Modification of the Property by Trustor. The Trustor agrees that at all times prior to the Expiration Date, the Trustor will, at the Trustor's own expense, maintain, preserve and keep the Property or cause the Property to be maintained, preserved and kept in a condition conforming to the Standards and with only those uses allowed by the Agreement. The Trustor will from time to time make or cause to be made all repairs, replacements and renewals

deemed proper and necessary by it. The Beneficiary shall have no responsibility in any of these matters or for the making of improvements or additions to the Property.

Trustor agrees to pay fully and discharge (or cause to be paid fully and discharged) all claims for labor done and for material and services furnished in connection with the Security, diligently to file or procure the filing of a valid notice of completion upon completion of construction of any part of the Security, diligently file or procure the filing of a notice of cessation upon the event of a cessation of labor on the work or construction on the Security for a continuous period of thirty (30) days or more, and to take all other reasonable steps to forestall the assertion of claims of lien against the Security or any part thereof.

Section 2.2 Release of Security. Upon its receipt of the repayment of all amounts due under the Promissory Note, and all amounts secured by this Deed of Trust, and provided that the Trustor is not in default under the Agreement, the Beneficiary shall, upon the request of the Trustor, deliver to the Trustor such instruments as are reasonably necessary to confirm the release of the Security from the lien of this Deed of Trust.

### ARTICLE III

#### TAXES AND INSURANCE; ADVANCES

Section 3.1 Taxes, Other Governmental Charges and Utility Charges. Trustor shall pay, or cause to be paid prior to delinquency, all taxes, assessments, charges and levies imposed by any public authority or utility company which are or may become a lien affecting the Security or any part thereof; provided, however, that Trustor shall not be required to pay and discharge any such tax, assessment, charge or levy so long as (a) the legality thereof shall be promptly and actively contested in good faith and by appropriate proceedings, and (b) Trustor maintains reserves adequate to pay any liabilities contested pursuant to this Section 3.1 in accordance with generally accepted accounting principles.

In the event that Trustor shall fail to pay any of the foregoing items required by this Section to be paid by Trustor, Beneficiary may (but shall be under no obligation to) pay the same, after the Beneficiary has notified the Trustor of such failure to pay and the Trustor fails to fully pay any such item within seven (7) business days of the earlier of the receipt or mailing of such notice. Any amount so advanced therefor by Beneficiary, together with interest thereon from the date of such advance at the maximum rate permitted by the law of the State of California, shall become an additional obligation of Trustor to the Beneficiary and shall be secured hereby, and Trustor hereby agrees to pay all such amounts.

Section 3.2 Provisions Respecting Insurance.

(a) Trustor agrees to provide insurance for the Security of the kind and in the amounts required by the Agreement.

(b) All such insurance policies and coverages (i) shall be maintained at Trustor's sole cost and expense so long as any part of the amounts secured by this Deed of Trust have not been paid, (ii) shall be with insurers of recognized responsibility, and in form and substance satisfactory to the Beneficiary, (iii) shall name Beneficiary as additional insured, and (iv) shall contain a provision to the effect that the insurer shall not cancel the policy or modify it materially and adversely to the

interests of Beneficiary without first giving at least thirty (30) days' prior written notice thereof. Certificates of insurance for all of the above insurance policies, showing the same to be in full force and effect, shall be delivered to the Beneficiary upon demand therefor at any time prior to the Expiration Date.

Section 3.3 Advances. In the event the Trustor shall fail to maintain the full insurance coverage required by this Deed of Trust or shall fail to keep the Property in good repair and operating condition, the Beneficiary may (but shall be under no obligation to) take out the required policies of insurance and pay the premium on the same or may make such repairs or replacements as are necessary and provide for payment thereof; and, provided that the Beneficiary provides ten (10) business days' notice to the Trustor all amounts so advanced therefor by the Beneficiary shall become an additional obligation of the Trustor to the Beneficiary (together with interest as set forth below) and shall be secured hereby, which amounts the Trustor agrees to pay on demand of the Beneficiary, and if not so paid, shall bear interest from the date of the advance at the maximum rate permitted by the law of the State of California.

#### **ARTICLE IV**

##### **DAMAGE, DESTRUCTION OR CONDEMNATION**

Section 4.1 Damage and Destruction. If, prior to the Expiration Date, the Property or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, the Trustor shall if feasible (a) cause any insurance proceeds arising from insurance referred to in Section 3.2 hereof and any other coverage acquired by the Trustor to be used to promptly rebuild and replace the Property, and (b) repair and replace the Property as necessary to bring the Property into conformity with the Standards; provided that such covenants shall be subordinate to the provisions of all senior obligations to which this Deed of Trust is subordinate. There shall be no abatement in, and Trustor shall be obligated to continue to pay, the amounts payable under the Promissory Note and this Deed of Trust.

Section 4.2 Condemnation. Subject to the provisions of senior obligations to which this Deed of Trust is subordinate, if title to or any interest in or the temporary use of the Property or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, including any proceeding or purchase in lieu thereof, the proceeds as a result of such taking shall be paid as provided by the law of the State of California.

#### **ARTICLE V**

##### **REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE TRUSTOR**

Section 5.1 Defense of the Title. The Trustor covenants that it is lawfully seized and possessed of title in fee simple to the Property, that it has good right to sell, convey or otherwise transfer or encumber the same, and that the Trustor, for itself and its successors and assigns, warrants and will forever defend the right and title to the foregoing described and conveyed property unto the Beneficiary, its successors and assigns, against the claims of all persons whomsoever, excepting only encumbrances approved by the Beneficiary.

Section 5.2 Inspection of the Property. The Trustor covenants and agrees that at any and all reasonable times and upon reasonable notice, the Beneficiary and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right, without payment of charges or fees, to inspect the Property.

## ARTICLE VI

### AGREEMENTS AFFECTING THE PROPERTY; FURTHER ASSURANCES; PAYMENT OF THE NOTE AMOUNT

Section 6.1 Other Agreements Affecting Property. The Trustor shall duly and punctually perform all terms, covenants, conditions and agreements binding upon it under the Agreement or any other agreement of any nature whatsoever now or hereafter involving or affecting the Property or any part thereof.

Section 6.2 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by the Beneficiary, the Trustor shall make, execute and deliver, or cause to be made, executed and delivered, to the Beneficiary and, where appropriate, cause to be recorded and/or filed, and from time to time thereafter to be recorded and/or filed, at such time and in such offices and places as shall be deemed desirable by the Beneficiary, any and all such other and further deeds of trust, security agreements, financing statements respecting personal property, instruments of further assurance, certificates and other documents as may, in the opinion of the Beneficiary, be necessary or desirable in order to effectuate, complete or perfect, or to continue and preserve, (a) the obligations of the Trustor under this Deed of Trust, and (b) the lien of this Deed of Trust as a lien prior to all liens except those obligations which shall be senior obligations pursuant to the provisions of this Deed of Trust. Upon any failure by the Trustor to do so, the Beneficiary may make, execute, record, file re-record and/or refile any and all such deeds of trust, security agreements, instruments, certificates and documents for and in the name of the Trustor, and the Trustor hereby irrevocably appoints the Beneficiary the agent and attorney-in-fact of the Trustor to do so. The lien hereof shall automatically attach, without further act, to all after-acquired property deemed to be part of the Security as defined herein.

Section 6.3 Agreement to Pay Attorney's Fees and Expenses. In the event of an Event of Default hereunder, and if the Beneficiary should employ attorneys or incur other expenses for the collection of amounts due or the enforcement of performance or observance of an obligation or agreement on the part of the Trustor in this Deed of Trust, the Trustor agrees that it will, on demand therefor, pay to the Beneficiary the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Beneficiary; and any such amounts paid by the Beneficiary shall be added to the indebtedness secured by the lien of this Deed of Trust, and shall bear interest from the date such expenses are incurred at the maximum rate permitted by the law of the State of California.

Section 6.4 Repayment of the City Loan. The Trustor shall repay to the Beneficiary the City Loan in the amount and by the time set out in the Promissory Note.

Section 6.5 Subrogation; Payment of Claims. Provided that the Beneficiary gives notice of at least five (5) business days to the Trustor, the Beneficiary shall be subrogated to the claims and liens of all parties whose claims or liens are discharged or paid by the Beneficiary pursuant to the provisions hereof. If permitted in a Mortgage, the Beneficiary shall have the right to pay and discharge the obligations secured by the Mortgage.

Section 6.6 Operation of the Property. The Trustor agrees and covenants to operate the Property (and, in case of a transfer of the Property, the transferee shall operate the Property) in full compliance with the Agreement.

Section 6.7 Transfer. No sale, transfer, lease, pledge, encumbrance, creation of a security interest in or other hypothecation of the Security shall relieve or release the Trustor from primary liability under this Deed of Trust or the Agreement, as the case may be, except in connection with transfers permitted pursuant to Section 604 of the Agreement provided that the Transferee fully assumes the Agreement and this Deed of Trust.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

Section 7.1 Events of Default Defined. The occurrence of any failure of the Trustor to pay the Promissory Note or to perform under this Deed of Trust, and the continuation of said failure for a period of thirty (30) business days as to monetary obligations and sixty (60) business days as to non-monetary obligations, after written notice specifying such failure and requesting that it be remedied shall have been given to Trustor from the Beneficiary, shall be an “Event of Default” or a “Default” under this Deed of Trust.

Section 7.2 Acceleration of Maturity. If an Event of Default shall have occurred and be continuing, then the entire indebtedness secured hereby shall, at the option of the Beneficiary, immediately become due and payable without notice or demand which are hereby expressly waived, and no omission on the part of the Beneficiary to exercise such option when entitled to do so shall be construed as a waiver of such right.

Section 7.3 The Beneficiary’s Right to Enter and Take Possession. If an Event of Default shall have occurred and be continuing, the Beneficiary may:

(a) Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court, and without regard to the adequacy of its security, enter upon the Property and take possession thereof (or any part thereof) and of any of the Security, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Property, or part thereof or interest therein, increase the income therefrom or protect the Security hereof and, with or without taking possession of the Property, sue for or otherwise collect the rents, issues and profits thereof, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including attorneys’ fees, upon any indebtedness secured hereby, all in such order as Beneficiary may determine. The entering upon and taking possession of the Property, the collection of such rents, issues and profits and the application thereof, as aforesaid, shall not cure or waive any Default or notice of Default hereunder or invalidate any act done in response to such Default or pursuant to such notice of Default and, notwithstanding the continuance in possession of the Property or the collection, receipt and application of rents, issues or profits, Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust, the Agreement or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. Trustor requests that a copy of any Notice of Default and a copy of any Notice of Sale hereunder be mailed to Trustor if at its address given herein;

(b) Commence an action to foreclose this Deed of Trust as a mortgage, appoint a receiver, or specifically enforce any of the covenants hereof;

(c) Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Property is located; or

(d) Exercise all other rights and remedies provided herein, in the instruments by which the Trustor acquires title to the Property, including any Security, or in any other document or agreement now or hereafter evidencing, creating or securing all or any portion of the obligations secured hereby, or provided by law.

