

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

Garden Grove Housing Authority

To: Matthew Fertal
From: Economic Development
Dept: Director
Subject: AFFORDABLE LOAN AGREEMENT WITH CENTURY VILLAGE GROUP, LLC TO PROVIDE MODERATE-INCOME HOMEBUYER ASSISTANCE AT THE CENTURY VILLAGE HOUSING PROJECT LOCATED AT THE NORTHWEST CORNER OF TAFT STREET AND CENTURY BOULEVARD, GARDEN GROVE.
Date: June 12, 2012

OBJECTIVE

The purpose of this report is for the Garden Grove Housing Authority (the "Authority") to consider the Affordable Loan Agreement (the "Agreement") with Century Village Group, LLC (the "Developer") to provide moderate-income homebuyer assistance for the Century Village townhome project located at the northwest corner of Taft Street and Century Boulevard, Garden Grove (the "Site").

BACKGROUND/DISCUSSION

A portion of the Century Village project site was purchased with the former Garden Grove Agency for Community Development's Housing Set Aside Fund (the "Housing Fund") monies and the project was initially intended to be a market rate housing project. The former Agency intended to pay back the Housing Fund with the land sale proceeds from the project. Specifically, a portion of the one million dollar Purchase Money Promissory Note (the "Note"), \$905,309, that the Developer now owes to the Housing Authority.

On September 28, 2010, the former Garden Grove Agency for Community Development approved a First Amendment to Disposition and Development Agreement with the Developer authorizing the Developer to pay to the Agency \$3,010,000 in cash at closing and to carry the Note in the amount of \$1 million totaling the \$4,010,000 purchase price for the property. The Developer would then pay back the Note over the course of the construction and sale of the housing units.

When the Agency was dissolved on February 1, 2012, as a result of ABx1-26, the Dissolution Act, the Garden Grove Housing Authority adopted a Resolution by which it elected to retain the housing assets and functions of the former Agency including the affordable housing portion of the Note.

In an effort to make some of the units more affordable to moderate-income buyers, staff is proposing that the Housing Authority make the proceeds of the Note available to fund a Moderate Income Buyer Affordable Loan Program. This program will provide down payment assistance to qualifying buyers in amounts not to exceed \$50,000 per household, and are forgiven if the buyers remain in the home for the 45-year term of the loan. A 1/45 portion of the loan is forgiven for each year that the owner remains in the home as an owner-occupant. Additionally, provisions exist in the agreement that provide for payback of the loan balance in the event of a sale prior to the expiration of the loan term or for an uncured ownership default.

RECOMMENDATION

Staff recommends that the Housing Authority:

- Adopt the attached Resolution approving the attached Affordable Loan Agreement Amendment with Century Village Group, LLC for the Century Village project; and
- Authorize the Director to execute the Affordable Loan Agreement, and any other pertinent documents required to effectuate the Affordable Loan Agreement, and make minor modifications as appropriate, on behalf of the Housing Authority.



Jim DellaLonga
Sr. Project Manager/Dept. Admin. Officer

Attachment 1: Resolution
Attachment 2: Affordable Loan Agreement

Recommended for Approval



Matthew Fertal
Director

RESOLUTION NO. _____

**A RESOLUTION OF THE GARDEN GROVE HOUSING
AUTHORITY APPROVING AN AFFORDABLE LOAN
AGREEMENT BETWEEN THE GARDEN GROVE HOUSING
AUTHORITY AND CENTURY VILLAGE GROUP, LLC, AND
MAKING CERTAIN OTHER FINDINGS IN CONNECTION
THEREWITH**

WHEREAS, the Garden Grove Housing Authority is a public body, corporate and politic and is duly organized and validly existing under the Housing Authorities Act, California Health & Safety Code Section 34240, *et seq.*, and all successor statutes and implementing regulations thereto (“Housing Authorities Law”); and

WHEREAS, Century Village Group, LLC, a California limited liability company (“Developer”) is the owner/developer of that certain real property consisting of approximately 2.67 acres of land area located at the northwest corner of Century Boulevard and Taft Street in the City of Garden Grove, County of Orange, State of California (“Property”), excepting therefrom those individual airspace units and fractional interests in the common area within the Property that Developer has sold to condominium purchasers prior to the date of this Resolution; and

WHEREAS, Developer is currently developing and marketing a 53-unit residential townhome project on the Property (“Project”); and

WHEREAS, Developer acquired the Property from the Garden Grove Agency for Community Development (“Former Agency”) pursuant to that certain Disposition and Development Agreement entered into by and between Developer and Former Agency on or about April 13, 2010, as amended by that certain First Amendment to Disposition and Development Agreement entered into by and between Developer and Former Agency on or about September 28, 2010 (collectively, the “DDA”); and

WHEREAS, pursuant to the DDA, Developer’s purchase price for the Property was Four Million Ten Thousand Dollars (\$4,010,000), of which Developer paid Three Million Ten Thousand Dollars (\$3,010,000) in cash to Former Agency at the close of escrow and the balance of which purchase price (in the sum of One Million Dollars (\$1,000,000)) was memorialized in that certain unsecured Promissory Note executed by Developer in favor of Former Agency and delivered to Former Agency at the close of escrow (“Purchase Money Promissory Note”); and

WHEREAS, prior to selling the Property to Developer pursuant to the DDA, Former Agency acquired the Property with a combination of Nine Hundred Five Thousand Three Hundred Nine Dollars (\$905,309) in funds that had been deposited into Former Agency’s low- and moderate-income housing fund that Former Agency was required to maintain and expend pursuant to Health & Safety Code Sections 33334.2 and 33334.3 to increase, improve, and preserve the community’s supply of affordable housing (“Housing Funds”) and other funds of the Former Agency that were not so restricted (“Non-Housing Funds”); and

WHEREAS, no portion of the \$3,010,000 cash portion of the purchase price previously paid by Developer to Former Agency for the Property was deposited into Former Agency’s Housing Fund

or used to pay obligations of the Former Agency that were eligible to be paid out of Former Agency's Housing Fund; and

WHEREAS, on June 15, 2011, the California Legislature adopted and on June 28, 2011, Governor Brown signed into law Assembly Bill x1 26 ("ABx1 26") and Assembly Bill x1 27 ("ABx1 27") of the First Extraordinary Session of the California Legislature; and

WHEREAS, a lawsuit was filed that challenged the constitutionality of both ABx1 26 and ABx1 27 and on December 29, 2011, the California Supreme Court issued its decision in *California Redevelopment Assn. v. Matosantos* (2011) 53 Cal.4th 231 ("CRA Case"), which upheld the constitutionality of ABx1 26 and revised the effective dates of certain of that bill's provisions and which struck down as unconstitutional ABx1 27; and

WHEREAS, pursuant to ABx1 26 and the modified timelines issued in the CRA Case, all redevelopment agencies in the State of California, including Former Agency, were dissolved as of February 1, 2012; and

WHEREAS, pursuant to authorization contained in ABx1 26, the City of Garden Grove elected to and became the "Successor Agency" to the Former Agency as of February 1, 2012 and, pursuant to Health & Safety Code Section 34176(a), on _____, 2012, the Authority adopted a resolution by which it elected to retain the housing assets and functions of the Former Agency, including without limitation the Former Agency's rights and obligations with respect to the \$905,309 principal amount and accrued interest owing under the Purchase Money Promissory Note ("Affordable Housing Portion of the Purchase Money Promissory Note"); and

WHEREAS, on February 1, 2012, the Authority became the legal owner and holder of the Former Agency's housing assets, including the Affordable Housing Portion of the Purchase Money Promissory Note; and

WHEREAS, as of the date of this Resolution, the Affordable Housing Portion of the Purchase Money Promissory Note is in excess of One Million Dollars (\$1,000,000); and

WHEREAS, the Authority and Developer have negotiated the terms of that certain Affordable Loan Agreement ("ALA") in order to incentivize and promote the development of affordable housing within the Project through the Authority's offering to provide down payment assistance to eligible moderate-income home purchasers in an amount not to exceed \$50,000 per household and not to exceed \$1,000,000 in total, in return for which (i) Developer shall be required to qualify such home purchaser and sell the applicable unit (each, an "Affordable Unit") to such home purchaser at an amount not to exceed the "Affordable Housing Cost" for "Moderate Income Households" (as those terms are defined in Health & Safety Code Sections 50052.5 and 50093) (ii) the home purchaser shall be required to subject his/her unit to long-term affordability controls as provided herein, and (iii) at the close of escrow for each Affordable Unit so sold Developer shall receive a full credit in the amount of the Authority down payment assistance provided to the purchaser(s) of said unit (not to exceed \$50,000 per unit and \$1,000,000 in the aggregate) against the amount of outstanding principal and accrued interest owing by Developer to Authority under the Purchase Money Promissory Note; and

WHEREAS, the form of ALA attached to this Resolution includes the form of the Affordable Homebuyer Loan Agreement (“AHLA”) to be used to provide for the Authority’s downpayment assistance loans to enable Moderate Income Households to acquire Affordable Units at an Affordable Housing Cost; and

WHEREAS, the Authority has duly considered all terms and conditions of the proposed ALA and AHLA and believes that the Project is in the best interests of the City of Garden Grove and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements.

NOW, THEREFORE, BE IT RESOLVED by the Garden Grove Housing Authority as follows:

Section 1. The foregoing recitals are true and correct and constitute a substantive part of this Resolution and are fully incorporated herein.

Section 2. The Authority Board hereby approves the ALA between Authority and Developer (including the form of the AHLA attached thereto), with such changes as may be mutually agreed upon by the Authority Director (or his duly authorized representative), Authority special legal counsel, and Developer as are minor and in substantial conformance with the form of the ALA and AHLA which have been submitted herewith. The Authority Director and the Authority Secretary are hereby authorized to execute and attest the ALA, including any related attachments, on behalf of Authority. In such regard, the Authority Director (or his duly authorized representative) is authorized to sign the final version of the ALA after completion of any such non-substantive, minor revisions. Copies of the final form of the ALA, when duly executed and attested, shall be placed on file in the office of the Authority Secretary. Further, the Authority Director (or his duly authorized representative) is authorized to implement the ALA and take all further actions and execute all documents referenced therein and/or necessary and appropriate to carry out the Project as provided for within the ALA. The Authority Director (or his duly authorized representative) is hereby authorized to the extent necessary during the implementation of the ALA to make technical or minor changes and interpretations thereto after execution, as necessary to properly implement and carry out the ALA, provided any and all such changes shall not in any manner materially affect the rights and obligations of the Authority or the maximum funding provided under the ALA approved hereby.

Section 3. In addition to the authorization of Section 2 above, the Authority Director is hereby authorized, on behalf of Authority, to sign all other documents necessary or appropriate to carry out and implement the ALA, including causing the issuance of warrants in implementation thereof and in furtherance and in accordance with the Housing Authorities Law and the California Community Redevelopment Law (as amended by ABx1 26) and to administer and carry out Authority’s obligations, responsibilities and duties to be performed under the ALA, subject to the provisions thereof.

Section 4. The Authority Secretary shall certify to the adoption of this Resolution.

APPROVED AND ADOPTED this _____ day of June, 2012.

GARDEN GROVE HOUSING AUTHORITY,
a public body, corporate and politic

Chair

ATTEST:

Authority Secretary

STATE OF CALIFORNIA)
COUNTY OF ORANGE)
CITY OF GARDEN GROVE)

I, Kathy Bailor, Secretary of the Garden Grove Housing Authority, do hereby certify that the foregoing Resolution No. _____ was introduced and adopted at an adjourned regular meeting of the Garden Grove Housing Authority held on the _____ day of June 2012 by the following vote of the members thereof:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

GARDEN GROVE HOUSING AUTHORITY

Secretary

ATTACHMENT TO RESOLUTION
ATTACH COPY OF FINAL AFFORDABLE LOAN HOUSING AGREEMENT

ATTACHMENT TO RESOLUTION

AFFORDABLE LOAN AGREEMENT

This AFFORDABLE LOAN AGREEMENT (“Agreement”) is dated as of _____, 2012, for identification purposes (the “Agreement Date”) and is being entered into by and between CENTURY VILLAGE GROUP, LLC, a California limited liability company (“Developer”), and the GARDEN GROVE HOUSING AUTHORITY, a public body corporate and politic (“GGHA”).

RECITALS

A. Developer is the owner/developer of that certain real property consisting of approximately 2.67 acres of land area located at the northwest corner of Century Boulevard and Taft Street in the City of Garden Grove, County of Orange, State of California, described in Exhibit “A” hereto (the “Property”), excepting therefrom those individual airspace units and fractional interests in the common area within the Property that Developer has sold to condominium purchasers prior to the Agreement Date. As of the Agreement Date, Developer is developing and marketing a 53-unit residential townhome project on the Property (the “Project”).

B. Developer acquired the Property from the Garden Grove Agency for Community Development (“Former Agency”) pursuant to that certain Disposition and Development Agreement entered into by and between Developer and Former Agency on or about April 13, 2010, as amended by that certain First Amendment to Disposition and Development Agreement entered into by and between Developer and Former Agency on or about September 28, 2010 (collectively, the “DDA”).

C. Pursuant to the DDA, Developer’s purchase price for the Property was Four Million Ten Thousand Dollars (\$4,010,000), of which Developer paid Three Million Ten Thousand Dollars (\$3,010,000) in cash to Former Agency at the close of escrow and the balance of which purchase price (in the sum of One Million Dollars (\$1,000,000)) was memorialized in that certain unsecured Promissory Note executed by Developer in favor of Former Agency and delivered to Former Agency at the close of escrow (the “Purchase Money Promissory Note”).

D. Prior to selling the Property to Developer pursuant to the DDA, Former Agency acquired the Property with a combination of Nine Hundred Five Thousand Three Hundred Nine Dollars (\$905,309) in funds that had been deposited into Former Agency’s low- and moderate-income housing fund that Former Agency was required to maintain and expend pursuant to Health & Safety Code Sections 33334.2 and 33334.3 to increase, improve, and preserve the community’s supply of affordable housing (the “Housing Funds”) and other funds of the Former Agency that were not so restricted (the “Non-Housing Funds”). No portion of the \$3,010,000 cash portion of the purchase price previously paid by Developer to Former Agency for the Property was deposited into Former Agency’s Housing Fund or used to pay obligations of the Former Agency that were eligible to be paid out of Former Agency’s Housing Fund.

E. On June 15, 2011, the California Legislature adopted and on June 28, 2011, Governor Brown signed into law Assembly Bill x1 26 (“ABx1 26”) and Assembly Bill x1 27 (“ABx1 27”) of the First Extraordinary Session of the California Legislature. A lawsuit was filed that challenged the constitutionality of both AB x1 26 and 27. On December 29, 2011, the California Supreme Court issued its decision, which upheld the constitutionality of ABx1 26 and revised the effective dates of certain of that bill’s provisions and which struck down as unconstitutional ABx1 27. (*California Redevelopment Assn. v. Matosantos* (2011) 53 Cal.4th 231 (the “CRA Case”). Pursuant to ABx1 26

and the modified timelines issued in the *CRA Case*, all redevelopment agencies in the State of California, including Former Agency, were dissolved as of February 1, 2012.

F. Pursuant to authorization contained in ABx1 26, the City of Garden Grove elected to become and became the "Successor Agency" to Former Agency as of February 1, 2012. In addition, on _____, 2012, and pursuant to Health & Safety Code Section 34176(a), a provision of ABx1 26, GGHA adopted a resolution by which it elected to retain the housing assets and functions of Former Agency.

G. While neither party makes any representation or warranty to the other party on the subject, the parties jointly interpret ABx1 26 to provide that Former Agency's rights and obligations with respect to the \$9____ principal amount and accrued interest thereon owing under the Purchase Money Promissory Note (the "Affordable Housing Portion of the Purchase Money Promissory Note") is a "housing asset" within the meaning of Health & Safety Code Section 34176(a). On February 1, 2012, GGHA became the legal owner and holder of Former Agency's housing assets, including the Affordable Housing Portion of the Purchase Money Promissory Note. The Parties agree that the Affordable Housing Portion of the Purchase Money Promissory Note is in excess of One Million Dollars (\$1,000,000) as of the Agreement Date.

H. Subject to the terms and conditions set forth herein, GGHA and Developer desire to incentivize and promote the development of affordable housing within the Project through GGHA's offering to provide down payment assistance to eligible moderate-income home purchasers in an amount not to exceed \$50,000 per household and not to exceed \$1,000,000 in total, in return for which (i) Developer shall be required to qualify such home purchaser and sell the applicable unit (each, an "Affordable Unit") to such home purchaser at an amount not to exceed the "Affordable Housing Cost" for "Moderate Income Households," (ii) the home purchaser shall be required to subject his/her unit to long-term affordability controls as provided herein, and (iii) at the close of escrow for each Affordable Unit so sold Developer shall receive a full credit in the amount of the GGHA down payment assistance provided to the purchaser(s) of said unit (not to exceed \$50,000 per unit and \$1,000,000 in the aggregate) against the amount of outstanding principal and accrued interest owing by Developer to GGHA under the Purchase Money Promissory Note.

AGREEMENT

IN CONSIDERATION OF THE FOREGOING RECITALS, WHICH ARE INCORPORATED INTO THIS AGREEMENT BY THIS REFERENCE, AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS ACKNOWLEDGED BY BOTH PARTIES, DEVELOPER AND GGHA AGREE AS FOLLOWS:

1. At the request of Developer, GGHA shall provide a loan to each "Qualified Purchaser" in the amount so requested by Developer, but not to exceed (i) Fifty Thousand Dollars (\$50,000) per Qualified Purchaser and (ii) One Million Dollars (\$1,000,000) in the aggregate, in accordance with the Affordable Homebuyer Loan Agreement attached hereto as Exhibit B and incorporated herein by reference. A "Qualified Purchaser" shall mean a person or family of moderate income as defined in Health and Safety Code Section 50093 ("Moderate Income Household") who purchases a residential dwelling unit within the Project at an Affordable Housing Cost pursuant to Health and Safety Code Section 50052.5. Notwithstanding the foregoing, GGHA shall have the right to discontinue making such loan(s) to Qualified Purchasers if it reasonably

determines that it does not have the right to retain the Affordable Housing Portion of the Purchase Money Promissory Note and authority to use the same for such affordable housing purposes.

2. Each such loan made by GGHA to a Qualified Purchaser shall reduce, by a like amount, the accrued interest and outstanding and unpaid principal balance owing by Developer to GGHA under the Purchase Money Promissory Note. Concurrent with the close of escrow of the final residential unit within the Project Developer shall pay to GGHA any remaining principal balance and all accrued interest owing under the Purchase Money Promissory Note.

3. **Notices, Demands and Communications Between the Parties.** Any approval, disapproval, demand, document or other notice ("Notice") required or permitted under this Agreement shall be in writing and shall be sufficiently given if delivered by hand (and a receipt therefor is obtained or is refused to be given) or dispatched by registered or certified mail, postage prepaid, return receipt requested, or delivered by telecopy, email or overnight delivery service to:

To GGHA: Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, CA 92840
Attention: Community Development Director

with a copy to: Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Thomas P. Clark, Jr.

To Developer: Century Village Group, LLC
c/o Brandywine Homes
16580 Aston
Irvine, California 92606
Attention: Jim Barisic

with a copy to: Rutan & Tucker, LLP
611 Anton Boulevard, 14th Floor
Costa Mesa, California 92626
Attention: Jeffrey M. Oderman

Such written notices, demands and communications may be sent in the same manner to such other addresses as either party may from time to time designate by mail as provided in this Section.

4. **Non Liability of Officials and Employees of GGHA, City and Developer.** No member, official or employee of either party or of the City shall be personally liable to the other party or the City, or any successor in interest, in the event of any Default or Breach by either party or for any amount which may become due to either party or their successors, or on any obligations under the terms of this Agreement.

5. **Successors and Assigns.** All of the terms, covenants, conditions, representations, and warranties of this Agreement shall be binding upon GGHA and Developer and their respective permitted successors and assigns. Whenever the term "Developer" or "GGHA," as the case may be,

is used in this Agreement, such term shall include any other permitted successors and assigns as herein provided.

6. Counterparts. This Agreement may be signed in multiple counterparts which, when signed by all parties, shall constitute a binding agreement. This Agreement is executed in three (3) originals, each of which is deemed to be an original.

7. Integration. This Agreement contains the entire understanding between the parties relating to the transaction contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged in this Agreement and shall be of no further force or effect. Each party is entering into this Agreement based solely upon the representations set forth herein and upon each party's own independent investigation of any and all facts such party deems material. This Agreement includes pages 1 through 5 (including signature page) and Exhibits A through F (each such Exhibit being incorporated in this Agreement as if fully set forth herein), which together constitute the entire understanding and agreement of the parties, notwithstanding any previous negotiations or agreements between the parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

8. Attorneys' Fees. In any action between the parties to interpret, enforce, reform, modify, rescind or otherwise in connection with any of the terms or provisions of this Agreement, the prevailing party in the action shall be entitled, in addition to damages, injunctive relief or any other relief to which it might be entitled, reasonable costs and expenses including, without limitation, litigation costs and reasonable attorneys' fees. Costs recoverable for enforcement of any judgment shall be deemed to include reasonable attorneys' fees.

9. Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words "without limitation." This Agreement shall be interpreted as though prepared jointly by both parties.

10. No Waiver. A waiver by either party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by the other party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

11. Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed on behalf of each party.

12. Severability. If any term, provision, condition or covenant of this Agreement or its application to any party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law.

13. Legal Advice. Each party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult

legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or on behalf of the other party, or their respective agents, employees or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

14. Conflicts of Interest. No member, official or employee of GGHA shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his/her personal interests or the interests of any corporation, partnership or association in which he or she is directly or indirectly interested.

15. GGHA Representations and Warranties. GGHA represents and warrants to Developer that the facts set forth in Recitals D and F of this Agreement are true and correct.

This Agreement is entered into this ____ day of _____, 2012.

GARDEN GROVE HOUSING AUTHORITY

By: _____

ATTEST:

Approved as to form:

STRADLING YOCCA CARLSON & RAUTH

Thomas P. Clark, Jr.
Special Counsel to Garden Grove Housing Authority

CENTURY VILLAGE GROUP, LLC

By: _____

Its: _____

EXHIBIT A
PROPERTY LEGAL DESCRIPTION

EXHIBIT B
HOMEBUYER LOAN AGREEMENT

AFFORDABLE HOMEBUYER LOAN AGREEMENT

This **AFFORDABLE HOMEBUYER LOAN AGREEMENT** ("Agreement") is dated as of _____, 201_, for identification purposes and is being entered into by and between _____ ("Homebuyer") and the **GARDEN GROVE HOUSING AUTHORITY**, a public body corporate and politic ("GGHA").

RECITALS

A. Homebuyer has entered into a "Purchase Agreement and Deposit Receipt and Escrow Instructions" ("Purchase Agreement") with **CENTURY VILLAGE GROUP, LLC** ("Seller" or "Developer") dated as of _____, 201_, to purchase certain real property improved with a condominium thereon. Such real property is commonly known as _____, Garden Grove, California, and is more particularly described in Exhibit "A" attached hereto and incorporated herein ("Property").

B. GGHA is hereby making a loan to Homebuyer pursuant to that certain Affordable Loan Agreement entered into by and between GGHA and Developer dated as of _____, 2012 (the "Affordable Loan Agreement"). The Affordable Loan Agreement provides that if Developer sells the Property to a person or family of moderate income, as that term is defined in California Health & Safety Code Section 50093 (a "Moderate Income Household"), at "Affordable Housing Cost," as that term is defined in Health & Safety Code Section 50052.5, Developer may require, subject to certain conditions precedent, GGHA to make a loan hereunder.

C. Homebuyer is a Moderate Income Household and Homebuyer is purchasing the Property for an Affordable Housing Cost. Homebuyer requires financial assistance to purchase the Property and would not be able to purchase the Property without such assistance.

D. Homebuyer represents and warrants to GGHA that Homebuyer and Homebuyer's immediate family/household members intend to reside in the Property as their principal residence at all times during the period of Homebuyer's ownership of the Property.

E. GGHA wishes to lend and Homebuyer wishes to borrow from GGHA funds in the form of a forty-five (45) year loan ("Homebuyer Assistance Loan" or "GGHA Loan") secured by a subordinate lien deed of trust to facilitate Homebuyer's purchase of the Property at an Affordable Housing Cost, subject to the terms and conditions set forth herein. The principal amount of the Homebuyer Assistance Loan will be equal to _____ Dollars (\$ _____) (the "Note Amount"). One-forty-fifth ($1/45^{\text{th}}$) of the principal balance of the Note Amount and all accrued interest thereon will be forgiven on each anniversary of the making of the Homebuyer Assistance Loan in the event that Homebuyer (including its permitted assignees and transferees) has complied with all of the terms and conditions of this Agreement during the previous one-year period.

F. Subject to the provisions set forth in this Agreement that allow Homebuyer to prepay the Note and buy out the affordability restrictions imposed on the Property if Homebuyer wishes to but is unable to sell the Property to a Moderate Income Household at Affordable Housing Cost and if GGHA does not timely elect to purchase the Property at the Affordable Housing Cost, commencing upon the date on which Homebuyer acquires fee title to the Property (the "Note Date") and

terminating on the forty-fifth anniversary of the Note Date (the "Term"), Homebuyer shall be entitled to transfer the Property only to another eligible and qualified Moderate Income Household ("Eligible Transferee") and only at an Affordable Housing Cost.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Parties hereto agree as follows:

1. Homebuyer Assistance Loan; Promissory Note.

1.1 Homebuyer Assistance Loan. GGHA hereby loans to Homebuyer and Homebuyer hereby borrows from GGHA the sum of _____ Dollars (\$ _____) (the "Homebuyer Assistance Loan"), subject to the conditions and restrictions set forth herein and in the Promissory Note (Exhibit "B" hereto), the GGHA Deed of Trust (Exhibit "C" hereto), the Affordable Housing Resale Restriction (Exhibit "D" hereto), the Program Disclosure Statement (Exhibit "E" hereto), and the Notice of Affordability Restrictions on Transfer of Property (Exhibit "F" hereto). Developer and Homebuyer have opened an escrow (Escrow No. _____ with _____) for Homebuyer's acquisition of the Property ("Escrow") and GGHA shall be an additional party to the Escrow in connection with the Homebuyer Assistance Loan.

1.2 Promissory Note. Prior to or at the close of escrow for acquisition of the Property, Homebuyer shall execute, as maker, and deposit into escrow for delivery to GGHA at the closing, a promissory note in favor of GGHA, as holder, substantially in the form of the promissory note attached hereto as Exhibit "B" and incorporated herein by this reference (the "Note" or "Promissory Note"). As more particularly provided in the Note, the essential terms and conditions of the Homebuyer Assistance Loan are as follows:

(a) **Term.** Subject to the optional pre-payment and buy-out provisions set forth in the Note and Section 1(e) of this Agreement, the term of the Note and the affordability restrictions set forth in this Agreement (the "Term") shall be forty-five (45) years from the date of recordation of the grant deed conveying title to the Property to Homebuyer (the "Note Date").

(b) **Note Amount.** The Note Amount shall be _____ Dollars (\$ _____).

(c) **Interest.** The unpaid principal balance of the Note Amount shall bear simple interest at the rate of three percent (3%) per annum.

(d) **No Installment Payments; Forgiveness; Acceleration in Event of Ownership Default; Payment Amount Owning.** No installment payments of principal or interest shall be due under the Note. One-forty-fifth (1/45th) of the principal balance of the Note Amount and all accrued interest thereon shall be forgiven and discharged on each anniversary of the Note Date as long as Homebuyer (including any Eligible Transferee then owning the Property) has not committed an uncured "Ownership Default" within the preceding year (as that term is defined in Section 10.1 of this Agreement). Thus, if Homebuyer (including any Eligible Transferee) has not committed an uncured "Ownership Default" by the forty-fifth (45th) anniversary of the Note Date, the amount owing on the Note shall be Zero Dollars (\$0). If, however, Homebuyer (or such Eligible Transferee) does commit an uncured Ownership Default during the Term, GGHA shall have the right, exercisable by delivery of written notice to Homebuyer (or Eligible Transferee), to

immediately accelerate the entire remaining balance of the Note and, in such event, Homebuyer (or such Eligible Transferee) shall immediately pay to GGHA the sum of (i) the then-unpaid principal balance and accrued interest owing under the Note (excluding any portion of the Note Amount and accrued interest thereon that previously has been forgiven) and (ii), if as a result of said Ownership Default the Property is not being occupied by a Moderate Income Household at Affordable Housing Cost, then Homebuyer (or such Eligible Transferee) shall additionally pay to GGHA the "Contingent Equity Participation Amount" (as that term is defined in Section 1(f) of this Agreement).