Section 7.4 Foreclosure By Power of Sale. Should the Beneficiary elect to foreclose by exercise of the power of sale herein contained, the Beneficiary shall notify Trustee and shall deposit with Trustee this Deed of Trust (and the deposit of which shall be deemed to constitute evidence that the amount of the Promissory Note is immediately due and payable), and such receipts and evidence of any expenditures made that are additionally secured hereby as Trustee may require.

(a) Upon receipt of such notice from the Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Property, at the time and place of sale fixed by it in said Notice of Sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient 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 the time of sale. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds 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, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale, and Trustor hereby covenants to warrant and defend the title of such purchaser or purchasers.

(b) After deducting all reasonable costs, fees and expenses of Trustee, including costs of evidence of title in connection with such sale, Trustee shall apply the proceeds of sale to payment of: (i) the Promissory Note; (ii) all other sums then secured hereby; and (iii) the remainder, if any, to the person or persons legally entitled thereto.

(c) Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale, and from time to time thereafter, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

Section 7.5 Receiver. If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of right and without further notice to Trustor or anyone claiming under Security, and without regard to the then value of the Property or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers of the Security (or a part thereof), and Trustor hereby irrevocably consents to such appointment. Any such receiver or receivers shall have all the powers and duties of receivers in like or similar cases, and all

the powers and duties of Beneficiary in case of entry as provided herein, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated.

Section 7.6 Remedies Cumulative. No right, power or remedy conferred upon or reserved to the Beneficiary by this Deed of Trust is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity.

Section 7.7 No Waiver.

(a) No delay or omission of the Beneficiary to exercise any right, power or remedy accruing upon any Default shall exhaust or impair any such right, power or remedy, or shall be construed to be a waiver of any such Default or acquiescence therein; and every right, power and remedy given by this Deed of Trust to the Beneficiary may be exercised from time to time and as often as may be deemed expeditious by the Beneficiary. No consent or waiver, expressed or implied, by the Beneficiary to or of any breach by the Trustor in the performance of the obligations hereunder shall be deemed or construed to be a consent to or waiver of obligations of the Trustor hereunder. Failure on the part of the Beneficiary to complain of any act or failure to act or to declare an Event of Default, irrespective of how long such failure continues, shall not constitute a waiver by the Beneficiary of its right hereunder or impair any rights, powers or remedies consequent on any breach or Default by the Trustor.

(b) If the Beneficiary (i) grants forbearance or an extension of time for the payment of any sums secured hereby, (ii) takes other or additional security or the payment of any sums secured hereby, (iii) waives or does not exercise any right granted herein, or in the Agreement, (iv) releases any part of the Security from the lien of this Deed of Trust, or otherwise changes any of the terms, covenants, conditions or agreements of this Deed of Trust or the Agreement, (v) consents to the filing of any map, plat or replat affecting the Security, (vi) consents to the granting of any easement or other right affecting the Security, or (vii) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under this Deed of Trust, or any other obligation of the Trustor or any subsequent purchaser of the Security or any part thereof, or any maker, co-signer, endorser, surety or guarantor (unless expressly released); nor shall any such act or omission preclude the Beneficiary from exercising any right, power or privilege herein granted or intended to be granted in the event of any Default then made or of any subsequent Default, nor, except as otherwise expressly provided in an instrument or instruments executed by the Beneficiary shall the lien of this Deed of Trust be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Property, the Beneficiary, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Security (or a part thereof) or the indebtedness secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the Trustor and without in any way releasing or discharging any liabilities, obligations or undertakings of the Trustor.

Section 7.8 Suits to Protect the Security. The Beneficiary shall have power (upon ninety (90) days notice to the Trustor) to (a) institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Security (and the rights of the Beneficiary as secured by this Deed of Trust) by any acts which may be unlawful or any violation of this Deed of

Trust, (b) preserve or protect its interest (as described in this Deed of Trust) in the Security and in the rents, issues, profits and revenues arising therefrom, and (c) restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement for compliance with such enactment, rule or order would impair the security thereunder or be prejudicial to the interests of the Beneficiary.

Section 7.9 Trustee May File Proofs of Claim. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Trustor, its creditors or its property, the Beneficiary, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Beneficiary allowed in such proceedings for the entire amount due and payable by the Trustor under this Deed of Trust at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Trustor hereunder after such date.

## ARTICLE VIII

### MISCELLANEOUS

Section 8.1 Amendments. This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge or termination is sought.

Section 8.2 Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust to Trustee for cancellation and retention, and upon payment by Trustor of Trustee's reasonable fees, Trustee shall reconvey to Trustor, or to the person or persons legally entitled thereto, without warranty, any portion of 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 any reconveyance may be described as "the person or person legally entitled thereto."

Section 8.3 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipts requested, or by telegram, addressed to the address set forth in the first paragraph of this Deed of Trust. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change.

Section 8.4 Acceptance by Trustee. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

Section 8.5 Captions. The captions or headings at the beginning of each Section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

Section 8.6 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain



binding and enforceable. If the lien of this Deed of Trust is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Security, the unsecured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or partially secured by the lien of this Deed of Trust.

Section 8.7 No Merger. If title to the Property shall become vested in the Beneficiary, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, Beneficiary shall continue to have and enjoy all of the rights and privileges of Beneficiary under this Deed of Trust. In addition, upon foreclosure under this Deed of Trust pursuant to the provisions hereof, any leases or subleases then existing and affecting all or any portion of the Security shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless Beneficiary or any purchaser at any such foreclosure shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall constitute a termination of any lease or sublease unless Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant.

Section 8.8 Governing Law. This Deed of Trust shall be governed by and construed in accordance with the laws of the State of California.

Section 8.9 Gender and Number. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires.

Section 8.10 Nondisturbance Agreement. In the event of any foreclosure of this Deed of Trust or a transfer in lieu of foreclosure, Beneficiary or other transferee shall recognize and not disturb the possession, tenancy, leasehold estate and rights of all tenants and occupants of the Property or any portion thereof, and shall honor and abide by all of the terms, covenants and conditions of each lease for the remaining balance of the term or extension thereof with the same force and effect as if Beneficiary or such other transferee were the original lessor under the lease; provided, however, that the tenant is not in default under its lease and Beneficiary or such other transferee shall not be (a) liable for any damage, loss or expense arising from any act or omission of any prior lessor (including Trustor) under any lease, (b) subject to any offsets, abatements, rent reductions or defenses which the tenant may be entitled to assert against any prior lessor (including Trustor) under any lease, or (c) liable or responsible for or with respect to the retention, application and/or return to the tenant of any security deposit paid to any prior lessor (including Trustor) under any lease, whether or not still held by any prior lessor (including Trustor), unless and until Beneficiary or such other transferee has actually received for its own account as lessor under the lease the full amount of such security deposit or a credit therefor. Each tenant and occupant of the Property shall, upon any foreclosure of this Deed of Trust or transfer in lieu of foreclosure, be bound to Beneficiary or such other transferee under all of the terms, covenants and conditions of the tenant's lease for the remaining balance of the term thereof or extension thereof, with the same force and effect as if Beneficiary or such other transferee were the original lessor under such lease, and the tenant shall attorn to Beneficiary or such other transferee as its lessor, such attornment to be effective and self-operative without the execution of any further instruments by either party, immediately upon the tenant's receipt of written notice from Beneficiary or such other transferee or from Trustor that title to the Property has vested in Beneficiary or such other transferee. Rent paid by a tenant or

occupant to the transferee after receipt of such notice shall be considered to be rental payment under the lease.

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

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: \_\_\_\_\_

**ATTACHMENT NO. 1**  
**LEGAL DESCRIPTION**

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public,  
(Print Name of 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 of Notary Public

### OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

#### CAPACITY CLAIMED BY SIGNER

#### DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
Signer(s) Other Than Named Above

**EXHIBIT D**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove 11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: City Manager

(Space above for Recorder's Use)

This document is exempt from the payment of a recording  
fee pursuant to Government Code Section 6103.

**RELEASE OF CONSTRUCTION COVENANTS**

This **RELEASE OF CONSTRUCTION COVENANTS** (the "Release") is hereby made as of this \_\_\_ day of \_\_\_\_\_, 200\_, by the **CITY OF GARDEN GROVE**, a municipal corporation (the "City"), in favor of **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

***RECITALS***

A. On or about \_\_\_\_\_, 20\_\_\_\_, the City and the Owner entered into an Affordable Housing Loan Agreement (the "Agreement"), which Agreement provides for the rehabilitation of improvements to certain real property (the "Property") situated in the City of Garden Grove, California, and more particularly described on Attachment No. 1 attached hereto and made a part hereof by this reference (the "Rehabilitation"). As required in the Agreement, the City shall furnish the Owner with a Release of Construction Covenants upon completion of the Rehabilitation, which Release shall be in such form as to permit it to be recorded in the Orange County Recorder's Office.

B. The City has conclusively determined that the Rehabilitation required by the Agreement to be made to the Property has been satisfactorily completed.

**NOW, THEREFORE**, the City hereto certifies as follows:

1. As provided in the Agreement, the City does hereby certify that all of the Rehabilitation of the Property has been fully and satisfactorily performed and completed in accordance with the Agreement.

2. After the recordation of this Release, any person or entity then owning or thereafter purchasing, or otherwise acquiring any interest in the Property will not (because of such ownership, purchase, or acquisition) incur any obligation or liability under the Agreement, except that such party shall be bound by any and all of the covenants, conditions, and restrictions which survive such recordation.

3. This Release is not a notice of completion as referred to in Section 3093 of the California Civil Code.

4. The recitals above are incorporated in full as part of the substantive text of this Release.

**IN WITNESS WHEREOF**, the City has executed this Release as of the date set forth above.

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

By: \_\_\_\_\_  
City Manager

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED FOR RECORDING:**

**TAMERLANE ASSOCIATES, LLC**,  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

**ATTACHMENT NO. 1**  
**LEGAL DESCRIPTION**

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public,  
(Print Name of 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 of Notary Public

### OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

#### CAPACITY CLAIMED BY SIGNER

#### DESCRIPTION OF ATTACHED DOCUMENT

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
Signer(s) Other Than Named Above



**EXHIBIT E**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: City Manager

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

**REGULATORY AGREEMENT**

This **REGULATORY AGREEMENT** (the "Agreement") is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between the **CITY OF GARDEN GROVE**, a municipal corporation (the "City"), and **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the "Owner").