(e) **Optional Buy-Out of Note and Affordability Restrictions on Property.** Notwithstanding any provision in this Agreement, the Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Program Disclosure Statement, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, if at any time prior to the end of the Term Homebuyer (including any Eligible Transferee) has exercised reasonable diligence in an effort to sell the Property to an Eligible Transferee at Affordable Housing Cost for a period of not less than four (4) months but has been unable to enter into a binding written agreement to do so, Homebuyer (or such Eligible Transferee) shall have the right, but not the obligation, to apply to GGHA for permission to terminate the affordability restrictions that bind the Property (i.e., the affordability restrictions set forth in the Note and the GGHA Deed of Trust and the entire Affordable Housing Resale Restriction, Program Disclosure Statement, and Notice of Affordability Restrictions on Transfer of Property) and sell the Property to a person or entity who is not an Eligible Transferee and/or for a price in excess of the Affordable Housing Cost for a Moderate Income Household. For purposes of this Agreement, "reasonable diligence" to sell to an Eligible Transferee shall mean, at a minimum, that: (i) Homebuyer (including any Eligible Transferee then owning the Property) has listed the Property for sale (to Eligible Transferees at an Affordable Housing Cost) with a reputable residential real estate brokerage firm with an office located within ten (10) miles of the Property for a minimum of four (4) months; (ii) Homebuyer (including any Eligible Transferee) and/or its listing broker has notified GGHA in writing by the beginning of the four (4) month period of the listing of the Property for sale in accordance with clause (i); (iii) Homebuyer (including any Eligible Transferee) and/or its broker has promptly notified in writing any other housing authority or public agency or non-profit corporation or organization that provides affordable housing services within a ten (10) mile radius of the Property of the availability of the Property for purchase by an Eligible Transferee at Affordable Housing Cost if requested to do so by GGHA (or, if there is a delay in providing such notice, the 4-month period provided for herein shall be extended by one day for each day that provision of such notice is delayed); (iv) the listing for sale of the Property is published in the Multiple Listing Service and any other standard media utilized by residential real estate brokerage firms in the community for publicizing the availability for sale of similarly situated properties during said minimum four (4) month period; and (v) the Property is continuously available to be shown to prospective purchasers during daylight hours during said 4-month period. If GGHA receives such a request to terminate the affordability restrictions applicable to the Property, it shall have the right to require Homebuyer (including any Eligible Transferee) to submit such information regarding Homebuyer's (or Eligible Transferee's) "reasonable diligence" to sell the Property to an Eligible Transferee at Affordable Housing Cost as GGHA may require in its reasonable discretion.

In the event Homebuyer (or Eligible Transferee) submits satisfactory evidence to GGHA of Homebuyer's (or Eligible Transferee's) reasonable diligence to sell the Property to an Eligible Transferee at Affordable Housing Cost, GGHA shall have an additional sixty (60) days from the date it receives Homebuyer's (or Eligible Transferee's) submittal to determine whether GGHA will elect to purchase the Property at Affordable Housing Cost. If GGHA elects to purchase the Property under such circumstances, it shall be required to exercise its option to purchase the Property by delivery of

written notice to Homebuyer (or Eligible Transferee) no later than the end of the sixtieth (60th) day after receiving Homebuyer's request and, in such event, the parties shall proceed as follows: (i) the purchase price shall be the Affordable Housing Cost for a Moderate Income Household (using an assumed household with an adjusted income equal to 110% of areawide median income, adjusted for household size appropriate to the Property); (ii) GGHA shall cause an escrow to be opened at an escrow company selected by GGHA; (iii) the Property shall be sold in a strictly "as-is" physical condition; (iv) the escrow shall be no longer than thirty (30) days or shorter or longer period as may be mutually agreed to by the parties; (v) escrow and title fees and closing costs shall be prorated in the normal manner for similar residential transactions in Orange County, California; and (vi) Homebuyer (or Eligible Transferee) shall be responsible for payment of the seller's real estate broker. If GGHA does not timely elect to purchase the Property on such terms, GGHA shall not unreasonably delay, condition, or deny Homebuyer's (or Eligible Transferee's) request for approval of sale of the Property to a non-Eligible Transferee or for a cost in excess of the Affordable Housing Cost and for the pay-off of the Note and termination of the affordability restrictions applicable to the Property and, if GGHA does not unconditionally approve such request, it shall respond to such request in writing, stating in reasonable detail the reasons for not approving the request and the actions that Homebuyer (or Eligible Transferee or its or their broker(s)) is (are) required to take to obtain such an approval. If GGHA approves such request, Homebuyer shall thereafter be permitted (but not required) to sell the Property to a person or entity other than an Eligible Transferee and/or at an amount in excess of Affordable Housing Cost, provided that, in such event, (i) at the close of escrow for the sale of the Property to a person or entity other than an Eligible Transferee and/or at an amount in excess of Affordable Housing Cost Homebuyer (including any Eligible Transferee then owning the Property) shall be required to pay to GGHA the sum of (A) the then-outstanding principal balance and accrued interest owing on the Note (excluding any portion of the Note Amount and accrued interest thereon that previously has been forgiven) and (B) the Contingent Equity Participation Amount; and (ii) contingent upon its receipt of the amounts owing to it pursuant to clause (i) GGHA shall cooperate with Homebuyer in causing the Note to be cancelled, the GGHA Deed of Trust to be terminated of record and reconveyed, and the Affordable Housing Resale Restriction and Notice of Affordability Restrictions on Transfer of Property to be terminated of record.

(f) **Contingent Equity Participation Amount.** For purposes of Section 1(d) and (e), the "Contingent Equity Participation Amount" shall be determined as set forth in this Section 1(f).

In the event that Homebuyer (including any Eligible Transferee) commits an uncured "Ownership Default" (as that term is defined in Section 10.1) during the Term of the Note, GGHA exercises its right to accelerate repayment of the Note as provided in Section 1.2(d), and the "Contingent Equity Participation Amount" thereby becomes due and payable, the Contingent Equity Participation Amount shall be an amount equal to fifty percent (50%) of the remainder derived by subtracting the Affordable Housing Cost for a Moderate Income Household at the time the uncured Ownership Default occurs from either (i) the "Adjusted Sales Price of the Property" (if as a result of the Ownership Default the Property is sold for more than the Affordable Housing Cost or to a person or entity that is not an Eligible Transferee) or (ii) the "Unencumbered Fair Market Value of the Property" (if the Property is not sold as a result of the Ownership Default, e.g., the Property is refinanced in violation of Section 3 or becomes occupied in violation of Section 6). Thus, for example, if Homebuyer commits an uncured Ownership Default during the Term of the Note by wrongly selling the Property at more than Affordable Housing Cost or to a person or entity that is not an Eligible Transferee, the Affordable Housing Cost for a Moderate Income Household at the time

GGHA exercises its right to accelerate repayment of the Note equals Three Hundred Thousand Dollars (\$300,000) and the Adjusted Sales Price of the Property equals Four Hundred Thousand Dollars (\$400,000), the Contingent Equity Participation Amount would be Fifty Thousand Dollars (\$25,000) ($\$400,000 - \$300,000 = \$100,000 \times 50\% = \$50,000$).

In the event that Homebuyer (including any Eligible Transferee) exercises its optional right to pay off the remaining balance of the Note and terminate the affordability restrictions on the Property as provided in Section 1.2(e) (excluding a sale of the Property to GGHA at Affordable Housing Cost as provided therein) and the "Contingent Equity Participation Amount" thereby becomes due and payable, the Contingent Equity Participation Amount shall be an amount equal to fifty percent (50%) of the remainder derived by subtracting the Affordable Housing Cost for a Moderate Income Household at the time the sale occurs from the "Adjusted Sales Price of the Property." Thus, for example, if the Affordable Housing Cost for a Moderate Income Household at the time Homebuyer (including any Eligible Transferee) exercises its optional right to pay off the remaining balance of the Note and terminate the affordability restrictions on the Property equals Three Hundred Thousand Dollars (\$300,000) and the Adjusted Sales Price of the Property equals Four Hundred Thousand Dollars (\$400,000), the Contingent Equity Participation Amount would be Fifty Thousand Dollars (\$50,000) ($\$400,000 - \$300,000 = \$100,000 \times 50\% = \$50,000$).

As used herein, the Adjusted Sales Price of the Property shall be the gross purchase price paid by the purchaser of the Property to Homebuyer (including any Eligible Transferee), less the sum of (i) all real estate brokerage commissions, escrow fees, title fees, and closing costs paid for by the seller and (ii) the then-current depreciated value of all "Qualified Capital Improvement Costs." As used herein, Qualified Capital Improvement Costs shall mean those actual and reasonable out-of-pocket costs paid by Homebuyer (including any Eligible Transferee) to a third party (not including members of Homebuyer's or Eligible Transferee's immediate household) for physical improvements to the Property with a useful life in excess of five (5) years. The then-current depreciated value of Qualified Capital Improvement Costs shall be determined using a fair and reasonable rate or amount of depreciation, based upon the original cost of each physical improvement in question, its useful life, and its condition at the time the property is resold. In order to qualify as Qualified Capital Improvement Costs, Homebuyer (including any Eligible Transferee) shall be required to obtain the written approval of GGHA's Executive Director with respect both to eligibility and amount. GGHA's Executive Director shall not unreasonably condition, delay, or deny such approval as long as Homebuyer (or Eligible Transferee) submits (i) an adequate description of the work performed (including photographs if requested), (ii) adequate written evidence of payment for same (including invoices, work orders, contracts, cancelled checks or other satisfactory evidence of payment, as applicable), (iii) satisfactory evidence that any required building or other permits were obtained, (iv) satisfactory evidence that the work was completed, and (v) satisfactory evidence upon which the then-current depreciated value of each physical improvement included in the Qualified Capital Improvement Costs can be determined. Thus, to use the example set forth in the preceding paragraph, if the Adjusted Sales Price of the Property (before taking into consideration the amount of Qualified Capital Improvement Costs) equals Four Hundred Thousand Dollars (\$400,000) and GGHA's Executive Director approves Fifty Thousand Dollars (\$50,000) as the then-current depreciated value of Qualified Capital Improvement Costs, the Adjusted Sales Price of the Property would be Three Hundred Fifty Thousand Dollars ($\$400,000 - \$50,000 = \$350,000$).

As used herein, the Unencumbered Fair Market Value of the Property shall be the fair market value of the Property at the time GGHA notifies Homebuyer (or Eligible Transferee) in writing that an Ownership Default not involving the sale of the Property occurs, less the sum of all "Qualified

Capital Improvement Costs,” as that term is defined in the preceding paragraph. Thus, if the Unencumbered Fair Market Value of the Property at the time an Ownership Default not involving a sale of the Property occurs (before taking into consideration the amount of Qualified Capital Improvement Costs) equals Four Hundred Thousand Dollars (\$400,000) and GGHA’s Executive Director approves Fifty Thousand Dollars (\$50,000) in Qualified Capital Improvement Costs, the Unencumbered Fair Market Value of the Property would be Three Hundred Fifty Thousand Dollars (\$400,000 - \$50,000 = \$350,000).

The Unencumbered Fair Market Value of the Property shall be determined by a licensed independent real estate appraiser with not less than the equivalent of five (5) full-time years of experience appraising residential properties in Orange County, California, and such appraiser shall have no familial relationship with Homebuyer (including Eligible Transferee) and no prior business relationship with either the City of Garden Grove, GGHA, or Homebuyer (including Eligible Transferee) during the preceding five (5) years. The appraiser shall be mutually selected by GGHA and Homebuyer (or Eligible Transferee). If the parties fail to agree on the identity of a single appraiser to prepare the appraisal within ten (10) days after GGHA requests in writing that the Unencumbered Fair Market Value of the Property be so determined, each party shall have an additional ten (10) days to appoint its own appraiser and notify the other party in writing of the identity of the appointing party’s appraiser. If either party fails to appoint its own appraiser and notify the other party in writing within said ten (10) day period, the appraiser appointed by the other party shall prepare the appraisal. If each party timely appoints its appraiser and notifies the other party of such appointment, the two appointed appraisers shall meet and confer as quickly as possible and select a neutral third appraiser meeting the qualifications set forth above and that third appraiser shall prepare the appraisal. The appraisal prepared by the selected appraiser shall be final and binding upon both parties. The appraisal shall be in writing and may be in the form of a summary appraisal report. The parties shall each bear one hundred percent (100%) of the cost of their own appointed appraiser and fifty percent (50%) of the cost of the appraiser designated to perform the appraisal; provided, that Homebuyer’s (or Eligible Transferee’s) cost for the appraiser appointed to prepare the appraisal shall not exceed Five Hundred Dollars (\$500), with said cap adjusted from and after January 1, 2013, by increases in the local Consumer Price Index from and after that date.

In no event shall the Contingent Equity Participation Amount determined pursuant to this Section 1(f) be less than Zero Dollars (\$0).

(g) Termination of Obligation to Pay Contingent Equity Participation Amount. The obligation of Homebuyer (or Eligible Transferee) to pay the Contingent Equity Participation Amount shall terminate upon the earlier of the following dates: (i) the forty-fifth (45th) anniversary of the Note Date; or (ii) the date on which the Contingent Equity Participation Amount has been paid pursuant to either Section 1.2(d) or (e), as and if applicable.

(h) Security for Note. The obligation of Homebuyer to repay the Note shall be secured by a subordinate deed of trust and rider thereto encumbering the Property, substantially in the form of Exhibit “C” that is attached hereto and incorporated herein by this reference (“GGHA Deed of Trust”). The GGHA Deed of Trust shall be executed by Homebuyer, as trustor, in favor of GGHA, as beneficiary.

(i) Subordination. Subject to the subordination provisions set forth herein and in the Note and Affordable Housing Resale Restriction, the GGHA Deed of Trust shall be subordinate only to the First Lien mortgage obtained by Homebuyer and, if applicable, other loan(s)

as approved by GGHA's Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), CalHome Program, and CalHFA mortgage funding.

(j) **Prepayment of Note.** Homebuyer may prepay the Note, provided that any prepayment must be in full and not in part. In any event, subject only to Homebuyer's (and Eligible Transferee's) rights under Section 1(e), the Affordable Housing Resale Restriction shall continue in full force and effect for the full Term, notwithstanding such prepayment.

(k) **Assumption of Note.** Homebuyer's obligations under the Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property may be assumed by a subsequent qualified Moderate Income Household, as purchaser of the Property (i.e., an Eligible Transferee), but only in accordance with the terms and conditions set forth in Section 4.

(l) **Joint and Several.** The undersigned, if more than one person, shall be jointly and severally liable under this Agreement for the repayment of the Note and performance of Homebuyer's other obligations set forth in this Agreement, the Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property.

(m) **Homebuyer's Waivers.** Homebuyer waives any rights to require GGHA to: (i) demand payment of amounts due (known as "presentment"), (ii) give notice that amounts due have not been paid (known as "notice of dishonor") and (iii) obtain an official certification of nonpayment (known as "protest").

1.3 Married Sole and Separate Property. An individual taking title to the Property as contemplated by this Agreement is subject to special requirements because of California Community Property Laws and Federal tax laws. If Homebuyer is legally separated, or has filed for divorce and a legal property disposition agreement exists between Homebuyer and Homebuyer's spouse, a quitclaim deed from Homebuyer's spouse and a copy of the property disposition agreement may be required by GGHA. In the absence of an existing legal property disposition agreement between Homebuyer and Homebuyer's spouse, as a condition of approval of the Homebuyer Assistance Loan, a quitclaim deed, a special agreement and a release of interest signed by both Homebuyer and Homebuyer's spouse, after consultation with an attorney, may be required by GGHA. Additionally, if Homebuyer's spouse is to reside in the Property, the combined income of Homebuyer and Homebuyer's spouse must be included in the income test for eligibility hereunder.

1.4 Loan Servicing. GGHA may contract with an outside organization to originate and service the Homebuyer Assistance Loan.

2. Determination of Household Income and Affordable Housing Cost.

(a) **Income Certification.** Homebuyer has submitted an application and additional information verifying income eligibility to Developer and GGHA prior to execution of this Agreement. Homebuyer represents, warrants, and declares under penalty of perjury to GGHA that all information Homebuyer has provided and will provide in the future to Developer and GGHA is

and will be true, correct, and complete. Homebuyer acknowledges that GGHA is relying upon Homebuyer's representations as to income, household size, assets, and other information to determine if Homebuyer is a Moderate Income Household, and GGHA would not have entered into this Agreement if Homebuyer did not so qualify. In the event that GGHA discovers that any of such information is materially untrue, GGHA may declare the Note Amount (including unpaid principal and accrued interest) and the Contingent Equity Participation Amount, if any, immediately due and payable.

(b) **Affordable Housing Cost.** Homebuyer's purchase price for the Property must not exceed an amount that results in a monthly housing cost that is equal to the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if Homebuyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost that is equal to the product of thirty percent (30%) times Homebuyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

(c) **Co-Signers and Co-Mortgagors.** The income of individuals who sign only the Note ("co-signers") and individuals who sign both the Note and the grant deed ("co-mortgagors") shall be included for determining whether Homebuyer is a Moderate Income Household. All such co-signers and co-mortgagors must be part of Homebuyer's household and must reside in the Property. Non-occupants of the Property may not serve as co-signers or co-mortgagors, nor may such individuals hold title to or any other property interest in the Property.

3. Homebuyer Financing and Refinancing. Homebuyer shall obtain First Lien purchase money mortgage financing for its acquisition of the Property from a reputable institutional lender reasonably acceptable to GGHA ("Lender"). Homebuyer shall at all times during the term of the Affordable Homebuyer Assistance Loan comply with all requirements of the Lender, including without limitation, loan underwriting standards, minimum down payment requirements, private mortgage insurance requirements, homebuyer education requirements, and tax and insurance impound requirements. In addition, not less than three percent (3%) of the purchase price of the Property shall be paid in cash from Homebuyer's own resources and not from the proceeds of a loan secured by a lien on the Property, and gifts and seller concessions may not be used to meet this requirement, except as otherwise permitted by the Lender. The sum of the principal amount of the First Lien mortgage loan and Affordable Homebuyer Assistance Loan (and any other applicable affordable housing loans or grants described in Section 4) shall not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time Homebuyer purchases the Property.

Homebuyer (including any Eligible Transferee) may refinance the First Lien mortgage loan and any Eligible Transferee may enter into a new First Lien mortgage loan at any time during the Term as long as (i) Homebuyer (or Eligible Transferee) notifies GGHA in writing prior to completing said financing or refinancing; (ii) the new financing or refinancing is provided by the same Lender or another reputable institutional lender reasonably acceptable to GGHA; and (iii) the sum of the principal amount of the new or refinanced First Lien mortgage loan and the then-outstanding principal balance on the Affordable Homebuyer Assistance Loan (excluding any consideration of the Contingent Equity Participation Amount that may become payable) and any

other applicable affordable housing loans or grants described in Section 4 does not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time said loan is financed or refinanced, as reasonably determined by GGHA's Executive Director. GGHA's Executive Director shall not unreasonably withhold, condition, or delay his/her approval of any such new financing or refinancing. If GGHA's Executive Director approves such new financing or refinancing, GGHA shall cooperate with Homebuyer (including any Eligible Transferee then owning the Property) and the Lender by executing such documents as may be required to subordinate the provisions of this Agreement, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Notice of Affordability Restrictions, and the obligations therein to the lien of such new or refinanced loan consistent with the provisions set forth in Section 4.

4. Subordination. Except as otherwise provided herein, the provisions of this Agreement, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Notice of Affordability Restrictions, and the obligations therein, shall be subordinate only to the First Lien on the Property held by the Lender and, if applicable, other loan(s) as approved by the Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), and CalHome Program, and CalHFA mortgage funding, which liens shall not impair the rights of Lender, or Lender's assignee or successor in interest or GGHA, if applicable, to exercise their remedies under the First Lien in the event of default under the First Lien by Homebuyer. Such remedies under the First Lien include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. If title to the Property is transferred by foreclosure or acceptance of a deed in lieu of foreclosure, or assignment of the First Lien to the Secretary of the Department of Housing and Urban Development, this Agreement and GGHA Deed of Trust shall be automatically terminated and shall have no further effect as to the Property or any transferee thereafter. However, in no event shall this Agreement, the GGHA Deed of Trust, and the Affordable Housing Resale Restriction, be subordinate to any First Lien on the Property securing a loan with provisions which allow negative amortization, or to refinancing of the First Lien for a loan amount in excess of the sum of the then current loan balance secured by the First Lien and loan closing costs.

5. Execution of Additional Documents; Order of Recording. Homebuyer is aware that GGHA has prepared certain documents to implement this Agreement and secure repayment of Homebuyer Assistance Loan. Homebuyer has reviewed and agrees to execute the following documents in substantially the form as attached hereto prior to receiving the Homebuyer Assistance Loan, and any other documents reasonably required by GGHA or a participating entity to complete the transaction contemplated herein: (i) the Promissory Note; (ii) the GGHA Deed of Trust with Rider; (iii) the Affordable Housing Resale Restriction; (iv) the Disclosure Statement; and (v) the Notice of Affordability Restrictions.

Homebuyer agrees and acknowledges that the GGHA Deed of Trust, Notice of Affordability Restrictions, and Affordable Housing Resale Restriction shall be recorded against the Property with the County Recorder of the County of Orange and shall appear of record with respect to and as encumbrances to the Property. This Agreement shall not be recorded.

Homebuyer agrees it shall instruct the Escrow Agent for the acquisition of the Property by Homebuyer that the order of recording in the escrow for the purchase of the Property by Homebuyer shall occur as follows: (i) the Grant Deed, (ii) the First Lien; (iii) the Affordable Housing Resale

Restriction; (iv) the Notice of Affordability Restrictions, and (v) the GGHA Deed of Trust. GGHA shall cause a Request for Notice of Default to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage requesting a statutory notice of default as set forth in the California Civil Code Section 2924b, and shall cause a request for Notice of Delinquency to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage.

6. Occupancy Standards. The Property shall be used as the principal personal residence of Homebuyer (including Eligible Transferee(s)) and Homebuyer's (or any Eligible Transferee's) immediate family and for no other purpose. Except as expressly permitted in the next paragraph hereinbelow, Homebuyer (including Eligible Transferee) shall not enter into an agreement for the rental or lease of all or any part of the Property and Homebuyer (and Eligible Transferee) shall not rent out a room or rooms in the Property.

The foregoing occupancy restrictions shall not apply to any of the following: (i) temporary occupancy of the Property by non-immediate family members or guests of Homebuyer (and Eligible Transferee(s)) for periods of not more than thirty (30) days per calendar year; (ii) transfer to and subsequent occupancy of the Property solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting Homebuyer (including any Eligible Transferee), provided that in such circumstance the transferee(s) shall be required to deliver written notice to GGHA within thirty (30) days of such a transfer/change in occupancy, which notice shall explain the basis for the permitted change in occupancy and shall provide reasonable evidence justifying the same, and the transferee(s) shall assume Homebuyer's (or Eligible Transferee's) obligations under this Agreement (consistent with any modifications on the permitted terms of occupancy) by execution of an assignment and assumption agreement to be provided by GGHA; (iii) any sale or transfer which under federal law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause; and (iv) occupancy by a caregiver who occupies the Property in order to provide support to a mentally or physically disabled person in Homebuyer's (including any Eligible Transferee's) immediate family who also occupies the Property.

Homebuyer (including any Eligible Transferee) may request a temporary waiver of the foregoing occupancy restrictions in the event of extreme hardship requiring Homebuyer (or Eligible Transferee) to move to another geographical area or to less expensive housing, including, for example and without limitation, transfer of job location, loss of job, or unexpected major expenses. GGHA's Executive Director may approve or disapprove such request in his/her sole, reasonable discretion, and may require as a condition of approval that Homebuyer (or Eligible Transferee) only rent the Property to a Moderate Income Household at an Affordable Rent for a Moderate Income Household (as specified in California Health & Safety Code Section 50053). GGHA acknowledges that the occupancy standard is occupancy by two (2) persons per living and sleeping area. Homebuyer shall, upon demand by GGHA, submit to GGHA an affidavit of occupancy in a form to be prepared by GGHA verifying Homebuyer's compliance with this Section 6. Such affidavit may be required by GGHA on an annual basis.

7. Maintenance of Property. Homebuyer shall maintain the interior of the Property (a) in a clean, safe and presentable manner, (b) consistent with community standards, (c) in a manner which will uphold the value of the Property, (d) in accordance with the maintenance requirements of the Affordable Housing Resale Restriction, (e) in accordance with the Garden Grove Municipal Code and the California Housing Code, and (f) in accordance with any and all covenants and agreements established by any homeowner's association or other regulatory entity recognized by area property

owners. Homebuyer shall not allow the Property to accumulate debris, or allow inoperable or abandoned vehicles on the Property, or allow any other unsightly or dangerous conditions on the Property. The covenants for the maintenance of the Property shall run with the Property and shall remain in effect until the expiration of the Term. Homebuyer and GGHA shall execute and record the Affordable Housing Resale Restriction against the Property in the Official Records of Orange County, California. Homebuyer also agrees to comply with all applicable federal, state and local laws.

8. Insurance and Indemnity. Homebuyer shall maintain, during the term of the Homebuyer Assistance Loan, an all-risk property insurance policy insuring the Property in an amount equal to the full replacement value of the structures on the Property. The policy shall name GGHA and City of Garden Grove as loss payees and shall contain a statement of obligation on behalf of the carrier to notify GGHA of any material change, cancellation, or termination of coverage at least thirty (30) days in advance of the date of such material change, cancellation, or termination. Homebuyer shall transmit a copy of the certificate of insurance and loss payee endorsement to GGHA within thirty (30) days of the effective date of this Agreement and, upon request by GGHA, Homebuyer shall transmit to GGHA further copies of the certificate of insurance and a loss payee endorsement. The copy of the certificate of insurance and loss payee endorsement shall be transmitted to GGHA at the address set forth in Section 10.11 hereof. The form, content, and issuer of any certificate of insurance must be reasonably acceptable to GGHA.

Homebuyer shall pay for, defend, indemnify, and hold harmless GGHA and the City of Garden Grove and their respective officers, agents, employees, representatives, and volunteers from and against any loss, liability, claim, or judgment relating in any manner to the Property or this Agreement. Homebuyer shall remain fully obligated for the payment of property taxes, liens, and assessments related to the Property. There shall be no reduction in taxes for Homebuyer, nor any transfer of responsibility to GGHA to make such payments, by virtue of the Homebuyer Assistance Loan.

9. Sale of Property to a Moderate Income Household at Affordable Housing Cost.

9.1 Affordability Requirements To Remain in Effect for Entire Term. During the entire Term (forty-five (45) years from the Note Date or such earlier date upon which the affordability restrictions on the Property are terminated as provided in Section 1.2(e)), Homebuyer (including any Eligible Transferee) shall be permitted to sell the Property only to another Moderate Income Household at a price not to exceed Affordable Housing Cost and only with GGHA's prior written approval, which approval GGHA shall not unreasonably withhold, condition, or delay. These requirements shall be set forth in an Affordable Housing Resale Restriction (Conditions, Covenants, and Restrictions Affecting Real Property and the Resale, Ownership, Occupancy, Maintenance, and Other Matters Related to Real Property), in the form that is attached hereto as Exhibit "D" and incorporated herein by this reference. After the expiration of the Term, the Property shall no longer be subject to the affordability requirements of this Agreement and the Affordable Housing Resale Restriction, and Homebuyer (including any Eligible Transferee) may sell or transfer the Property to any person at any price.

9.2 Verification of Prospective Buyer's Income. In order to enable GGHA to verify the prospective Buyer's status as a Moderate Income Household, Homebuyer (including any Eligible Transferee then owning the Property) shall submit or cause the proposed Buyer to submit to GGHA the identity of the proposed Buyer and adequate information evidencing the income and

household size of the proposed Buyer. Gross income and net income of the prospective Buyer's household shall be determined in accordance with Health & Safety Code Section 50093 and the provisions of Sections 6914 and 6916 of Title 25 of the California Code of Regulations. The prospective Buyer shall submit a certification on a form provided by GGHA that such Buyer is a Moderate Income Household and meets the eligibility requirements established for the Property and that the Property will be sold at an Affordable Housing Cost by Homebuyer (or Eligible Transferee) to such prospective Buyer.