**RECITALS**

A. Owner has acquired real property located within the City of Garden Grove, located at 12142 Tamerlane Drive, which is improved with a four (4) unit apartment complex thereon (the "Property"), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference.

B. The Owner and the City have entered into an Affordable Housing Loan Agreement, dated \_\_\_\_\_, 20\_\_\_\_, pursuant to which the City has agreed to provide financial assistance to Owner to acquire the Property (the "City Loan"), and the Owner has agreed to Acquire, Rehabilitate and Operate the Property with the assistance of the City Loan. The execution and recordation of this Regulatory Agreement is a requirement of the Affordable Housing Loan Agreement. Capitalized terms not defined herein shall have the meaning set forth in the Affordable Housing Loan Agreement.

**NOW, THEREFORE**, the parties hereto agree as follows:

**100. CONDITION OF THE PROPERTY**

**101. Indemnification.** Owner shall save, protect, pay for, defend, indemnify and hold harmless the City and its respective elected officials, consultants, attorneys, officers, employees, representatives and agents, from and against any and all liabilities, suits, actions, claims, demands, penalties, damages (including, without limitation, penalties, fines and monetary sanctions), losses, costs or expenses (including, without limitation, consultants' fees, investigation and laboratory fees, attorneys' fees and remedial and response costs) (the foregoing are hereinafter collectively referred to as "Liabilities") which may now or in the future be incurred or suffered by the City or its respective elected officials, consultants, attorneys, officers, employees, representatives or agents by reason of, resulting from, in connection with or arising in any manner whatsoever as a direct or indirect result

of the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from the Property of any Hazardous Materials or Hazardous Materials Contamination, which is caused by Owner, or its agents, employees, representatives, agents, contractors or invitees.

**102. Release.** The Owner hereby waives, releases and discharges forever the City and their respective elected officials, consultants, attorneys, officers, employees, representatives and agents, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the City's or the Owner's use, maintenance, ownership or operation of the Property, any Hazardous Materials on the Property, or the existence of Hazardous Materials Contamination in any state on the Property, however they came to be placed there, except that arising out of the negligence or misconduct of the City or its respective elected officials, consultants, attorneys, officers, employees, representatives and agents.

The Owner acknowledges that it is aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.”

As such relates to this Section 102, the Owner hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.

**103. Duty to Prevent Hazardous Material Contamination.** During its ownership operation of the Property, the Owner shall take all necessary precautions to prevent the release of any Hazardous Materials into the environment on or under the Property. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. The Owner shall notify the City, and provide to the City a copy or copies, of any notices of violation, notices to comply, citations, inquiries, clean-up or abatement orders, cease and desist orders, reports filed pursuant to self-reporting requirements and reports filed or applications made pursuant to any Governmental Requirement relating to Hazardous Materials and underground tanks, and the Owner shall report to the City, as soon as possible after each incident, any unusual, potentially important incidents in the event of a release of any Hazardous Materials into the environment.

**104. Definitions.** For purposes of this Article 100, “Governmental Requirements” shall mean all laws, ordinances, statutes, codes, rules, regulations, orders and decrees of the United States, the state, the county, the City, or any other political subdivision in which the Property is located, and of any other political subdivision, agency or instrumentality exercising jurisdiction over the City, the Owner or the Property.

For purposes of this Article 100, “Hazardous Materials” means any substance, material, or waste which is or becomes, regulated by any local governmental authority, the State of California, or the United States Government, including, but not limited to, any material or substance which is (i) defined as a “hazardous waste,” “extremely hazardous waste,” or “restricted hazardous waste” under Section 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law)), (ii) defined as a “hazardous substance” under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substance Account Act), (iii) defined as a

“hazardous material,” “hazardous substance,” or “hazardous waste” under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a “hazardous substance” under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) friable asbestos, (vii) polychlorinated biphenyls, (viii) methyl tertiary butyl ether, (ix) designated as “hazardous substances” pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317), (x) defined as a “hazardous waste” pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §§6901, *et seq.* (42 U.S.C. §6903) or (xi) defined as “hazardous substances” pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, *et seq.* Hazardous Materials shall not include such products in quantities as are customarily used in the construction, maintenance, or management of multifamily residential developments or associated buildings or grounds, or typically used in multifamily residential activities in a manner typical of comparable multifamily residential developments, or substances commonly and lawfully ingested by a significant population living within the Property, including without limitation alcohol, aspirin, tobacco and saccharine.

## **200. REHABILITATION OF THE PROPERTY**

**201. Rehabilitation of the Property.** Owner agrees to rehabilitate the Property in accordance with the Schedule of Performance which is attached to the AHA, the Federal Housing Quality Standards, 24 CFR § 982.401, the City Municipal Code, and all other applicable local codes, rehabilitation standards, ordinances and zoning ordinances, and the Work Write-up which is approved by the City pursuant to Section 203 hereof (the “Rehabilitate” or “Rehabilitation”). The Rehabilitation shall be conducted on a unit-by-unit basis and in such a manner so as to avoid or minimize tenant displacement to the greatest extent feasible in accordance with the provisions of Section 210.2 below. Owner shall submit to the City one or more construction contracts with a duly licensed contractor or contractors reasonably acceptable to the City providing for the Rehabilitation of the Property in conformance with the terms of this Agreement. Each such contractor or contractors shall have provided to the City the certification required by 24 CFR § 24.510 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation from this project, and the City shall be responsible for determining whether each contractor has been debarred. The City Manager (“City Manager”) or his designee shall reasonably approve such contract or contracts if the City Manager or his designee finds that such contractor or contractors have sufficient experience and expertise necessary to perform the Rehabilitation of the Property in a first class manner in accordance with all of the requirements of this Agreement.

**202. Work Write-up.** Within thirty (30) days after the Effective Date of this Agreement, the Owner shall submit to the City detailed plans, materials and drawings describing the Rehabilitation of the Property (collectively, the “Work Write-up”), and the City shall have the right to review and approve or disapprove, in its reasonable discretion, the Work Write-up. During the preparation of the Work Write-up, staff of the City and the Owner shall hold shall communicate and consult informally as frequently as necessary to coordinate the preparation and review of the Work Write-up. If the Owner desires to propose any revisions to the City-approved Work Write-up, it shall submit such proposed changes to the City and the City shall review the proposed change and notify the Owner in writing within thirty (30) days after submission to the City as to whether the proposed change is approved or disapproved. The City shall not be responsible either to the Owner or to third parties in any way for any defects in the Work Write-up, nor for any structural or other defects in any

work done according to the approved Work Write-up, nor for any delays reasonably caused by the review and approval processes established by this Section 202. The Owner shall hold harmless, indemnify and defend the City and their respective officers, employees, agents and representatives from and against any claims, suits for damages to property or injuries to persons arising out of or in any way relating to defects in the Work Write-up, including without limitation the violation of any laws, and for defects in any work done according to the approved Work Write-up.

**203. Cost of Rehabilitation.** The cost of Rehabilitation shall be paid using funds allocated for Rehabilitation, as set forth in the Pro Forma attached hereto as Exhibit I and incorporated herein by reference, which estimates a cost of Fifteen Thousand, One Hundred Ninety-Three Dollars (\$15,193) per unit, in the total amount of Sixty Thousand, Seven Hundred Seventy-Two Dollars (\$60,772) plus a contingency of Six Thousand, Seventy Seven Dollars (\$6,077) and a construction management fee payable to Owner of Six Thousand, Seventy Seven Dollars (\$6,077) (the "Rehabilitation Allocation"). In the event the Rehabilitation Allocation is insufficient to pay for the total cost of Rehabilitation, the Owner shall locate and utilize another funding source(s) for the remainder of such costs. The Owner shall submit to the City a final line item budget for any proposed Rehabilitation of the Property, which budget shall include without limitation a description of uses by phase and total cost of Rehabilitation. The City shall reasonably approve such budget if the budget is reasonably calculated to fund the Rehabilitation of the Property in accordance with Federal Housing Quality Standards and all of the requirements of this Agreement.

**204. Timing of Rehabilitation.** Owner hereby covenants and agrees to commence the Rehabilitation of the Property within the time set forth in the Schedule of Performance. The Owner further covenants and agrees to diligently prosecute to completion the Rehabilitation of the Property in accordance with the approved Work Write-up and to file a Notice of Completion pursuant to California Civil Code Section 3093 within the time set forth in the Schedule of Performance. Notwithstanding the Schedule of Performance, the deadlines for performance under this Agreement set forth therein may be extended if the completion of Rehabilitation according to the Schedule of Performance would displace a resident, unless the resident can be transferred to another unit on the Property, or by mutual written agreement of the parties.

**205. City and Other Governmental Agency Permits.** Before commencement of the Rehabilitation of the Property, the Owner shall secure or cause its contractor to secure any and all permits which may be required by the City or any other governmental agency affected by such construction, including without limitation building permits. The Owner shall pay all necessary fees and timely submit to the City final drawings with final corrections to obtain such permits.

**206. Right of the City to Satisfy Other Liens.** After the disbursement of the City Loan and prior to the completion of the Rehabilitation of the Property, and after the Owner has had written notice and has failed after a reasonable time, but in any event not less than forty-five (45) days, to challenge, cure, adequately bond against, or satisfy any liens or encumbrances on the Property which are not otherwise permitted under this Agreement, the City shall have the right but no obligation to satisfy any such liens or encumbrances. Notwithstanding the above, the Owner shall have the right to contest the validity or amounts of any tax, assessment, or encumbrance applicable to the Owner in respect thereto.

**207. Release of Construction Covenants.** Promptly after the completion of the Rehabilitation of the Property on the Property, in conformity with this Agreement (as reasonably determined by the City Manager or his or her designee), upon the written request of the Owner, the

City shall furnish the Owner with a Release of Construction Covenants (in the form attached to the Affordable Housing Loan Agreement as Exhibit D) which evidences and determines the satisfactory completion of the Rehabilitation of the Property in accordance with this Agreement. The issuance and recordation of the Release of Construction Covenants with respect to the Property shall not supersede, cancel, amend or limit the continued effectiveness of any obligations relating to the maintenance, or uses, or payment of monies, or any other obligations, except for the obligation to complete the Rehabilitation of the Property as of the time of the issuance of the Release of Construction Covenants.

## **208. Insurance and Indemnity.**

**208.1 Commencement of Work.** Owner shall not commence work under this Agreement until all certificates and endorsements have been received and approved by City. All insurance required by this Agreement shall contain a Statement of Obligation on the part of the carrier to notify City of any material change, cancellation, or termination at least thirty (30) days in advance.