Income information shall be submitted together with the notice of proposed sale not less than ten (10) days prior to the opening of escrow for the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that GGHA can verify the household income of the proposed Buyer to determine whether the proposed Buyer is a Moderate Income Household, and whether the Property is to be transferred to such Buyer at an Affordable Housing Cost. If GGHA is unable to verify Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for a Moderate Income Household.

9.3 Affordable Housing Cost. The Property shall be resold by Homebuyer (including any Eligible Transferee then owning the Property) to the Buyer at an "Affordable Housing Cost" for Moderate Income Households, which means that the Buyer's purchase price for the Property must not exceed an amount that results in a monthly housing cost which equals the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if the Buyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost which exceeds the product of thirty percent (30%) times the Buyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

9.4 Exceptions to Restrictions on Sale and Transfer. Notwithstanding any other provision set forth in this Agreement, the Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, the following transfers shall not be deemed to violate the provisions of this Agreement or constitute a default (including without limitation an "Ownership Default") hereunder: (i) a sale or transfer of the Property or any interest therein solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting the Homebuyer (including any Eligible Transferee), provided that the transferee(s) shall provide written notice supported by reasonable evidence of such event to GGHA within thirty (30) days of such a transfer and, upon GGHA's written request, the transferee(s) shall assume all of Homebuyer's (or Eligible Transferee's) other obligations set forth herein and shall execute an assignment and assumption agreement in a form to be provided by GGHA; or (iii) a sale or transfer of the Property or any interest therein which under applicable law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause.

10. Miscellaneous Provisions

10.1 Defaults. Failure or delay by either party to perform any term or provision of this Agreement which is not cured within thirty (30) days after receipt of notice from the other party

constitutes a default under this Agreement; provided, however, that if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion. The party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Notwithstanding the foregoing, GGHA shall only be entitled to accelerate the then-outstanding balance of the Homebuyer Assistance Loan and the Note, require payment of the Contingent Equity Participation Amount, and initiate and pursue foreclosure proceedings against Homebuyer (including any Eligible Transferee) in the event of an "Ownership Default" and not in the event of a "Maintenance Default."

As used herein, the term "Ownership Default" means Homebuyer's (including any Eligible Transferee's) uncured material default under Section 2, 3, 6, and/or 9 of this Agreement. In addition, the term "Ownership Default" shall include a default by Homebuyer (including any Eligible Transferee) of any obligation secured by the First Lien that results in the Lender proceeding to foreclose the same. As used herein, the term "Non-Ownership Default" means any uncured default by Homebuyer (including any Eligible Transferee) under this Agreement, the Note, or the Affordable Housing Resale Restriction that is not an Ownership Default, including without limitation a default relating to Homebuyer's (or Eligible Transferee's) failure to maintain the Property in a decent, safe, sanitary, clean, and neighborly manner.

10.2 Remedies. GGHA shall be entitled to all legal and equitable remedies available under the law upon the default of the terms of this Agreement by Homebuyer (including any Eligible Transferee). Such remedies may include, without limitation, (a) specific performance of the terms of this Agreement, (b) disgorgement of any amount of consideration received for the Property that exceeds an Affordable Housing Cost, and/or (c) an order to pay attorneys' fees, as set forth in Section 10.12 hereof.

10.3 Waiver. A party's delay in exercising any right or remedy it may have hereunder for a default by the other party shall not be deemed a waiver by the non-defaulting party of any of its rights or remedies. In order for a waiver or release of a party's rights hereunder to be binding, the waiver or release must be in writing and signed by that party. Either party's waiver of a default by the other party hereunder shall apply to that instance of default only and shall not constitute a waiver of the non-defaulting party's rights in the event of a subsequent default by the other party.

10.4 Further Assurances. Homebuyer and any Eligible Transferee then owning the Property shall execute any further documents consistent with the terms of this Agreement, including documents in recordable form, as GGHA shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Agreement and making the Homebuyer Assistance Loan.

10.5 Governing Law. Homebuyer (including any Eligible Transferee) hereby agrees to comply with all ordinances, rules, and regulations of the City. Nothing in this Agreement is intended to be, nor shall it be deemed to be, a waiver of any City ordinance, rule, or regulation. This

Agreement shall be governed by the laws of the State of California. Any legal action brought under this Agreement must be instituted in the Superior Court of the County of Orange, State of California or in the U.S. District Court, Central District of California, Santa Ana Division in Orange County, California.

10.6 Amendment of Agreement. No modification, rescission, or amendment of any provision of this Agreement shall be made except by a written agreement executed by Homebuyer (including any Eligible Transferee) and GGHA.

10.7 GGHA May Assign. GGHA may, at its option, assign or pledge its right to receive repayment of Affordable Homebuyer Assistance Loan proceeds without obtaining the consent of Homebuyer (or Eligible Transferee).

10.8 Homebuyer Assignment Prohibited. In no event shall Homebuyer (including any Eligible Transferee) assign or transfer any portion of this Agreement without the prior express written consent of GGHA, pursuant to the procedures set forth in Section 9 hereof.

10.9 Relationship of Homebuyer and GGHA. The relationship of Homebuyer (including any Eligible Transferee) and GGHA pursuant to this Agreement is that of debtor and creditor and shall not be, or be construed to be, a joint venture, equity venture, partnership, or other relationship.

10.10 Monitoring. To the extent permitted by law, GGHA and its designated employees and agents shall have the right to enter the Property at all reasonable times without a warrant for the purpose of monitoring Homebuyer's (including any Eligible Transferee's) compliance with this Agreement. Any such entry shall be made only after reasonable notice to Homebuyer (or Eligible Transferee), which shall mean at least forty-eight (48) hours in all non-emergency situations. Upon receipt of such notice, Homebuyer (including any Eligible Transferee) agrees to consent to entry by GGHA and to cooperate in making the Property available for inspection by GGHA. Homebuyer acknowledges and agrees that if for any reason Homebuyer (including any Eligible Transferee) fails to consent to such entry or inspection, GGHA may obtain an administrative inspection warrant or take such other legal actions as may be necessary to gain access to and inspect the Property. GGHA shall indemnify and hold harmless Homebuyer (including any Eligible Transferee) from any costs, claims, damages or liabilities pertaining to any such entry.

10.11 Notices. Any notices, requests or approvals given under this Agreement from one party to another may be personally delivered or deposited with the United States Postal Service for mailing, postage prepaid, registered or certified mail, return receipt requested to the following address:

To Homebuyer: [name]
[address]
Garden Grove, California _____

To GGHA: Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director

Either party may change its address for notice by giving written notice thereof to the other party.

10.12 Attorneys' Fees and Costs. Should either of the parties to this Agreement incur attorneys' fees in seeking the enforcement of this Agreement, whether or not a final court judgment is entered, the prevailing party shall be entitled to reimbursement of its reasonable attorneys' fees and litigation costs, including without limitation expert witness fees, by the other party.

10.13 Entire Agreement. This Agreement, together with all attachments hereto, constitutes the entire understanding and agreement between GGHA and Homebuyer. This Agreement integrates all of the terms and conditions mentioned herein or incidental thereto, and supersedes all prior negotiations, discussions, and previous agreements between GGHA and Homebuyer concerning all or any part of the subject matter of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth in the first paragraph of this Agreement.

HOMEBUYER:

By: _____

GGHA:

GARDEN GROVE HOUSING AUTHORITY,
a public body corporate and politic

_____, Executive Director
or Authorized Designee

ATTEST:

GGHA Secretary

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____ before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose names(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

EXHIBIT "A" TO AFFORDABLE HOMEBUYER LOAN AGREEMENT

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

EXHIBIT "B"

TO AFFORDABLE HOMEBUYER LOAN AGREEMENT
PROMISSORY NOTE SECURED BY DEED OF TRUST

NOTICE TO MAKER: CONTINGENT EQUITY PARTICIPATION AMOUNT SHALL BE
DUE AND PAYABLE IF CERTAIN EVENTS OCCUR

\$ _____

Garden Grove, California

_____, 201_ ("Note Date")

Property Address:

_____ Garden Grove, California _____ (the "Property")

FOR VALUE RECEIVED, the undersigned ("Maker" or "Homebuyer") promises to pay to the GARDEN GROVE HOUSING AUTHORITY ("Holder" or "GGHA") at 11222 Acacia Parkway, Garden Grove, CA 92840, or at such other address as Holder may direct from time to time in writing, the sums specified in the terms and provisions of this Promissory Note as the "Note Amount".

1. **Loan Agreement.** This Promissory Note Secured by Deed of Trust (this "Note") is made and delivered pursuant to and in implementation of the Affordable Homebuyer Loan Agreement entered into by and between the Holder and the Maker dated _____, 201_ ("Agreement"), a copy of which is on file as a public record with the Holder. The Agreement is incorporated herein by this reference. The Maker acknowledges that but for the execution of this Note, the Holder would not enter into the Agreement or make the loan contemplated therein. Unless definitions of terms have been expressly set out at length herein, each term shall have the same definition as set forth in the Agreement.

2. **Term.** Subject to the optional pre-payment and buy-out provisions set forth in this Note and Section 1(e) of the Agreement, the term of this Note shall be forty five (45) years from the Note Date first written above (which shall be 45 years from the date of recordation of the grant deed by which title to the Property described above was transferred by Century Village Group, LLC, to Maker) ("Term").

3. **Payments Due under Note.** The sums due and payable pursuant to the terms and provisions of this Note consist of both the Note Amount and the Contingent Equity Participation Amount, if applicable, as both terms are hereinafter defined.

(a) **Note Amount; Interest.** Maker shall pay to Holder the principal amount of _____ Dollars (\$ _____) (the "Note Amount"), together with simple interest at the rate of three percent (3%) per annum.

(b) **No Installment Payments; Forgiveness; Acceleration in Event of Ownership Default; Payment Amount Owning.** No installment payments of principal or interest shall be due under this Note. One-forty-fifth (1/45th) of the principal balance of the Note Amount and all accrued interest thereon shall be forgiven and discharged on each anniversary of the Note Date as long as Maker (including any Eligible Transferee then owning the Property) has not committed an uncured "Ownership Default" within the preceding year (as that term is defined in Section 10(a) of this Note). Thus, if Maker (including any Eligible Transferee) has not committed an uncured "Ownership Default" by the forty-fifth (45th) anniversary of the Note Date, the amount owing on this Note shall be Zero Dollars (\$0). If, however, Maker (or such Eligible Transferee) does commit an uncured Ownership Default during the Term, GGHA shall have the right, exercisable by delivery of written notice to Maker (or Eligible Transferee), to immediately accelerate the entire remaining balance of this Note and, in such event, Maker (or such Eligible Transferee) shall immediately pay to GGHA the sum of (i) the then-unpaid principal balance and accrued interest owing under this Note (excluding any portion of the Note Amount and accrued interest thereon that previously has been forgiven) and (ii), if as a result of said Ownership Default the Property is not being occupied by a Moderate Income Household at Affordable Housing Cost, then Maker (or such Eligible Transferee) shall additionally pay to GGHA the "Contingent Equity Participation Amount" (as that term is defined in Section 3(d) of this Note).

(c) **Optional Buy-Out of Note and Affordability Restrictions on Property.** Notwithstanding any provision in the Agreement, this Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Program Disclosure Statement, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, if at any time prior to the end of the Term Maker (including any Eligible Transferee) has exercised reasonable diligence in an effort to sell the Property to an Eligible Transferee at Affordable Housing Cost for a period of not less than four (4) months but has been unable to enter into a binding written agreement to do so, Maker (or such Eligible Transferee) shall have the right, but not the obligation, to apply to GGHA for permission to terminate the affordability restrictions that bind the Property (i.e., the affordability restrictions set forth in this Note and the GGHA Deed of Trust and the entire Affordable Housing Resale Restriction, Program Disclosure Statement, and Notice of Affordability Restrictions on Transfer of Property) and sell the Property to a person or entity who is not an Eligible Transferee and/or for a price in excess of the Affordable Housing Cost for a Moderate Income Household. For purposes of this Agreement, "reasonable diligence" to sell to an Eligible Transferee shall mean, at a minimum, that: (i) Maker (including any Eligible Transferee then owning the Property) has listed the Property for sale (to Eligible Transferees at an Affordable Housing Cost) with a reputable residential real estate brokerage firm with an office located within ten (10) miles of the Property for a minimum of four (4) months; (ii) Maker (including any Eligible Transferee) and/or its listing broker has notified GGHA in writing by the beginning of the four (4) month period of the listing of the Property for sale in accordance with clause (i); (iii) Maker (including any Eligible Transferee) and/or its broker has promptly notified in writing any other housing authority or public agency or non-profit corporation or organization that provides affordable housing services within a ten (10) mile radius of the Property of the availability of the Property for purchase by an Eligible Transferee at Affordable Housing Cost if requested to do so by GGHA (or, if there is a delay in providing such notice, the 4-month period provided for herein shall be extended by one day for each day that provision of such notice is delayed); (iv) the listing for sale of the Property is published in the Multiple Listing Service and any other standard media utilized by residential real estate brokerage firms in the community for publicizing the availability for sale of similarly situated properties during said minimum four (4) month period; and (v) the Property is continuously available to be shown to prospective purchasers

during daylight hours during said 4-month period. If GGHA receives such a request to terminate the affordability restrictions applicable to the Property, it shall have the right to require Maker (including any Eligible Transferee) to submit such information regarding Maker's (or Eligible Transferee's) "reasonable diligence" to sell the Property to an Eligible Transferee at Affordable Housing Cost as GGHA may require in its reasonable discretion.

In the event Maker (or Eligible Transferee) submits satisfactory evidence to GGHA of Maker's (or Eligible Transferee's) reasonable diligence to sell the Property to an Eligible Transferee at Affordable Housing Cost, GGHA shall have an additional sixty (60) days from the date it receives Maker's (or Eligible Transferee's) submittal to determine whether GGHA will elect to purchase the Property at Affordable Housing Cost. If GGHA elects to purchase the Property under such circumstances, it shall be required to exercise its option to purchase the Property by delivery of written notice to Maker (or Eligible Transferee) no later than the end of the sixtieth (60th) day after receiving Maker's request and, in such event, the parties shall proceed as follows: (i) the purchase price shall be the Affordable Housing Cost for a Moderate Income Household (using an assumed household with an adjusted income equal to 110% of areawide median income, adjusted for household size appropriate to the Property); (ii) GGHA shall cause an escrow to be opened at an escrow company selected by GGHA; (iii) the Property shall be sold in a strictly "as-is" physical condition; (iv) the escrow shall be no longer than thirty (30) days or shorter or longer period as may be mutually agreed to by the parties; (v) escrow and title fees and closing costs shall be prorated in the normal manner for similar residential transactions in Orange County, California; and (vi) Maker (or Eligible Transferee) shall be responsible for payment of the seller's real estate broker. If GGHA does not timely elect to purchase the Property on such terms, GGHA shall not unreasonably delay, condition, or deny Maker's (or Eligible Transferee's) request for approval of sale of the Property to a non-Eligible Transferee or for a cost in excess of the Affordable Housing Cost and for the pay-off of this Note and termination of the affordability restrictions applicable to the Property and, if GGHA does not unconditionally approve such request, it shall respond to such request in writing, stating in reasonable detail the reasons for not approving the request and the actions that Maker (or Eligible Transferee or its or their broker(s)) is (are) required to take to obtain such an approval. If GGHA approves such request, Maker shall thereafter be permitted (but not required) to sell the Property to a person or entity other than an Eligible Transferee and/or at an amount in excess of Affordable Housing Cost, provided that, in such event, (i) at the close of escrow for the sale of the Property to a person or entity other than an Eligible Transferee and/or at an amount in excess of Affordable Housing Cost Maker (including any Eligible Transferee then owning the Property) shall be required to pay to GGHA the sum of (A) the then-outstanding principal balance and accrued interest owing on this Note (excluding any portion of the Note Amount and accrued interest thereon that previously has been forgiven) and (B) the Contingent Equity Participation Amount; and (ii) contingent upon its receipt of the amounts owing to it pursuant to clause (i) GGHA shall cooperate with Maker in causing this Note to be cancelled, the GGHA Deed of Trust to be terminated of record and reconveyed, and the Affordable Housing Resale Restriction and Notice of Affordability Restrictions on Transfer of Property to be terminated of record.

(d) **Contingent Equity Participation Amount.** For purposes of Section 3(b) and (c), the "Contingent Equity Participation Amount" shall be determined as set forth in this Section 3(d).

In the event that Maker (including any Eligible Transferee) commits an uncured "Ownership Default" (as that term is defined in Section 10(a) during the Term of this Note, GGHA exercises its

right to accelerate repayment of this Note as provided in Section 3(b), and the "Contingent Equity Participation Amount" thereby becomes due and payable, the Contingent Equity Participation Amount shall be an amount equal to fifty percent (50%) of the remainder derived by subtracting the Affordable Housing Cost for a Moderate Income Household at the time the uncured Ownership Default occurs from either (i) the "Adjusted Sales Price of the Property" (if as a result of the Ownership Default the Property is sold for more than the Affordable Housing Cost or to a person or entity that is not an Eligible Transferee) or (ii) the "Unencumbered Fair Market Value of the Property" (if the Property is not sold as a result of the Ownership Default, e.g., the Property is refinanced in violation of Section 5 or becomes occupied in violation of Section 8). Thus, for example, if Maker commits an uncured Ownership Default during the Term of this Note by wrongly selling the Property at more than Affordable Housing Cost or to a person or entity that is not an Eligible Transferee, the Affordable Housing Cost for a Moderate Income Household at the time GGHA exercises its right to accelerate repayment of this Note equals Three Hundred Thousand Dollars (\$300,000) and the Adjusted Sales Price of the Property equals Four Hundred Thousand Dollars (\$400,000), the Contingent Equity Participation Amount would be Fifty Thousand Dollars (\$25,000) ($\$400,000 - \$300,000 = \$100,000 \times 50\% = \$50,000$).

In the event that Maker (including any Eligible Transferee) exercises its optional right to pay off the remaining balance of this Note and terminate the affordability restrictions on the Property as provided in Section 3(c) (excluding a sale of the Property to GGHA at Affordable Housing Cost as provided therein) and the "Contingent Equity Participation Amount" thereby becomes due and payable, the Contingent Equity Participation Amount shall be an amount equal to fifty percent (50%) of the remainder derived by subtracting the Affordable Housing Cost for a Moderate Income Household at the time the sale occurs from the "Adjusted Sales Price of the Property." Thus, for example, if the Affordable Housing Cost for a Moderate Income Household at the time Maker (including any Eligible Transferee) exercises its optional right to pay off the remaining balance of the Note and terminate the affordability restrictions on the Property equals Three Hundred Thousand Dollars (\$300,000) and the Adjusted Sales Price of the Property equals Four Hundred Thousand Dollars (\$400,000), the Contingent Equity Participation Amount would be Fifty Thousand Dollars (\$50,000) ($\$400,000 - \$300,000 = \$100,000 \times 50\% = \$50,000$).

As used herein, the Adjusted Sales Price of the Property shall be the gross purchase price paid by the purchaser of the Property to Maker (including any Eligible Transferee), less the sum of (i) all real estate brokerage commissions, escrow fees, title fees, and closing costs paid for by the seller and (ii) the then-current depreciated value of all "Qualified Capital Improvement Costs." As used herein, Qualified Capital Improvement Costs shall mean those actual and reasonable out-of-pocket costs paid by Maker (including any Eligible Transferee) to a third party (not including members of Maker's or Eligible Transferee's immediate household) for physical improvements to the Property with a useful life in excess of five (5) years. The then-current depreciated value of Qualified Capital Improvement Costs shall be determined using a fair and reasonable rate or amount of depreciation, based upon the original cost of each physical improvement in question, its useful life, and its condition at the time the property is resold. In order to qualify as Qualified Capital Improvement Costs, Maker (including any Eligible Transferee) shall be required to obtain the written approval of GGHA's Executive Director with respect both to eligibility and amount. GGHA's Executive Director shall not unreasonably condition, delay, or deny such approval as long as Maker (or Eligible Transferee) submits (i) an adequate description of the work performed (including photographs if requested), (ii) adequate written evidence of payment for same (including invoices, work orders, contracts, cancelled checks or other satisfactory evidence of payment, as applicable),

(iii) satisfactory evidence that any required building or other permits were obtained, (iv) satisfactory evidence that the work was completed, and (v) satisfactory evidence upon which the then-current depreciated value of each physical improvement included in the Qualified Capital Improvement Costs can be determined. Thus, to use the example set forth in the preceding paragraph, if the Adjusted Sales Price of the Property (before taking into consideration the amount of Qualified Capital Improvement Costs) equals Four Hundred Thousand Dollars (\$400,000) and GGHA's Executive Director approves Fifty Thousand Dollars (\$50,000) as the then-current depreciated value of Qualified Capital Improvement Costs, the Adjusted Sales Price of the Property would be Three Hundred Fifty Thousand Dollars ($\$400,000 - \$50,000 = \$350,000$).

As used herein, the Unencumbered Fair Market Value of the Property shall be the fair market value of the Property at the time GGHA notifies Maker (or Eligible Transferee) in writing that an Ownership Default not involving the sale of the Property occurs, less the sum of all "Qualified Capital Improvement Costs," as that term is defined in the preceding paragraph. Thus, if the Unencumbered Fair Market Value of the Property at the time an Ownership Default not involving a sale of the Property occurs (before taking into consideration the amount of Qualified Capital Improvement Costs) equals Four Hundred Thousand Dollars (\$400,000) and GGHA's Executive Director approves Fifty Thousand Dollars (\$50,000) in Qualified Capital Improvement Costs, the Unencumbered Fair Market Value of the Property would be Three Hundred Fifty Thousand Dollars ($\$400,000 - \$50,000 = \$350,000$).

The Unencumbered Fair Market Value of the Property shall be determined by a licensed independent real estate appraiser with not less than the equivalent of five (5) full-time years of experience appraising residential properties in Orange County, California, and such appraiser shall have no familial relationship with Maker (including Eligible Transferee) and no prior business relationship with either the City of Garden Grove, GGHA, or Maker (including Eligible Transferee) during the preceding five (5) years. The appraiser shall be mutually selected by GGHA and Maker (or Eligible Transferee). If the parties fail to agree on the identity of a single appraiser to prepare the appraisal within ten (10) days after GGHA requests in writing that the Unencumbered Fair Market Value of the Property be so determined, each party shall have an additional ten (10) days to appoint its own appraiser and notify the other party in writing of the identity of the appointing party's appraiser. If either party fails to appoint its own appraiser and notify the other party in writing within said ten (10) day period, the appraiser appointed by the other party shall prepare the appraisal. If each party timely appoints its appraiser and notifies the other party of such appointment, the two appointed appraisers shall meet and confer as quickly as possible and select a neutral third appraiser meeting the qualifications set forth above and that third appraiser shall prepare the appraisal. The appraisal prepared by the selected appraiser shall be final and binding upon both parties. The appraisal shall be in writing and may be in the form of a summary appraisal report. The parties shall each bear one hundred percent (100%) of the cost of their own appointed appraiser and fifty percent (50%) of the cost of the appraiser designated to perform the appraisal; provided, that Maker's (or Eligible Transferee's) cost for the appraiser appointed to prepare the appraisal shall not exceed Five Hundred Dollars (\$500), with said cap adjusted from and after January 1, 2013, by increases in the local Consumer Price Index from and after that date.

In no event shall the Contingent Equity Participation Amount determined pursuant to this Section 3(d) be less than Zero Dollars (\$0).

(e) **Termination of Obligation to Pay Contingent Equity Participation Amount.** The obligation of Maker (or Eligible Transferee) to pay the Contingent Equity Participation Amount shall terminate upon the earlier of the following dates: (i) the forty-fifth (45th) anniversary of the Note Date; or (ii) the date on which the Contingent Equity Participation Amount has been paid pursuant to either Section 3(b) or (c), as and if applicable.

(f) **Security for Note.** The obligation of Maker to repay this Note shall be secured by a subordinate deed of trust and rider thereto encumbering the Property, substantially in the form of Exhibit "C" that is attached to the Agreement and incorporated herein by this reference ("GGHA Deed of Trust"). The GGHA Deed of Trust shall be executed by Maker, as trustor, in favor of GGHA, as beneficiary.

(g) **Subordination.** Subject to the subordination provisions set forth in this Note, the Agreement, and the Affordable Housing Resale Restriction, the GGHA Deed of Trust shall be subordinate only to the First Lien mortgage obtained by Maker (including any Eligible Transferee) and, if applicable, other loan(s) as approved by GGHA's Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), CalHome Program, and CalHFA mortgage funding.

(h) **Prepayment of Note.** Maker (including any Eligible Transferee) may prepay this Note, provided that any prepayment must be in full and not in part. In any event, subject only to Maker's (and Eligible Transferee's) rights under Section 3(c), the Affordable Housing Resale Restriction shall continue in full force and effect for the full Term, notwithstanding such prepayment.

(i) **Assumption of Note.** Maker's (including any Eligible Transferee's) obligations under this Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property may be assumed by a subsequent qualified Moderate Income Household, as purchaser of the Property (i.e., an Eligible Transferee), but only in accordance with the terms and conditions set forth in Section 9.

4. Determination of Household Income and Affordable Housing Cost.

(a) **Income Certification.** Maker has submitted an application and additional information verifying income eligibility to GGHA prior to execution of this Note. Maker represents, warrants, and declares under penalty of perjury to GGHA that all information Maker has provided and will provide in the future to GGHA is and will be true, correct, and complete. Maker acknowledges that GGHA is relying upon Maker's representations as to income, household size, assets, and other information to determine if Maker is a Moderate Income Household, and GGHA would not have entered into the Agreement and accepted this Note if Maker did not so qualify. In the event that GGHA discovers that any of such information is materially untrue, GGHA may declare the Note Amount (including unpaid principal and accrued interest) and the Contingent Equity Participation Amount, if any, immediately due and payable.

(b) **Affordable Housing Cost.** Maker's purchase price for the Property must not exceed an amount that results in a monthly housing cost that is equal to the product of thirty

percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if Maker's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost that is equal to the product of thirty percent (30%) times Maker's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

(c) **Co-Signers and Co-Mortgagors.** The income of individuals who sign only this Note ("co-signers") and individuals who sign both this Note and the grant deed ("co-mortgagors") shall be included for determining whether Maker is a Moderate Income Household. All such co-signers and co-mortgagors must be part of Maker's household and must reside in the Property. Non-occupants of the Property may not serve as co-signers or co-mortgagors, nor may such individuals hold title to or any other property interest in the Property.

5. **Financing and Refinancing.** Maker shall obtain First Lien purchase money mortgage financing for its acquisition of the Property from a reputable institutional lender reasonably acceptable to GGHA ("Lender"). Maker shall at all times during the term of the Affordable Homebuyer Assistance Loan comply with all requirements of the Lender, including without limitation, loan underwriting standards, minimum down payment requirements, private mortgage insurance requirements, homebuyer education requirements, and tax and insurance impound requirements. In addition, not less than three percent (3%) of the purchase price of the Property shall be paid in cash from Maker's own resources and not from the proceeds of a loan secured by a lien on the Property, and gifts and seller concessions may not be used to meet this requirement, except as otherwise permitted by the Lender. The sum of the principal amount of the First Lien mortgage loan and Affordable Homebuyer Assistance Loan (and any other applicable affordable housing loans or grants described in Section 3(g)) shall not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time Maker purchases the Property.

Maker (including any Eligible Transferee) may refinance the First Lien mortgage loan and any Eligible Transferee may enter into a new First Lien mortgage loan at any time during the Term as long as (i) Maker (or Eligible Transferee) notifies GGHA in writing prior to completing said financing or refinancing; (ii) the new financing or refinancing is provided by the same Lender or another reputable institutional lender reasonably acceptable to GGHA; and (iii) the sum of the principal amount of the new or refinanced First Lien mortgage loan and the then-outstanding principal balance on the Affordable Homebuyer Assistance Loan (excluding any consideration of the Contingent Equity Participation Amount that may become payable) and any other applicable affordable housing loans or grants described in Section 3(g) does not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time said loan is financed or refinanced, as reasonably determined by GGHA's Executive Director. GGHA's Executive Director shall not unreasonably withhold, condition, or delay his/her approval of any such new financing or refinancing. If GGHA's Executive Director approves such new financing or refinancing, GGHA shall cooperate with Maker (including any Eligible Transferee then owning the Property) and the Lender by executing such documents as may be required to subordinate the provisions of the Agreement, this Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Notice of Affordability Restrictions, and the obligations therein to the lien of such new or refinanced loan consistent with the provisions set forth in Section 6.