**208.2 Workers Compensation.** For the duration of this Agreement, Owner and all subcontractors shall maintain Workers Compensation Insurance in the amount and type required by law, if applicable. Coverage shall include a waiver of subrogation waiving subrogation rights against City, its officers, officials, agents, employees, and volunteers.

**208.3 Insurance Amounts.** The Owner shall take out and maintain or shall cause its contractor to take out and maintain during the term of the Affordability Period (as set fourth in Section 301 hereof) the following insurance coverage:

(a) Commercial general liability in the amount of \$4,000,000 per occurrence; Coverage shall have no exclusions for Excavation, Collapse, or Underground (XCU); (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(b) Automobile liability in the amount of \$2,000,000 combined single limit, including mobile equipment, if any, and contractual liability; (claims made and modified occurrence policies are not acceptable); Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City.

(c) Commercial crime/theft in the amount of \$250,000. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(d) In the event asbestos remediation is required during the Rehabilitation, Owner shall cause the general contractor and/or asbestos abatement subcontractor to secure, during such period, an asbestos policy in an amount not less than \$2,000,000 per occurrence. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(e) Builder's All Risk in an amount equal to the replacement value of the property. Insurance companies must be acceptable to City and have a Best's Guide Rating of A-

Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

(f) Excess Liability Policy in an amount not less than \$3,000,000 for any underlying policies that do not meet contractual policy limits. Insurance companies must be acceptable to City and have a Best's Guide Rating of A- Class VII or better, as approved by City. (Claims made and modified occurrence policies are not acceptable.)

An Additional Insured Endorsement, ongoing and completed operations, for the policy under Section 208.3(a) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for liability arising out of work or operations performed by or on behalf of the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Forms CG 20 26 07 04 or equivalent and CG 20 37 07 04 or equivalent)

An Additional Insured Endorsement for the policy under Section 208.3(b) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds for automobiles owned, leased, hired, or borrowed by the Owner. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City. (Form CA 20 48 02 99 or equivalent for the auto mobile liability policy, and the mobile equipment coverage by separate endorsement.)

A Loss Payee Endorsement for the policy under Section 208.3(c) shall designate City as Loss Payee.

An Additional Insured Endorsement, asbestos policy, for the policy under Section 208.3(d) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, builders' all risk policy, for the policy under Section 208.3(e) shall designate City, and its officers, officials, employees, agents, and volunteers as additional insureds. Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

An Additional Insured Endorsement, excess liability policy, for the policy under Section 208.3(f) shall designate City, and their officers, officials, employees, agents, and volunteers as additional insureds. Contractor shall also provide the schedule of underlying policies and state on the insurance certificate that the excess policy follows from Owner shall provide to City proof of insurance and endorsement forms that conform to City's requirements, as approved by City.

A waiver of subrogation for all policies shall be provided against the City, and its officers, officials, agents, employees, and volunteers.

For any claims related to this Agreement, Owner's insurance coverage shall be primary insurance as respects City, its officers, officials, employees, agents, and volunteers. Any insurance or self-insurance maintained by City, its officers, officials, employees, agents, or volunteers shall by excess of the Owner's insurance and shall not contribute with it.

**209. Entry by the City.** Owner shall permit the City, through its officers, agents or employees, at all reasonable times to enter onto the Property and inspect the work of Rehabilitation to determine that the same is in conformity with the Work Write-up and all the requirements hereof. Owner acknowledges that the City is under no obligation to supervise, inspect, or inform Owner of the progress of construction, and Owner shall not rely upon the City or City therefor. Any inspection by the City is entirely for its purposes in determining whether Owner is in default under this Agreement and is not for the purpose of determining or informing Owner of the quality or suitability of construction. Owner shall rely entirely upon its own supervision and inspection in determining the quality and suitability of the materials and work, and the performance of architects, subcontractors, and material suppliers.

**210. Compliance With Laws.** The Owner shall carry out the acquisition, Rehabilitation, if applicable, and operation of the Property in conformity with all applicable laws, including all applicable state labor standards, City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, *et seq.*, Government Code Section 4450, *et seq.*, Government Code Section 11135, *et seq.*, and the Unruh Civil Rights Act, Civil Code Section 51, *et seq.*

**210.1 Taxes and Assessments.** The Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Property, subject to the Owner's right to contest in good faith any such taxes or to receive an exemption from the payment of such taxes.

**210.2 Relocation.** Owner shall conduct and submit to the City a tenant survey, completed by each tenant household currently residing in the Property and such other information as reasonably required by City necessary to evaluate the relocation obligations, if any, required by federal, state and/or local law with respect to the Owner's acquisition and Rehabilitation of the Property. The acquisition and Rehabilitation, if applicable, shall be conducted in such a manner as to prevent, to the maximum extent feasible, any displacement of existing tenants in accordance with applicable law. The Owner and the City shall attempt to obtain Section 8 certificates or other housing subsidies as necessary to provide relocation assistance to the existing tenants of the Property who are not participants in the Owner's program (as hereinafter described). Immediately after the execution of this Agreement, the City and Owner shall cooperate in sending notices (the "Lease Notice") to the existing tenants of the Property notifying and advising such tenants of their right to lease and occupy a unit in the Property, for reasonable terms and conditions, including, but not limited to: (i) term of lease not less than one year, (ii) monthly rent and estimated average utility costs that do not exceed the greater of: (a) the tenant's monthly rent before this Agreement and estimated average monthly utility costs; or (b) Rent calculated pursuant to HOME Program requirements if the tenant is low income, or 30% of gross income if the tenant is not low income. In addition, if any existing tenant is required to move temporarily from the Property and will not be permanently displaced, such tenant(s) will receive temporary relocation assistance and benefits set forth in HOME Regulations Section 92.353(b). The form of such notice shall be approved by the City prior to its delivery to the tenants. The Owner shall enter into a written lease, in a form approved by the City, with each tenant that shall implement the monthly rent limit set forth in the Lease Notice. In the event that any permanent displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the HOME Regulations Section 92.353, Federal Uniform Relocation Assistance and Real Property Policies Acquisition Act, 42 U.S.C. § 4601, *et seq.*, the California Relocation Assistance Law, Government Code Section 7260, *et seq.*,

and the regulations adopted pursuant thereto by the United States, State of California and the City (collectively, the “Relocation Laws”), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the Owner’s acquisition of the Property or for purposes of completing the Rehabilitation of the Property. In the event of permanent displacement of existing tenants due to the implementation of this Agreement, despite the Owner’s efforts to prevent such displacement as provided above, the City shall be fully responsible for administering determinations of eligibility and payments pursuant to the Relocation Laws. The City shall bear the cost of such relocation.

**210.3 Liens and Stop Notices.** The Owner shall not allow to be placed on the Property or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Property the Owner shall within thirty (30) days of such recording or service or within five (5) days of the City’s demand, whichever last occurs: pay and discharge the same; or effect the release thereof by recording and delivering to the City a surety bond in sufficient form and amount, or otherwise; or provide the City with other assurance which the City deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of City from the effect of such lien or bonded stop notice.

**210.4 HOME Matching Contribution.** This Agreement and the City expenditures hereunder are intended to be a “Matching Contribution” as that term is used in the HOME Investment Partnership Act, 42 U.S.C. § 12701, *et seq.*, as it now exists and as it may hereafter be amended, as implemented by the HOME Regulations, as they now exist and as they may hereafter be amended (the “HOME Program”). Accordingly, the Owner shall comply with all applicable requirements of the HOME Program, as it now exists or may hereafter be amended. Specifically, without limitation, the Rehabilitation shall comply, to the extent applicable, with the requirements of the Davis-Bacon Act (40 U.S.C. §276a - 276a-5), and as applicable, the Contract Work Hours and Safety Standards Act (40 U.S.C. §3701 *et seq.*), and other applicable federal laws and regulations pertaining to labor standards. Upon request, the City shall provide to the Owner a copy of applicable HOME Program requirements.

**210.6 Prevailing Wage Requirements.** The City and Owner believe that the California prevailing wage laws are not implicated by this Agreement and the Rehabilitation work to be performed hereunder because the project meets the requirements of Section 1720(c)(6)(E) of the Labor Code which exempts from the prevailing wage laws affordable housing projects receiving public funding in the form of below-market interest rate loans for a project in which occupancy of at least forty percent (40%) of the units is restricted for at least twenty (20) years, by deed or regulatory agreement, to individuals or families earning no more than eighty percent (80%) of AMI. Notwithstanding the immediately preceding sentence, Owner hereby expressly acknowledges and agrees that the City has not previously affirmatively represented to the Owner or its contractor(s), if any, for the Rehabilitation of the Property, in writing or otherwise, that the Rehabilitation to be performed by Owner and covered by this Agreement is not a “public work,” as defined in Section 1720 of the Labor Code.

**210.7 City Parking Programs and Requirements.** The Owner shall comply with all ordinances and other requirements or programs established by the City with respect to parking, including, without limitation, any ordinances, building code provisions or housing code provisions which require that the garages in the Property shall not be used for human habitation or commercial uses.



### 300. OPERATION OF HOUSING

**301. Affordable Units.** The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the “Affordable Units”), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the “Operation” or “Operate”).

For purposes of this Agreement, “Lower Income Households” shall mean those households with incomes that do not exceed sixty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development (“HUD”) or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time.

Upon the Owner’s acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant’s rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

- (1) obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.
- (2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.
- (3) obtain an income verification certification from the employer of the tenant, if any.
- (4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.
- (5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

Current tenants of the Property as of the date of this Agreement shall not be compelled to vacate their Units solely because their income exceeds the applicable requirements for renting an Affordable Unit. Any tenant who, because of an increase in income is no longer qualified to rent an Affordable Unit shall not be required to vacate the apartment unit solely because of such change of income, and shall be entitled to remain as a tenant of the same apartment unit at a rent which does not exceed the fair market rental value for such unit.

The Property shall be subject to the requirements of this Article 300 from the date of Owner’s acquisition of the Property until the fifty fifth (55th) anniversary of such date. The duration of this requirement shall be known as the “Affordability Period.”

**302. Affordable Rent.** The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following “Affordable Rent” requirements.

The Affordable Units will be rented to Lower Income Households at maximum HOME Rent limits defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly allowance for utilities and services to be paid by each tenant (“Affordable Rent”). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed the fair market rent for comparable housing units in the area as determined by the City.

For purposes of this Agreement, “Monthly Rent” means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

**303. Lease Requirements.** Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City’s approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code sections 33000 *et seq.* (“CRL”) and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

**304. Affirmative Marketing.** The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.

**305. Selection of Tenants.** Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria;

provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

**306. Occupancy Standards.** Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

**307. Maintenance.** The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

**308. Reserve Requirements.** The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner's acquisition of the Property, the sum of Eighteen Thousand Dollars (\$18,000) (the "Operating Reserve"), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the "Capital Replacement Reserve"). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner's acquisition of the Property, after which time the Owner shall continue making monthly deposits of the greater of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more

years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

**309. Long Term Management of the Property.** The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the "Property Manager"). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 401 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a "Management Plan" which sets forth in detail the Owner's property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of

operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City for inspection and copying, upon reasonable advance notice during its normal hours of business.

**310. Monitoring and Recordkeeping.** Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to the HOME Program compliance, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner's consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner's expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

**311. Non-Discrimination Covenants.** Owner covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation clauses:

(a) ***In deeds:*** "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land."

(b) ***In leases:*** "The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: "That there shall be no discrimination against or segregation of any person or group of persons, on account of

any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

(c) ***In contracts:*** “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

#### **400. DEFAULT AND REMEDIES**

**401. Events of Default.** A failure by any party to perform any action or covenant required by this Agreement, the Regulatory Agreement, the Promissory Note, the Deed of Trust, or any loan or deed of trust for the Property which is senior to the City Loan, within the time periods provided herein following notice and failure to cure as described hereafter, constitutes a “Default” under this Agreement. A party claiming a Default shall give written notice of Default to the other parties specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against any other party, and the other party shall not be in Default if such party cures such default within thirty (30) days from receipt of such notice of such Default hereunder. However, in the event that such Default is other than a failure to pay money and is of such a nature that it cannot reasonably be cured within thirty (30) days from receipt of such notice, the claimant shall not institute any proceeding against the other party, and the other party shall not be in Default if such party immediately upon receipt of such notice, with due diligence, commences to cure, correct or remedy such failure or delay and completes such cure, correction or remedy with diligence as soon as reasonably possible thereafter. In the event that the Owner is in default on any loan or deed of trust senior to the City Loan, the Owner shall immediately deliver to the City a copy of such notice of default. Even if the holder of such loan or deed of trust has not exercised its rights or remedies with respect to such default, the City shall each have the right (but not be obligated to) cure such default. In such event, the City shall be entitled to reimbursement from the Owner of all costs and expenses it has actually incurred in curing such default. The City shall be entitled to add the amount incurred by it to the amounts owing pursuant to the Promissory Note, and secured by the Deed of Trust.

**402. Remedies.** The occurrence of any Event of Default shall give the nondefaulting party the right to proceed with any and all remedies set forth in this Agreement, including an action for

damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under this Agreement or to enjoin acts or things which may be unlawful or in violation of the provisions of this Agreement, and the right to terminate this Agreement. In addition, the occurrence of any Event of Default by Owner will relieve the City of any obligation to perform hereunder.

**403. Force Majeure.** Subject to the party's compliance with the notice requirements as set forth below, performance by either party hereunder shall not be deemed to be a default hereof, and all performance and other dates specified in this Agreement shall be extended, where delays or defaults are due to causes beyond the control and without the fault of the party claiming an extension of time to perform, which may include the following: war, insurrection, strikes, lockouts, riots, floods, earthquakes, fires, assaults, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, lack of transportation, governmental restrictions or priority, litigation, unusually severe weather, inability to secure necessary labor, materials or tools, acts or omissions of the other party, acts or failures to act of any public or governmental entity (except that the City's acts or failure to act shall not excuse performance of the City hereunder). An extension of the time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other party within thirty (30) days of the commencement of the cause. Inability to obtain financing for the acquisition or operation of the Property shall not constitute an event beyond the control of the Owner for purposes of this Section 403.

**404. Attorneys' Fees.** In addition to any other remedies provided hereunder or available pursuant to law, if either party brings an action or proceeding to enforce, protect or establish any right or remedy hereunder, the prevailing party shall be entitled to recover from the other party its costs of suit and reasonable attorneys' fees.

**405. Remedies Cumulative.** No right, power, or remedy given to the City by the terms of this Agreement is intended to be exclusive of any other right, power, or remedy; and each and every such right, power, or remedy shall be cumulative and in addition to every other right, power, or remedy given to the City by the terms of any such instrument, or by any statute or otherwise against Owner and any other person.

**406. Waiver of Terms and Conditions.** The City may, in its sole discretion, waive in writing any of the terms and conditions of this Agreement. Waivers of any covenant, term, or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term, or condition.

**407. Non-Liability of City Officials and Employees.** No member, official, employee or agent of the City shall be personally liable to the Owner, or any successor in interest, in the event of any default or breach by the City or for any amount which may become due to the Owner or its successors, or on any obligations under the terms of this Agreement.

## **500. GENERAL PROVISIONS**

**501. Time.** Time is of the essence in this Agreement.

**502. Notices.** Any approval, disapproval, demand, document or other notice ("Notice") which either party may desire to give to the other party under this Agreement must be in writing and

may be given either by (i) personal service, (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery, or (iii) mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to the address of the party as set forth below, or at any other address as that party may later designate by Notice:

Owner: Tamerlane Associates, LLC  
14 Corporate Plaza, Suite 100  
Newport Beach, CA 92660  
Attn: Charles Fry

City: City of Garden Grove  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attn: City Manager

Such addresses may be changed by notice to the other party given in the same manner as provided above.

**503. Representations and Warranties of Owner.** Owner hereby represents and warrants to the City as follows:

(a) **Organization.** Owner is a duly organized, validly existing limited liability company in good standing under the laws of the State of California and has the power and authority to own property and conduct such business as now being conducted.

(b) **Authority of Owner.** Owner has full power and authority to execute and deliver this Agreement and to perform and observe the terms and provisions of this Agreement.

(c) **Valid Binding Agreement.** This Agreement and all other documents or instruments which have been executed and delivered pursuant to or in connection with this Agreement constitute or, if not yet executed or delivered, will when so executed and delivered constitute, legal, valid and binding obligations of Owner enforceable against it in accordance with their respective terms.

(d) **Pending Proceedings.** Owner is not in default under any law or regulation or under any order of any court, board, commission or agency whatsoever, and there are no claims, actions, suits or proceedings pending or, to the knowledge of Owner, threatened against or affecting Owner or the Property, at law or in equity, before or by any court, board, commission or agency whatsoever which might, if determined adversely to Owner, materially affect Owner's ability to perform its obligations hereunder.

(e) **Layering Review.** The Owner acknowledges that a layering review was performed in accordance with 24 CFR 92.250 (b). The Owner hereby represents and certifies to the City that no government assistance other than the City Loan has been obtained or is contemplated to be obtained for the acquisition of the Property. The Owner agrees to notify the City in the event that it applies for or proposes to use other governmental funds for the Property prior to the end of the Affordability Period.



**504. Limitation Upon Change in Ownership, Management and Control of the Property.**

(a) **Prohibition.** The identity and qualifications of Owner as an experienced and successful operator of multifamily housing are of particular concern to the City. It is because of this identity and these qualifications that the City has entered into this Agreement with the Owner. No voluntary or involuntary successor in interest of the Owner shall acquire any rights or powers under this Agreement by assignment or otherwise, nor shall Owner make any total or partial sale, transfer, conveyance, encumbrance to secure financing, assignment or lease of the whole or any part of the Property without the prior written approval of the City pursuant to Subparagraph (c) hereof, except as expressly set forth herein, which approval shall not be unreasonably withheld.

(b) **Permitted Transfers.** Notwithstanding any other provision of this Agreement to the contrary, City approval of an assignment or transfer of this Agreement or conveyance of the Property or any part thereof pursuant to subparagraph (c) of this Section 504, shall not be required in connection with any of the following (the “Permitted Transfers”):

(i) Subject to the restrictions of Sections 301 through 312 of this Agreement, the lease of units within the Property to qualified tenants.

(ii) Assignment for financing purposes, subject to such financing being considered and approved by the City pursuant to Section 211 of the Affordable Housing Loan Agreement.

(iii) Assignment of this Agreement and the conveyance of the Property to family members or a trust for estate planning purposes, or transfer of this Agreement and the Property to an entity in which Owner owns not less than fifty percent (50%) of the beneficial interest in the Property, and is under the management and control of the Owner, and the transferee entity executes an agreement reasonably acceptable to the City assuming all of the obligations under this Agreement.

In the event of an assignment by Owner not requiring the City’s prior approval, Owner nevertheless agrees that at least ten (10) days prior to such assignment or transfer it shall give written notice to City of such assignment or transfer.

(c) **City Consideration of Requested Transfer.** The City agrees that it will not unreasonably withhold approval of a request made pursuant to this Section, provided (a) the Owner delivers written notice to the City requesting such approval, and (b) the proposed assignee or transferee possesses comparable operational experience and capability with respect to the operation of similar types of multifamily rental property, and comparable net worth and resources as necessary to operate the Property, and (c) the proposed assignee or transferee assumes the obligations of the Owner under this Agreement in a form which is reasonably acceptable to the City. Such notice shall be accompanied by evidence regarding the proposed assignee’s or purchaser’s qualifications and experience and its financial commitments and resources sufficient to enable the City to evaluate the proposed assignee or purchaser pursuant to the criteria set forth in this Section 504(c) and other criteria as reasonably determined by the City. The City shall approve or disapprove the request within thirty (30) days of its receipt of the Owner’s notice and all information and materials required herein. In no event, however, shall the City be obligated to approve the assignment or transfer of the

City Loan, Promissory Note or Deed of Trust pursuant to this Section 504, except to an approved transferee or assignee of the Owner's rights in and to the Property.

(d) **Successors and Assigns.** This Agreement shall run with the land, and all of the terms, covenants and conditions of this Agreement shall be binding upon the Owner and the permitted successors and assigns of the Owner. Whenever the term "Owner" is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

**505. No Third Parties Benefited.** This Agreement is made and entered into for the protection and benefit of the City, its successors and assigns, and Owner, its permitted successors and assigns, and no other person or persons, except that the City and Housing authority shall be third party beneficiaries of this Agreement, including but not limited to the Affordability covenants and the covenants against discrimination contained in this Agreement and the Regulatory Agreement, and the Notice of Affordability Restrictions and shall have the right to enforce such covenants.

**506. Partial Invalidity.** If any provision of this Agreement shall be declared invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

**507. Governing Law.** This Agreement and other instruments given pursuant hereto shall be construed in accordance with and be governed by the laws of the State of California. Any references herein to particular statutes or regulations shall be deemed to refer to successor statutes or regulations, or amendments thereto.

**508. Amendment.** This Agreement may not be changed orally, but only by agreement in writing signed by Owner and the City.