6. Subordination. Except as otherwise provided herein, the provisions of the Agreement, this Note, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Notice of Affordability Restrictions, and the obligations therein, shall be subordinate only to the First Lien on the Property held by the Lender and, if applicable, other loan(s) as approved by the Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), and CalHome Program, and CalHFA mortgage funding, which liens shall not impair the rights of Lender, or Lender's assignee or successor in interest or GGHA, if applicable, to exercise their remedies under the First Lien in the event of default under the First Lien by Maker (or Eligible Transferee). Such remedies under the First Lien include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. If title to the Property is transferred by foreclosure or acceptance of a deed in lieu of foreclosure, or assignment of the First Lien to the Secretary of the Department of Housing and Urban Development, the Agreement, this Note, and GGHA Deed of Trust shall be automatically terminated and shall have no further effect as to the Property or any transferee thereafter. However, in no event shall the Agreement, this Note, the GGHA Deed of Trust, and the Affordable Housing Resale Restriction, be subordinate to any First Lien on the Property securing a loan with provisions which allow negative amortization, or to refinancing of the First Lien for a loan amount in excess of the sum of the then current loan balance secured by the First Lien and loan closing costs.

7. Execution of Additional Documents; Order of Recording. Maker is aware that GGHA has prepared certain documents to implement the Agreement and this Note and secure repayment of the Homebuyer Assistance Loan. Maker has reviewed and agrees to execute the following documents in substantially the form as attached hereto prior to receiving the Homebuyer Assistance Loan, and any other documents reasonably required by GGHA or a participating entity to complete the transaction contemplated herein: (i) this Note; (ii) the GGHA Deed of Trust with Rider; (iii) the Affordable Housing Resale Restriction; (iv) the Disclosure Statement; and (v) the Notice of Affordability Restrictions.

Maker agrees and acknowledges that the GGHA Deed of Trust, Notice of Affordability Restrictions, and Affordable Housing Resale Restriction shall be recorded against the Property with the County Recorder of the County of Orange and shall appear of record with respect to and as encumbrances to the Property. The Agreement and this Note shall not be recorded.

Maker agrees it shall instruct the Escrow Agent for the acquisition of the Property by Maker that the order of recording in the escrow for the purchase of the Property by Maker shall occur as follows: (i) the Grant Deed, (ii) the First Lien; (iii) the Affordable Housing Resale Restriction; (iv) the Notice of Affordability Restrictions, and (v) the GGHA Deed of Trust. GGHA shall cause a Request for Notice of Default to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage requesting a statutory notice of default as set forth in the California Civil Code Section 2924b, and shall cause a request for Notice of Delinquency to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage.

8. Occupancy Standards. The Property shall be used as the principal personal residence of Maker (including Eligible Transferee(s)) and Maker's (or any Eligible Transferee's) immediate family and for no other purpose. Except as expressly permitted in the next paragraph hereinbelow, Maker (including Eligible Transferee) shall not enter into an agreement for the rental or

lease of all or any part of the Property and Maker (and Eligible Transferee) shall not rent out a room or rooms in the Property.

The foregoing occupancy restrictions shall not apply to any of the following: (i) temporary occupancy of the Property by non-immediate family members or guests of Maker (and Eligible Transferee(s)) for periods of not more than thirty (30) days per calendar year; (ii) transfer to and subsequent occupancy of the Property solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting Maker (including any Eligible Transferee), provided that in such circumstance the transferee(s) shall be required to deliver written notice to GGHA within thirty (30) days of such a transfer/change in occupancy, which notice shall explain the basis for the permitted change in occupancy and shall provide reasonable evidence justifying the same, and the transferee(s) shall assume Maker's (or Eligible Transferee's) obligations under this Agreement (consistent with any modifications on the permitted terms of occupancy) by execution of an assignment and assumption agreement to be provided by GGHA; (iii) any sale or transfer which under federal law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause; and (iv) occupancy by a caregiver who occupies the Property in order to provide support to a mentally or physically disabled person in Maker's (including any Eligible Transferee's) immediate family who also occupies the Property.

Maker (including any Eligible Transferee) may request a temporary waiver of the foregoing occupancy restrictions in the event of extreme hardship requiring Maker (or Eligible Transferee) to move to another geographical area or to less expensive housing, including, for example and without limitation, transfer of job location, loss of job, or unexpected major expenses. GGHA's Executive Director may approve or disapprove such request in his/her sole, reasonable discretion, and may require as a condition of approval that Maker (or Eligible Transferee) only rent the Property to a Moderate Income Household at an Affordable Rent for a Moderate Income Household (as specified in California Health & Safety Code Section 50053). GGHA acknowledges that the occupancy standard is occupancy by two (2) persons per living and sleeping area. Maker (including any Eligible Transferee) shall, upon demand by GGHA, submit to GGHA an affidavit of occupancy in a form to be prepared by GGHA verifying Maker's (or Eligible Transferee's) compliance with this Section 8. Such affidavit may be required by GGHA on an annual basis.

9. Sale of Property to a Moderate Income Household at Affordable Housing Cost.

(a) Affordability Requirements To Remain in Effect for Entire Term.

During the entire Term (forty-five (45) years from the Note Date or such earlier date upon which the affordability restrictions on the Property are terminated as provided in Section 3(b) and (c)), Maker (including any Eligible Transferee) shall be permitted to sell the Property only to another Moderate Income Household at a price not to exceed Affordable Housing Cost and only with GGHA's prior written approval, which approval GGHA shall not unreasonably withhold, condition, or delay. These requirements shall be set forth in an Affordable Housing Resale Restriction (Conditions, Covenants, and Restrictions Affecting Real Property and the Resale, Ownership, Occupancy, Maintenance, and Other Matters Related to Real Property), in the form that is attached to the Agreement as Exhibit "D" and incorporated herein by this reference. After the expiration of the Term, the Property shall no longer be subject to the affordability requirements of the Agreement, this Note, and the Affordable Housing Resale Restriction, and Maker (including any Eligible Transferee) may sell or transfer the Property to any person at any price.

(b) **Verification of Prospective Buyer's Income.** In order to enable GGHA to verify the prospective Buyer's status as a Moderate Income Household, Maker (including any Eligible Transferee then owning the Property) shall submit or cause the proposed Buyer to submit to GGHA the identity of the proposed Buyer and adequate information evidencing the income and household size of the proposed Buyer. Gross income and net income of the prospective Buyer's household shall be determined in accordance with Health & Safety Code Section 50093 and the provisions of Sections 6914 and 6916 of Title 25 of the California Code of Regulations. The prospective Buyer shall submit a certification on a form provided by GGHA that such Buyer is a Moderate Income Household and meets the eligibility requirements established for the Property and that the Property will be sold at an Affordable Housing Cost by Maker (or Eligible Transferee) to such prospective Buyer.

Income information shall be submitted together with the notice of proposed sale not less than ten (10) days prior to the opening of escrow for the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that GGHA can verify the household income of the proposed Buyer to determine whether the proposed Buyer is a Moderate Income Household, and whether the Property is to be transferred to such Buyer at an Affordable Housing Cost. If GGHA is unable to verify Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for a Moderate Income Household.

(c) **Affordable Housing Cost.** The Property shall be resold by Maker (including any Eligible Transferee then owning the Property) to the Buyer at an "Affordable Housing Cost" for Moderate Income Households, which means that the Buyer's purchase price for the Property must not exceed an amount that results in a monthly housing cost which equals the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if the Buyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost which exceeds the product of thirty percent (30%) times the Buyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

(d) **Exceptions to Restrictions on Sale and Transfer.** Notwithstanding any other provision set forth in this Note, the Agreement, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, the following transfers shall not be deemed to violate the provisions of this Note or constitute a default (including without limitation an "Ownership Default") hereunder: (i) a sale or transfer of the Property or any interest therein solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting the Maker (including any Eligible Transferee), provided that the transferee(s) shall provide written notice supported by reasonable evidence of such event to GGHA within thirty (30) days of such a transfer and, upon GGHA's written request, the transferee(s) shall assume all of Maker's (or Eligible Transferee's) other obligations set forth herein and shall execute an assignment and assumption agreement in a form to be provided by GGHA; or (iii) a sale or transfer of the Property or any interest therein which under applicable law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause.

10. Miscellaneous Provisions

(a) **Defaults.** Maker's (including any Eligible Transferee's) failure or delay to perform any term or provision of this Note which is not cured within thirty (30) days after receipt of notice from GGHA constitutes a default hereunder; provided, however, that if such default is of the nature requiring more than thirty (30) days to cure, Maker (including any Eligible Transferee) shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion. If Maker (including any Eligible Transferee) so fails or delays in its performance obligations hereunder it must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence. GGHA may give written notice of default to Maker (or Eligible Transferee, as applicable), specifying the default complained of by GGHA. Except as required to protect against further damages, GGHA party may not institute proceedings against Maker (or Eligible Transferee) until thirty (30) days after giving such notice. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default. Notwithstanding the foregoing, for purposes of acceleration of the Homebuyer Assistance Loan, payment of the then-outstanding balance on the Note, payment of the Contingent Equity Participation Amount, and initiation of foreclosure proceedings, there shall be a distinction between the types of default hereunder, including an "Ownership Default" and a "Maintenance Default".

As used herein, the term "Ownership Default" means Maker's (including any Eligible Transferee's) uncured material default under Section 4, 5, 8, and/or 9 of this Note. In addition, the term "Ownership Default" shall include a default by Maker (including any Eligible Transferee) of any obligation secured by the First Lien that results in the Lender proceeding to foreclose the same.

As used herein, the term "Non-Ownership Default" means any uncured default by Maker (including any Eligible Transferee) under this Note, the Agreement, or the Affordable Housing Resale Restriction that is not an Ownership Default, including without limitation a default relating to Maker's (or Eligible Transferee's) failure to maintain the Property in a decent, safe, sanitary, clean, and neighborly manner.

(b) **Remedies.** GGHA shall be entitled to all legal and equitable remedies available under the law upon the default of the terms of the Agreement and this Note by Maker (including any Eligible Transferee). Such remedies may include, without limitation, (i) specific performance of the terms of the Agreement and this Note, (ii) disgorgement of any amount of consideration received for the Property that exceeds an Affordable Housing Cost, and/or (iii) an order to pay attorneys' fees, as set forth in Section 10(d) hereof.

(c) **Effect of Foreclosure.** If title to the Property is transferred by foreclosure or acceptance of a deed in lieu of foreclosure, or assignment of the First Lien to the Secretary of the Department of Housing and Urban Development, the Agreement, this Note, the Affordable Housing Resale Restriction executed pursuant to the Agreement, the Notice of Affordability Restrictions, and the GGHA Deed of Trust shall be automatically terminated and shall have no further effect as to the Property or any transferee thereafter.

(d) **Attorney's Fees and Costs.** Should GGHA incur attorneys' fees in seeking the enforcement of this Note, whether or not a final court judgment is entered, the prevailing party

shall be entitled to reimbursement of its reasonable attorneys' fees and litigation costs, including without limitation expert witness fees, by the other party.

(e) **GGHA's Waiver.** GGHA's delay in exercising any right or remedy it may have hereunder for a default by Maker (including any Eligible Transferee) shall not be deemed a waiver by GGHA of any of its rights or remedies. In order for a waiver or release of GGHA's rights hereunder to be binding, the waiver or release must be in writing and signed by an authorized official of GGHA. GGHA's waiver of a default by Maker (including any Eligible Transferee) hereunder shall apply to that instance of default only and shall not constitute a waiver of GGHA's rights in the event of a subsequent default by Maker (or Eligible Transferee).

(f) **Maker's Waivers.** Maker (including any Eligible Transferee) waives any right to require GGHA to: (i) demand payment of amounts due (known as "presentment"), (ii) give notice that amounts due have not been paid (known as "notice of dishonor"), and (iii) obtain an official certification of nonpayment (known as "protest").

(g) **Further Assurances.** Maker (including any Eligible Transferee) shall execute any further documents consistent with the terms of this Note, including documents in recordable form, as GGHA shall from time to time find necessary or appropriate to effectuate its purposes in entering into the Agreement and making the Homebuyer Assistance Loan.

(h) **Governing Law.** Maker (including any Eligible Transferee) hereby agrees to comply with all ordinances, rules, and regulations of the City. Nothing in this Note is intended to be, nor shall it be deemed to be, a waiver of any City ordinance, rule, or regulation. This Note shall be governed by the laws of the State of California. Any legal action brought under this Note must be instituted in the Superior Court of the County of Orange, State of California, or in the U.S. District Court, Central District of California, Santa Ana Division in Orange County, California.

(i) **Amendment of Note.** No modification, rescission, or amendment of any provision of this Note shall be made except by a written agreement executed by Maker (including any Eligible Transferee) and GGHA.

(j) **GGHA May Assign.** GGHA may, at its option, assign or pledge this Note and its right to receive repayment hereunder without obtaining the consent of Maker (or Eligible Transferee).

(k) **Maker Assignment Prohibited.** In no event shall Maker (including any Eligible Transferee) assign or transfer any portion of this Note without the prior express written consent of GGHA, pursuant to the procedures set forth in Section 9 hereof.

(l) **Relationship of Maker and GGHA.** The relationship of Maker (including any Eligible Transferee) and GGHA pursuant to the Agreement and this Note is that of debtor and creditor and shall not be, or be construed to be, a joint venture, equity venture, partnership, or other relationship.

(m) **Joint and Several.** The undersigned, if more than one person, shall be jointly and severally liable under this Note for the repayment of this Note and performance of Maker's (including any Eligible Transferee's) other obligations set forth in the Agreement, this Note,

the GGHA Deed of Trust, the Affordable Housing Resale Restriction, and the Notice of Affordability Restrictions on Transfer of Property.

(n) **Successors Bound.** This Note shall be binding upon the parties hereto and their respective heirs, successors, and assigns.