**509. Approvals.** Where an approval or submission is required under this Agreement, such approval or submission shall be valid for purposes of this Agreement only if made in writing. Where this Agreement requires an approval or consent of the City, such approval may be given on behalf of the City by the City Manager or his or her designee. The City Manager or his or her designee is hereby authorized to take such actions as may be necessary or appropriate to implement this Agreement on behalf of the City, including without limitation the execution of such documents or agreements as may be contemplated by this Agreement, and amendments which do not substantially change the uses or restrictions hereunder, or substantially add to the costs of the City hereunder.

**IN WITNESS WHEREOF**, the parties hereto have executed this Regulatory Agreement as of the date and year set forth below.

**OWNER:**

**TAMERLANE ASSOCIATES, LLC**,  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

**CITY:**

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

By: \_\_\_\_\_  
City Manger

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Stradling Yocca Carlson & Rauth  
City Special Counsel

**ATTACHMENT NO. 1**  
**LEGAL DESCRIPTION**

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

**EXHIBIT F**

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

City of Garden Grove  
11222 Acacia Parkway  
P.O. Box 3070  
Garden Grove, California 92842  
Attention: City Manager

This document is exempt from the payment of a recording fee pursuant to Government Code Section 27383.

**OPTION AGREEMENT**

This **OPTION AGREEMENT** is entered into as of \_\_\_\_\_, 20\_\_\_\_, by and between **TAMERLANE ASSOCIATES, LLC**, a California limited liability company (the “Owner”), and the **CITY OF GARDEN GROVE**, a municipal corporation (the “City”).

**RECITALS**

A. Owner and the Garden Grove Agency for Community Development (“Agency”) have entered into an Affordable Housing Loan Agreement dated as of February 9, 2010 (“AHLA”). Under the terms of the Affordable Housing Loan Agreement, Owner has purchased real property located within the City of Garden Grove, located at 12142 Tamerlane Drive, which is improved with a four (4) unit apartment complex thereon (the “Property”), as particularly described in the Legal Description attached hereto as Attachment No. 1, and incorporated herein by reference. All capitalized terms not defined herein shall have the meaning set forth in the AHLA.

B. Pursuant to Section 400 of the Affordable Housing Loan Agreement (“AHLA”) and by Option Agreement dated February 9, 2010 (the “Agency Option Agreement”), the Owner has granted to the Agency an option to purchase the Property upon payment of a purchase price as set forth in the Agency Option Agreement.

C. Owner desires to grant to City an option to purchase the Property on the terms and conditions set forth hereinbelow junior and subordinate to the right granted to the Agency pursuant to the Agency Option Agreement.

D. For purposes of this Option Agreement, “Property” shall also be deemed to include any and all improvements located on the real property, any and all security deposits held by Owner, operating and capital replacement reserve accounts, operating accounts, Owner’s rights to payment for rent and other items, and all of Owner’s right, title and interest in and to any and all easements, rights of way, licenses, permits, applications, reports or other personal property utilized in conjunction with or in any way related to or appurtenant to such real property and improvements (but excluding Owner’s trade fixtures and equipment).

NOW, THEREFORE, in consideration of the foregoing, and the mutual covenants and conditions contained herein, the parties hereto agree as follows:

1. Grant of Option. Subject to the Agency Option Agreement, Owner grants to City an option (the “Option”) to purchase the Property on the terms and conditions set forth in this Option Agreement. The purchase price payable by the City to the Owner for the Property shall be the amount of the then current balance of the Bank Loan and Promissory Note plus an amount equal to One Thousand, Three Hundred Thirty-Three Thousand Dollars (\$1,333) per month for each month from the twenty-fifth (25th) month following the commencement of the Option Term until escrow is closed less Net Profits retained by Owner plus operating losses (collectively, the “Option Price”). The Option created hereby shall be irrevocable by Owner and shall be binding upon the successors and assigns of Owner. The City shall have the right of specific performance to enforce the terms of this Option Agreement.

2. Term for Option. The term of the Option (“Option Term”) shall commence on the date of this Option Agreement, and, unless extended by mutual written agreement of the Owner and the City, shall automatically expire on March 19, 2030 in which event, the City shall, upon written request by Owner, provide written request of such termination in recordable form.

3. Exercise of Option. The Option may be exercised at any time before the expiration of the Option Term by City’s delivery to Owner of written notice of such exercise (the “Exercise Notice”).

4. Escrow and Completion of Sale. Within five (5) days after City has exercised the Option, or as soon thereafter as reasonably practicable, an escrow shall be opened with an escrow company mutually acceptable to City and Owner for the conveyance of the Property to the City. The City shall deposit the Option Price in escrow not later than one (1) business day prior to the anticipated close of escrow date. The City’s obligation to close escrow shall be subject to the City’s approval of a then-current preliminary title report and, at City’s option, environmental and other site testing. Any exceptions shown on such preliminary title report created on or after the Owner’s acquisition of the Property shall be removed by Owner at its sole expense prior to the close of escrow pursuant to this Section 4 unless such exception(s) is(are) accepted by City in its reasonable discretion; provided, however, that City shall accept the following exceptions to title: (i) current taxes not yet delinquent, (ii) matters affecting title existing on the date of Owner’s acquisition of the Property, (iii) liens and encumbrances in favor of the Agency or the City, and (iv) matters shown as printed exceptions in the standard form CLTA owner’s policy of title insurance. In the event the Property or any portion thereof is encumbered by a mortgage or deed of trust, the City shall be permitted to unilaterally instruct the escrow agent to satisfy the indebtedness secured thereby out of the proceeds payable to the Owner through the foregoing escrow, or the City may satisfy all or a portion of the Option Price through the City’s assumption of the promissory note or notes held by the holders of the deeds of trust encumbering the Site, if such holder or holders consent thereto. City shall pay all of the escrow fees, documentary transfer taxes, recording fees, the cost of any owner’s policy of title insurance desired by the City, and any other costs and expenses of the escrow. City shall have thirty (30) days after exercise of the Option to enter upon the Property to conduct any tests, inspections, investigations, or studies of the condition of the Property. Owner shall permit the City access to the Site for such purposes. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims, liabilities, or damages, and including expert witness fees and reasonable attorney’s fees and costs, caused by City’s activities with respect to or arising out of such testing,

inspection, or investigatory activity on the Site. Escrow shall close promptly after acceptance by City of the condition of title and the physical and environmental condition of the Property.

5. Failure to Exercise Option. If the Option is not exercised in the manner provided in Section 3 above before the expiration of the Option Term, the Option shall terminate. Upon receipt of the written request of Owner, City shall cause a quitclaim deed terminating or releasing any and all rights City may have to acquire the Property (the "Quitclaim Deed") to be recorded in the Official Records of Orange County, California.

6. Assignment. City shall have the right to assign its interest hereunder. In connection with any assignment, any assignee shall execute all documents reasonably necessary to assume all of the obligations imposed under this Option Agreement on City as if the assignee were the original party in this Option Agreement.

7. Representations and Warranties of Owner. Owner hereby represents, warrants and covenants to City as follows, which representations and warranties shall survive the exercise of the Option and the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by Owner hereunder, upon execution and delivery thereof by Owner, will have been duly entered into by Owner, and will constitute legal, valid and binding obligations of Owner;

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which Owner is a party or by which it is bound; and

(c) Owner shall pay, prior to delinquency or default, any and all real property taxes and assessments which affect the Property.

Owner agrees to indemnify, protect, defend, and hold City and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of Owner, shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

8. Title. Following the date hereof, Owner agrees not to cause, and shall use commercially reasonable efforts not to permit, any lien, easement, encumbrance or other exception to title to be recorded against the Property without City's prior written approval, such approval not to be unreasonably withheld.

9. Representations and Warranties of City. City hereby represents and warrants and covenants to Owner, as follows, which representations and warranties shall survive the Close of Escrow:

(a) that this Option Agreement and the other documents to be executed by City hereunder, upon execution and delivery thereof by City, will have been duly entered into by City, and will constitute legal, valid and binding obligations of City, and

(b) neither this Option Agreement, nor anything provided to be done under this Option Agreement, violates or shall violate any contract, document, understanding, agreement or instrument to which City is a party or by which it is bound.

City agrees to indemnify, protect, defend, and hold Owner and the Property harmless from and against any damage, claim, liability, or expense of any kind whatsoever (including, without limitation, reasonable attorneys' fees and fees of expert witnesses) arising from or in connection with any breach of the foregoing representations, warranties and covenants. Such representations and warranties of City, and any other representations and warranties of City contained elsewhere in this Option Agreement shall be true and correct on and as of the date of this Option Agreement and on and as of the date of the Close of Escrow.

10. Relocation. In the event that the City purchases the Property pursuant to this Option Agreement and any displacement of tenants of the Property occurs, the City shall provide relocation assistance in accordance with the Federal Uniform Relocation Assistance and Real Property Acquisition Act, 42 U.S.C. § 4601, et seq., the California relocation law, Government Code Section 7260, et seq., and the regulations adopted pursuant thereto by the United States, State of California and the City (collectively, the "Relocation Laws"), and in a manner approved by the City to each displaced tenant household required to temporarily or permanently vacate a unit within the Property as a result of the City's acquisition of the Property pursuant to this Option Agreement. The City shall indemnify, defend, and hold harmless Owner and its officers, directors, shareholders, partners, employees, agents, and representatives from and against all claims for relocation assistance caused by or arising out of City's purchase of the Property pursuant to this Option Agreement.

11. General Provisions.

11.1 Paragraph Headings. The paragraph headings used in this Option Agreement are for purposes of convenience only. They shall not be construed to limit or extend the meaning of any part of this Option Agreement.

11.2 Notices. Any notice, demand, approval, consent, or other communication required or desired to be given under this Option Agreement shall be in writing and shall be either personally served, sent by telecopy or mailed in the United States mails, certified, return receipt requested, postage prepaid, addressed to the party to be served with the copies indicated below, at the last address given by that party to the other under the provisions of this section. All communications shall be deemed delivered at the earlier of actual receipt, the next business day after deposit with Federal Express or other overnight delivery service or two (2) business days following mailing as aforesaid, or if telecopied, when sent, provided a copy is mailed or delivered as provided herein:

City:	City of Garden Grove 11222 Acacia Parkway Garden Grove, California 92642 Attention: Community Development Director
Owner:	Tamerlane Associates, LLC 14 Corporate Plaza, Suite 100 Newport Beach, CA 92660 Attention: Charles Fry



11.3 Binding Effect. The terms, covenants and conditions of this Option Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns and transferees.

11.4 Entire Agreement. This Option Agreement sets forth the entire agreement between the parties hereto respecting the Option, and supersedes all prior negotiations and agreements, written or oral, concerning or relating to the subject matter of this Option Agreement.

11.5 California Law. This Option Agreement shall be governed by the laws of the State of California and any question arising hereunder shall be construed or determined according to such laws.

11.6 Time of the Essence. Time is of the essence of each and every provision of this Option Agreement.

11.7 Counterparts. This Option Agreement may be signed by the parties hereto in duplicate counterparts which together shall constitute one and the same agreement between the parties and shall become effective at such time as both of the parties shall have signed such counterparts.

11.8 Attorneys' Fees. If either party commences an action against the other to enforce any of the terms hereof or because of the breach by either party of any of the terms hereof, the losing party shall pay to the prevailing party reasonable attorneys' fees, costs and expenses incurred in connection with the prosecution or defense of such action, including appeal of and/or enforcement of a judgment.

11.9 Computation of Time. All periods of time referred to in this Option Agreement shall include all Saturdays, Sundays and state or national holidays, unless the period of time is specified as business days (which shall not include Saturdays, Sundays and state or national holidays), provided that if the date or last date to perform any act or give any notice with respect to this Option Agreement shall fall on a Saturday, Sunday or state or national holiday, such act or notice may be timely performed or given on the next succeeding day which is not a Saturday, Sunday or state or national holiday.

**IN WITNESS WHEREOF**, this Option Agreement is executed by the parties hereto on the date first above written.

**CITY:**

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

By: \_\_\_\_\_  
City Manager

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Stradling Yocca Carlson & Rauth  
City Special Counsel

**OWNER:**

**TAMERLANE ASSOCIATES, LLC**,  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

**ATTACHMENT NO. 1**  
**LEGAL DESCRIPTION**

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

## EXHIBIT G

### SCHEDULE OF PERFORMANCE

- |    |   |   |
|----|---|---|
| 1. | Owner shall satisfy all conditions precedent to disbursement of the City Loan, including acquisition of the Property. | Within 180 days of the effective date of this Agreement.                    |
| 2. | Owner shall submit Rehabilitation Work Write-up for City approval   | Within 180 days of the effective date of this Agreement.                    |
| 3. | City shall review and either approve or disapprove Owner's Rehabilitation Work Write-up.                              | Within 30 days of City receipt of Rehabilitation Work Write-up.             |
| 4. | Owner shall supply the City with the certificate(s) of insurance required by Section 208 of the Agreement.            | Prior to the commencement of Rehabilitation.                                |
| 5. | Owner shall commence Rehabilitation of the Property.  | Within 30 days following City approval of the Rehabilitation Work Write-up. |
| 6. | Owner shall complete the Rehabilitation of the Property.  | Within 180 days of commencing implementation of the Rehabilitation.         |

**EXHIBIT H**

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

City of Garden Grove  
11222 Acacia Parkway  
Garden Grove, California 92840  
Attention: City Manager

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SPACE ABOVE THIS LINE FOR RECORDER'S USE  
(This document is exempt from the payment of a recording fee  
pursuant to Government Code Section 27383.)

**NOTICE OF AFFORDABILITY RESTRICTIONS ON  
TRANSFER OF PROPERTY**

This **NOTICE OF AFFORDABILITY RESTRICTIONS ON TRANSFER OF PROPERTY** (“Notice of Affordability Restrictions”) is executed and recorded pursuant to Section 33334.3(f)(3)(B) of the California Health and Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, “Chapter 690”), and affects that certain property described in Attachment No. 1 hereto (“Site”).

1. The City Garden Grove, (the “City”), and Tamerlane Associates, LLC, a California limited liability company (the “Developer”) have previously entered into an Affordable Housing Agreement dated as of \_\_\_\_\_, 2012 (“AHA”). The AHA provides for affordability restrictions, as more particularly set forth in the AHA and the Regulatory Agreement. A copy of the AHA is on file with City as a public record and is deemed incorporated herein. Reference is made to the AHA with regard to the complete text of the provisions of such agreement which provides for affordability restrictions and restrictions on the transfer of the Site. Capitalized terms not defined herein shall have the meaning set forth in the AHA.

2. The AHA provides for Developer to (a) Rehabilitate four (4) rental dwelling units at the Site and (b) rent such dwelling units to households of limited income, paying an affordable rent; such restrictions are set forth at greater length in a document entitled the Regulatory Agreement, substantially in the form of Exhibit E to the AHA, which has been entered into by and between City and Developer, and which is expected to be recorded substantially concurrently

herewith among the official land records of the County of Orange. The Regulatory Agreement and the AHA are deemed to be incorporated herein by reference.

2.1. The Regulatory Agreement sets forth the following affordability restrictions and restrictions on transfer of the Site:

### “300. OPERATION OF HOUSING

“301. Affordable Units. The Owner agrees to make the Units available to Lower Income Households at an Affordable Rent (collectively, the “Affordable Units”), pursuant to the terms set forth below and in the Regulatory Agreement and Notice of Affordability Restrictions (the “Operation” or “Operate”).

“For purposes of this Agreement, “Lower Income Households” shall mean those households with incomes that do not exceed sixty percent (80%) of Orange County median income, adjusted for family size, as established and amended from time to time by the United States Department of Housing and Urban Development (“HUD”) or such lesser income as may be set forth in Health & Safety Code Section 50079.5 as amended from time to time. .

“Upon the Owner’s acquisition of the Property, and annually thereafter, the Owner shall submit to the City a completed income computation and certification form, in a form to be provided by the City. The Owner shall certify that each tenant leasing an Affordable Unit meets the income restrictions of this Section 301 and that tenant’s rental agreement states rent is Affordable Rent per Health & Safety Code Section 50053 for Lower Income households. The Owner shall obtain an income certification from the tenant of each Affordable Unit which shall certify that the income of the tenant is truthfully set forth in the income certification form. The Owner shall verify the income certification of the tenant in one or more of the following methods:

(1) obtain two (2) paycheck stubs from the tenant’s two (2) most recent pay periods, if any.

(2) obtain a true copy of an income tax return from the tenant for the most recent tax year in which a return was filed, if any.

(3) obtain an income verification certification from the employer of the tenant, if any.

(4) obtain an income verification certification from the Social Security Administration and/or the California Department of Social Services if the tenant receives assistance from such agencies, if any.

(5) obtain an alternate form of income verification reasonably requested by the Owner, if none of the above forms of verification is available to the Owner, if any.

“Current tenants of the Property as of the date of this Agreement shall not be compelled to vacate their Units solely because their income exceeds the applicable requirements for renting an Affordable Unit. Any tenant who, because of an increase in income, is no longer qualified to rent an Affordable Unit shall not be required to vacate the apartment unit solely because of such change of income, and shall be entitled to remain as a tenant of the same apartment unit at a rent which does not exceed the fair market rental value for such unit.

“The Property shall be subject to the requirements of this Section 300 from the date of Owner’s acquisition of the Property until the fifty fifth (55th) anniversary of such date. The duration of this requirement shall be known as the “Affordability Period.”

“302. Affordable Rent. The maximum Monthly Rent chargeable for the Affordable Units shall be annually determined by the City in accordance with the following “Affordable Rent” requirements.

“The Affordable Units shall be rented to Lower Income Households at maximum HOME Rent limits defined under 24 CFR 92.252 as the lesser of (a) the fair market rent for comparable housing units in the area as determined by HUD under 24 CFR 888.111, or (b) a rent that does not exceed thirty percent (30%) of sixty-five percent (65%) of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the Unit, less the monthly

allowance for utilities and services to be paid by each tenant (“Affordable Rent”). Notwithstanding the foregoing, however, if after the tenant's initial occupancy of the Unit, the tenant's income increases to a level greater than maximum income for Lower Income Households, adjusted for family size, the rent charged by Owner shall not exceed the fair market rent for comparable housing units in the area as determined by the City.

“For purposes of this Agreement, “Monthly Rent” means the total of monthly payments for (a) use and occupancy of each Affordable Unit and land and facilities associated therewith, (b) any separately charged fees or service charges assessed by the Owner which are required of all tenants, other than security deposits, (c) a reasonable allowance for an adequate level of service of utilities not included in (a) or (b) above, including garbage collection, sewer, water, electricity, gas and other heating, cooking and refrigeration fuels, but not including telephone service, and (d) possessory interest, taxes or other fees or charges assessed for use of the land and facilities associated therewith by a public or private entity other than Owner.

“303. Lease Requirements. Prior to disbursement of the City Loan, the Owner shall submit a standard lease form to the City for the City’s approval. The City shall reasonably approve such lease form upon finding that such lease form is consistent with this Agreement and contains all of the provisions required pursuant to the Community Redevelopment Law, Health & Safety Code Sections 33000 *et seq.* (“CRL”) and the HOME Program and the HOME Regulations. The Owner shall enter into a written lease, in the form approved by the City, with each tenant of an Affordable Unit. Each lease shall be for a period of not less than one year, and shall not contain any of the provisions which are prohibited pursuant to Section 92.253 of the HOME Regulations.

“304. Affirmative Marketing. The rental of the Affordable Units shall be conducted in accordance with the affirmative marketing requirements which have been adopted by the City and the requirements of Section 92.351, or successor regulation, of the HOME Regulations and other applicable HOME Program requirements.



“305. Selection of Tenants. Each Affordable Unit shall be leased to tenants selected by the Owner who meet all of the requirements provided herein. The City may, from time to time, assist in the leasing of the Property by providing to the Owner names of persons who have expressed interest in renting Affordable Units. The Owner shall adopt a tenant selection system in conformance with Section 92.253(d) of the HOME Regulations, which shall be approved by the City in its reasonable discretion, which establishes a chronological waiting list system and/or random lottery system for selection of tenants. The Owner shall not refuse to lease to a holder of a certificate of family participation under 24 CFR part 882 (Rental Certificate Program) or a rental voucher under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME Program, Section 8 program or other tenant-based assistance program, who is otherwise qualified to be a tenant in accordance with the approved tenant selection criteria; provided that Owner shall not be required to give any priority or preference to participants in the foregoing programs.

“306. Occupancy Standards. Notwithstanding other applicable requirements, occupancy of one bedroom Housing Units shall be limited to three persons, occupancy of two bedroom Housing Units shall be limited to five persons, and occupancy of three bedroom Housing Units shall be limited to seven persons. Notwithstanding the foregoing, however, no current residents of Housing Units as of the date of this Agreement shall be evicted from their apartment units solely because the household does not meet the occupancy requirements of this Section 306.

“307. Maintenance. The Owner shall maintain or cause to be maintained the interior and exterior of the Property in a decent, safe and sanitary manner, in accordance with the HUD Housing Quality Standards and the maintenance standards required by Section 92.251 of the HOME Regulations, and the standard of maintenance of similar housing units within Orange County, California. If at any time Owner fails to maintain the Property in accordance with this Agreement and such condition is not corrected within five days after written notice from the City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from the City with respect to landscaping and building improvements, then the City,

in addition to whatever remedy it may have at law or at equity, shall have the right to enter upon the applicable portion of the Property and perform all acts and work necessary to protect, maintain, and preserve the Property and landscaped areas on the Property, and to attach a lien upon the Property, or to assess the Property, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the City and/or costs of such cure, including a reasonable administrative charge, which amount shall be promptly paid by Owner to the City, as appropriate, upon demand.

“308. Reserve Requirements. The Owner shall set aside in a separate interest-bearing account, commencing upon the Owner’s acquisition of the Property, the sum of Ten Thousand Dollars (\$10,000) (the “Operating Reserve”), and shall thereafter retain such amount in the Operating Reserve to cover shortfalls between Property income and actual Property operating expenses. The Owner shall replenish the Operating Reserve to the full amount from Project Revenues within sixty (60) days of its use to cover any such shortfall. The Owner shall provide, no less than once per every twelve (12) months, evidence reasonably satisfactory to the City of compliance herewith.

“Concurrently with the establishment of the Operating Reserve as set forth herein, the Owner shall also set aside, on a monthly basis, in a separate interest-bearing account, two percent (2%) of the gross rents received from the Property (the “Capital Replacement Reserve”). When funds in the Capital Replacement Reserve equal the amount of Twelve Thousand Dollars (\$12,000), the Owner may cease depositing additional appropriations to the Capital Replacement Reserve until twenty-four (24) months after the Owner’s acquisition of the Property, after which time the Owner shall continue making monthly deposits of two percent (2%) of the gross rents received from the Property. Funds in the Capital Replacement Reserve shall be used for capital replacements to the Property fixtures and equipment which are normally capitalized under generally accepted accounting principles. As capital repairs and improvements of the Property become necessary, the Capital Replacement Reserve shall be the first source of payment therefor. The non-availability of funds in the Capital Replacement Reserve does not in any manner relieve the Owner of the obligation to undertake necessary capital repairs and

improvements and to continue to maintain the Property in the manner prescribed in this Agreement. Not less than once per year, Owner, at its expense, shall submit to the City an accounting for the Capital Replacement Reserve. Capital repairs to and replacement of the Property shall include only those items with a long useful life of five or more years, including without limitation the following: carpet and drape replacement; appliance replacement; exterior painting, including exterior trim; hot water heater replacement; plumbing fixtures replacement, including tubs and showers, toilets, lavatories, sinks, faucets; air conditioning and heating replacement; asphalt repair and replacement, and seal coating; roofing repair and replacement; landscape tree replacement and irrigation pipe and controls replacement; gas line pipe replacement; lighting fixture replacement; elevator replacement and upgrade work; miscellaneous motors and blowers; common area furniture replacement, and common area repainting.

“In the event that Owner provides evidence reasonably satisfactory to City that there are insufficient funds in the Capital Replacement Reserve and/or from Net Profits for Owner to undertake necessary capital repairs and improvements as required in this Agreement, the City shall advance such funds, provided that the amount shall be added to the Promissory Note. The Deed of Trust, referencing the new amount will be recorded again, reflecting the new principal amount, junior only to the Bank Loan.

“309. Long Term Management of the Property. The parties acknowledge that the City is interested in the long term management and operation of the Property and in the qualifications of any person or entity retained by the Owner for that purpose (the “Property Manager”). The Owner shall, upon the date of acquisition of the Property, either contract with an experienced and reputable party to be the Property Manager or Owner shall itself serve as the Property Manager. During the term of the Affordability Period, the City may from time to time review and evaluate the identity and performance of the Property Manager of the Property as it deems appropriate. If the City determines that the performance of the Property Manager is deficient based upon the standards and requirements set forth in this Agreement, the City shall provide notice to the Owner of such deficiencies and the Owner shall use its best efforts to correct such

deficiencies. In the event such deficiencies have not been cured within the time set forth in Section 501 hereof, the City shall have the right to require the Owner to immediately remove and replace the Property Manager and to appoint another property manager or property management company which is reasonably acceptable to the City, which is not related to or affiliated with the Owner, and which has not less than five (5) years experience in property management, including significant experience managing affordable multifamily residential developments of the size, quality and scope of the Property.

“In addition, prior to the acquisition of the Property the Owner shall submit for the approval of the City a “Management Plan” which sets forth in detail the Owner’s property management duties, the affirmative marketing procedures in accordance with Section 304 hereof, the tenant selection process in accordance with Section 305 hereof, a security system and crime prevention program, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of tenants, the rules and regulations of the Property and manner of enforcement, a standard lease form in accordance with Section 303 hereof, the identity of the Property Manager, and other matters relevant to the management of the Property. The Management Plan shall require the Property Manager to adhere to a fair lease and grievance procedure and provide a plan for tenant participation in management decisions. The management of the Property shall be in compliance with the Management Plan which is approved by the City.

“Until the City Loan has been fully repaid, the Owner shall annually submit to the City for its reasonable approval a budget for the operation of the Property. The fee paid to Property Manager shall not exceed five percent (5%) of the gross income of the Property per annum. Other fees and payments shall be consistent with prevailing market rates for the services performed and goods provided in consideration for such fees and payments. The Owner shall ensure that the expenses of operating the Property do not materially exceed the budget which has been approved by the City. The Owner shall annually provide to the City a detailed accounting of operating expenses and shall make its books and records available to the City

for inspection and copying, upon reasonable advance notice during its normal hours of business.

“310. Monitoring and Recordkeeping. Throughout the Affordability Period, Owner shall comply with all applicable recordkeeping and monitoring requirements set forth in Section 92.508 (or successor regulation) of the HOME Regulations and Health & Safety Code Section 33418 and shall annually complete and submit to City a Certification of Continuing Program Compliance in the form provided by the City. Representatives of the City shall be entitled to enter the Property, upon at least twenty-four (24) hours notice, to monitor compliance with this Agreement, to inspect the records of the Property with respect to compliance herewith, and to conduct an independent audit or inspection of such records. The Owner agrees to cooperate with the City in making the Property available for such inspection or audit. If for any reason the City is unable to obtain the Owner’s consent to such an inspection or audit, the Owner understands and agrees that the City may obtain at Owner’s expense an administrative inspection warrant or other appropriate legal order to obtain access to and search the Property. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

“311. Non-Discrimination Covenants. Owner covenants by and for itself, its successors and assigns, and all persons claiming under or through them that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land. All deeds, leases or contracts relating to the Housing Units or the Site, or any part thereof,

shall contain or be subject to substantially the following non-discrimination or non-segregation clauses:

“(a) In deeds: “The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through them, that there shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises herein conveyed, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

“(b) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions: “That there shall be no discrimination against or segregation of any person or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy, of tenants, lessees, sublessees, subtenants, or vendees in the premises herein leased.”

“(c) In contracts: “There shall be no discrimination against or segregation of, any person or group of persons on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, in the sale, lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the premises which are the subject of this Agreement, nor shall the grantee or any person claiming under or through him or her, establish or permit any practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees, or vendees in the premises herein conveyed. The foregoing covenants shall run with the land.”

“312. Compliance with Equal Opportunity and Fair Housing. Owner shall also comply with the equal opportunity and fair housing requirements set forth in Section 92.350 of the HOME Regulations. The covenants established in this Section 311 shall, without regard to technical classification and designation, be binding for the benefit and in favor of City and its successors and assigns, and shall remain in effect in perpetuity.

“314. Regulatory Agreement. The requirements of this Agreement which are applicable after the disbursement of the City Loan are set forth in the Regulatory Agreement and Notice of Affordability Restrictions. The execution and recordation of the Regulatory Agreement is a Condition Precedent to the disbursement of the City Loan, as set forth in Section 102 hereof.

3. The restrictions contained in the Regulatory Agreement expire twenty (20) years following the date the Owner Acquires the Site. The Regulatory Agreement is being submitted for recordation contemporaneously with this Notice of Affordability Restrictions.

4. The commonly known address for the Site is 12142 Tamerlane Drive in the City of Garden Grove.

5. The assessor’s parcel number for the Site is: 231-471-37; such number is subject to change.

6. The legal description for the Site is attached hereto as Attachment No. 1 and is incorporated herein by reference.

7. The Regulatory Agreement, which includes the affordability restrictions referenced above, is expected to be submitted for recordation in the Office of the Orange County Recorder contemporaneously with this Notice of Affordability Restrictions.

8. This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690. The AHA and the Regulatory Agreement both remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

9. Persons having questions regarding this Notice of Affordability Restrictions, the AHA or the Attachments thereto (including the Regulatory Agreement) should contact City at its offices (11222 Acacia Parkway, Garden Grove, or such other address as may be designated by City from time to time).

**[Signatures appear on following page.]**



**DEVELOPER:**

**TAMERLANE ASSOCIATES, LLC,**  
a California limited liability company

By: \_\_\_\_\_

Its: \_\_\_\_\_

**CITY:**

**CITY OF GARDEN GROVE,**  
a municipal

\_\_\_\_\_  
Matthew Fertal, City Manager

**ATTEST:**

\_\_\_\_\_  
City Clerk

**APPROVED AS TO FORM:**

\_\_\_\_\_  
Stradling Yocca Carlson & Rauth  
City Counsel

## ATTACHMENT NO. 1 TO EXHIBIT H

### LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, County of Orange, and described as follows:

Parcel 1:

Lot 5 of Tract No. 5503, in the City of Garden Grove, County of Orange, State of California, as per map recorded in Book 201 Page(s) 29-30 of Miscellaneous Maps, in the office of the County Recorder of said County.

Parcel 2:

The right of access over the West 27 feet of the East 47 feet of Lot 6 of said Tract.

Parcel 3:

The right of access over the West 27 feet of the East 47 feet and the entire South 12.5 feet except the East 20 feet of Lot 4 of said Tract.

APN: 231-471-37

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, Notary Public,  
(Print Name of 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 of Notary Public

**OPTIONAL**

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

**CAPACITY CLAIMED BY SIGNER**

**DESCRIPTION OF ATTACHED DOCUMENT**

- Individual
- Corporate Officer

\_\_\_\_\_  
Title(s)

\_\_\_\_\_  
Title Or Type Of Document

- Partner(s)       Limited
- General
- Attorney-In-Fact
- Trustee(s)
- Guardian/Conservator
- Other: \_\_\_\_\_

\_\_\_\_\_  
Number Of Pages

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
Date Of Documents

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Signer(s) Other Than Named Above

**EXHIBIT I**  
**PRO FORMA**