(o) **Monitoring.** To the extent permitted by law, GGHA and its designated employees and agents shall have the right to enter the Property at all reasonable times without a warrant for the purpose of monitoring Maker's (including any Eligible Transferee's) compliance with the Agreement and this Note. Any such entry shall be made only after reasonable notice to Maker (or Eligible Transferee), which shall mean at least forty-eight (48) hours in all non-emergency situations. Upon receipt of such notice, Maker (including any Eligible Transferee) agrees to consent to entry by GGHA and to cooperate in making the Property available for inspection by GGHA. Maker acknowledges and agrees that if for any reason Maker (including any Eligible Transferee) fails to consent to such entry or inspection, GGHA may obtain an administrative inspection warrant or take such other legal actions as may be necessary to gain access to and inspect the Property. GGHA shall indemnify and hold harmless Maker (including any Eligible Transferee) from any costs, claims, damages or liabilities pertaining to any such entry.

(p) **Notices.** Any notices, requests, or approvals given under this Note from one party to another may be personally delivered or deposited with the United States Postal Service for mailing, postage prepaid, registered or certified mail, return receipt requested to the following address:

To Maker: [name]
 [address]
 Garden Grove, California _____

To GGHA: Garden Grove Housing Authority
 11222 Acacia Parkway
 Garden Grove, California 92840
 Attention: Executive Director

Either party may change its address for notice by giving written notice thereof to the other party.

(q) **Entire Agreement.** This Note and the Agreement, together with all attachments thereto, constitutes the entire understanding and agreement between GGHA and Maker with respect to the subject matter addressed herein and therein. This Note and the Agreement integrate all of the terms and conditions mentioned herein and therein and incidental hereto and thereto, and supersede all prior negotiations, discussions, and previous agreements between GGHA and Maker concerning all or any part of such subject matter.

IN WITNESS WHEREOF, Maker has executed this Note as of the date first set forth above.

MAKER and HOMEBUYER

By: _____

EXHIBIT "C"

TO AFFORDABLE HOMEBUYER LOAN AGREEMENT

Recording Requested By
And When Recorded Mail To:

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director

Space Above for Recorder's Use
(This document is exempt from the payment of a
recording fee pursuant to Government Code
Section 6103 and Government Code Section 27383)

DEED OF TRUST WITH ASSIGNMENT OF RENTS
(SHORT FORM)

This DEED OF TRUST is made as of _____, 201_, between _____, herein called TRUSTOR, whose address is _____, Garden Grove, California _____, _____, herein called TRUSTEE, and the GARDEN GROVE HOUSING AUTHORITY, a public body corporate and politic herein called BENEFICIARY.

WITNESSETH: That Trustor grants to Trustee in trust, with power of sale, that property in the City of Garden Grove, County of Orange, State of California, described as:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits for the purpose of securing (1) that Promissory Note dated as of _____, 201_, made by Trustor in favor of Beneficiary, and extensions or renewals thereof, in the principal sum of U.S. \$_____, with interest thereon (together with the amount defined in the Promissory Note as the "Contingent Equity Participation Amount," if applicable), with the balance of the indebtedness, due and payable on occurrence of an event of acceleration as defined in the Promissory Note, (2) the performance of each agreement of Trustor incorporated by reference or contained herein, and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or her successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the

book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	S. Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	S. Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	S. Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	S. Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	1964	149774			
						Series 5					

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

_____, Trustor

EXHIBIT "A" TO DEED OF TRUST

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

EXHIBIT "B" TO DEED OF TRUST

DO NOT RECORD

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

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

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

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

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

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

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation thereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To Pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

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

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

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

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole, reasonable discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance or any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

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

(6) That upon default Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

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

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

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

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

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

DO NOT RECORD

**REQUEST FOR FULL RECONVEYANCE
TO NORTH AMERICAN TITLE COMPANY, TRUSTEE**

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

Dated: _____

Please mail Deed of Trust,
Note and Reconveyance to

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

**DEED OF TRUST
with power of sale**

TRUSTEE

EXHIBIT "B-1" TO DEED OF TRUST

RIDER TO DEED OF TRUST

This **RIDER TO DEED OF TRUST** is made and delivered pursuant to and in implementation of the Affordable Homebuyer Loan Agreement entered by and between the Trustor and the Beneficiary dated _____, 201_ ("Affordable Homebuyer Loan Agreement") and that certain Promissory Note executed by Trustor in favor of Beneficiary dated _____, 201_ (the "Note") (with the Affordable Homebuyer Loan Agreement and Note being collectively referred to herein as the "Agreement"), copies of which Agreement are on file as a public record with the Beneficiary at 11222 Acacia Parkway, Garden Grove, California 92840 and are incorporated herein by reference. Unless definitions of terms have been expressly set out at length herein, each term shall have the same definition as set forth in the Agreement. Trustor and Beneficiary further covenant and agree as follows:

1. **Acceleration of Payment.** The then-outstanding principal balance and accrued interest owing under the Agreement, including the Contingent Equity Participation Amount, and all other payments due hereunder and under the Agreement shall become due and be immediately payable to the Beneficiary by the Trustor upon the occurrence of a uncured "Ownership Default," as that term is defined in Section 10.1 of the Affordable Homebuyer Loan Agreement and Section 10(a) of the Note.

2. **Subordination.** Except as provided otherwise herein, the provisions of the Agreement, the Notice of Affordability Restrictions, this Rider, the GGHA Deed of Trust, and the Affordable Housing Resale Restriction, and the obligations therein, shall be subordinate only to the First Lien on the Property held by the Lender and, if applicable, other loan(s) as approved by the Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), and CalHome Program, and CalHFA mortgage funding, which liens shall not impair the rights of Lender, or Lender's assignee or successor in interest or GGHA, if applicable, to exercise their remedies under the First Lien in the event of default under the First Lien by Trustor. Such remedies under the First Lien include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. If title to the Property is transferred by foreclosure or acceptance of a deed in lieu of foreclosure, or assignment of the First Lien to the Secretary of the Department of Housing and Urban Development, the Agreement, the Notice of Affordability Restrictions, this Rider, the GGHA Deed of Trust, and the Affordable Housing Resale Restriction shall be automatically terminated and shall have no further effect as to the Property or any transferee thereafter. However, in no event shall the Agreement, the Notice of Affordability Restrictions, this Rider, the GGHA Deed of Trust, and the Affordable Housing Resale Restriction be subordinate to any First Lien on the Property securing a loan with provisions which does not satisfy the requirements set forth in Section 5 of the GGHA Deed of Trust.

Trustor agrees it shall instruct the Escrow Agent for the acquisition of the Property by Trustor that the order of recording in the escrow for the purchase of the Property by Trustor shall occur as follows: (1) the Grant Deed, (2) the First Lien; (3) other affordable housing loan(s), if

applicable; (4) the Affordable Housing Resale Restriction; (5) the Notice of Affordability Restrictions and (6) the GGHA Deed of Trust. GGHA shall cause a Request for Notice of Default to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage requesting a statutory notice of default as set forth in the California Civil Code Section 2924b, and shall cause a request for Notice of Delinquency to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage.

IN WITNESS WHEREOF, Trustor has executed this Rider to Deed of Trust as of the date set forth below.

TRUSTOR/HOMEBUYER:

By: _____

ATTACHMENT NO. 1 TO EXHIBIT "B-1"

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

EXHIBIT "D"

TO AFFORDABLE HOMEBUYER LOAN AGREEMENT

**Recording Requested By
And When Recorded Mail To:**

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director

Space Above for Recorder's Use
(This document is exempt from the payment of a recording fee pursuant to Government Code Section 6103 and Government Code Section 27383)

**AFFORDABLE HOUSING RESALE RESTRICTION
(Conditions, Covenants, and Restrictions Affecting Real Property and the Resale, Ownership, Occupancy, Maintenance, and Other Matters Related to Real Property)**

This **AFFORDABLE HOUSING RESALE RESTRICTION** ("Restriction") is made as of _____, 201_, by _____, _____ ("Homebuyer") in favor of the **GARDEN GROVE HOUSING AUTHORITY**, a public body corporate and politic ("GGHA").

RECITALS

A. Homebuyer is a moderate-income household within the meaning of California Health & Safety Code Section 50093 and regulations promulgated thereunder by the California Department of Housing and Community Development ("Moderate Income Household").

B. Homebuyer has purchased a condominium or town home located at _____, Garden Grove, California, as such real property is more particularly described in "Attachment No. 1" attached hereto and incorporated herein ("Property").

C. Homebuyer and GGHA have entered into that certain Affordable Homebuyer Loan Agreement ("Loan Agreement") dated of even date herewith, which is incorporated herein by reference and a copy of which is on file with GGHA at its offices and is a public record, pursuant to which GGHA has agreed to cause the Property to be sold to Homebuyer at an Affordable Housing Cost for Moderate Income Households, by providing certain financial assistance to Homebuyer ("Homebuyer Assistance Loan") and Homebuyer has agreed to subject the Property to certain conditions, covenants and restrictions. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Loan Agreement.

D. Homebuyer and GGHA desire and intend to restrict the Property and the improvements thereon in accordance with this Restriction to preserve its value for the benefit of Homebuyer, its successors and the surrounding neighborhood.

D. Homebuyer has represented to GGHA that Homebuyer and Homebuyer's household intend to reside in the Property as Homebuyer's principal residence at all times during Homebuyer's ownership of the Property.

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

1. The terms used in this Restriction shall have the meanings ascribed below or, if not defined below, defined terms shall have the meanings ascribed in the Loan Agreement:

"Affordability Period" means that period of time commencing upon the Date of this Restriction and terminating on the earlier of (i) the forty-fifth (45th) anniversary of such date or (ii) the date upon which Homebuyer (or "Eligible Transferee") sells the Property in compliance with Section 1.2(e) of the Affordable Homebuyer Loan Agreement and Section 3(c) of the Promissory Note and pays the amounts owing to GGHA (including without limitation the "Contingent Equity Participation Amount") owing to GGHA thereunder.

"Affordable Homebuyer Assistance Loan" means the down payment assistance loan provided by GGHA to Homebuyer to assist Homebuyer's purchase of the Property.

"Affordable Housing Cost" means the purchase price for the Property must not exceed an amount that results in a monthly housing cost that is equal to the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if Homebuyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost that is equal to the product of thirty percent (30%) times Homebuyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

"City" means the City of Garden Grove, California, a California municipal corporation, and the City's successors and assigns.

"County" means the County of Orange, California.

"Date of this Restriction" means the date in the first paragraph of this Restriction.

"First Lien" means the lien of the institution making the purchase money mortgage loan to Homebuyer for the purchase of the Property.

"Homebuyer" means the person or persons set forth in the first paragraph of this Restriction, and his, her, or their successors and assigns.

"Legal Description" means the legal description of the Property which is attached hereto as Attachment No. 1 and incorporated herein.

"Moderate Income Households" is defined in Health and Safety Code Section 50093.

“Property” means that certain real property located at the street address set forth in Recital A and legally described in the Legal Description.

“Restriction” means this Affordable Housing Resale Restriction.

“Transfer” shall mean any sale, assignment, conveyance, lease or transfer, voluntary or involuntary, of any interest in the Property. Without limiting the generality of the foregoing, Transfer shall include: (i) a transfer by devise, inheritance or intestacy to a party who does not meet the definition of a Moderate Income Household; (ii) a life estate; (iii) creation of a joint tenancy interest; (iv) a gift of all or any portion of the Property; or (v) any voluntary conveyance of the Property. Transfer shall not include transfer to a spouse in a dissolution proceeding.

“Transferee” shall mean any natural person or entity who obtains ownership or possessory rights in the Property pursuant to a Transfer.

2. **Determination of Household Income and Affordable Housing Cost.**

(a) **Income Certification.** Homebuyer has submitted an application and additional information verifying income eligibility to GGHA prior to execution of this Restriction. Homebuyer represents, warrants, and declares under penalty of perjury to GGHA that all information Homebuyer has provided and will provide in the future to GGHA is and will be true, correct, and complete. Homebuyer acknowledges that GGHA is relying upon Homebuyer’s representations as to income, household size, assets, and other information to determine if Homebuyer is a Moderate Income Household, and GGHA would not have entered into this Restriction if Homebuyer did not so qualify.

(b) **Affordable Housing Cost.** Homebuyer’s purchase price for the Property must not exceed an amount that results in a monthly housing cost that is equal to the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if Homebuyer’s household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost that is equal to the product of thirty percent (30%) times Homebuyer’s actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Agreement, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

(c) **Co-Signers and Co-Mortgagors.** The income of individuals who sign only the Note (“co-signers”) and individuals who sign both the Note and the grant deed (“co-mortgagors”) shall be included for determining whether Homebuyer is a Moderate Income Household. All such co-signers and co-mortgagors must be part of Homebuyer’s household and must reside in the Property. Non-occupants of the Property may not serve as co-signers or co-mortgagors, nor may such individuals hold title to or any other property interest in the Property.

3. **Homebuyer Financing and Refinancing.** Homebuyer shall obtain First Lien purchase money mortgage financing for its acquisition of the Property from a reputable institutional lender reasonably acceptable to GGHA (“Lender”). Homebuyer shall at all times during the term of the Affordability Period comply with all requirements of the Lender, including without limitation, loan underwriting standards, minimum down payment requirements, private mortgage insurance

requirements, homebuyer education requirements, and tax and insurance impound requirements. In addition, not less than three percent (3%) of the purchase price of the Property shall be paid in cash from Homebuyer's own resources and not from the proceeds of a loan secured by a lien on the Property, and gifts and seller concessions may not be used to meet this requirement, except as otherwise permitted by the Lender. The sum of the principal amount of the First Lien mortgage loan and Affordable Homebuyer Assistance Loan (and any other applicable affordable housing loans or grants described in Section 4) shall not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time Homebuyer purchases the Property.

Homebuyer (including any Eligible Transferee) may refinance the First Lien mortgage loan and any Eligible Transferee may enter into a new First Lien mortgage loan at any time during the Term as long as (i) Homebuyer (or Eligible Transferee) notifies GGHA in writing prior to completing said financing or refinancing; (ii) the new financing or refinancing is provided by the same Lender or another reputable institutional lender reasonably acceptable to GGHA; and (iii) the sum of the principal amount of the new or refinanced First Lien mortgage loan and the then-outstanding principal balance on the Affordable Homebuyer Assistance Loan (excluding any consideration of the Contingent Equity Participation Amount that may become payable) and any other applicable affordable housing loans or grants described in Section 4 does not exceed the Affordable Housing Cost of the Property for a Moderate Income Household at the time said loan is financed or refinanced, as reasonably determined by GGHA's Executive Director. GGHA's Executive Director shall not unreasonably withhold, condition, or delay his/her approval of any such new financing or refinancing. If GGHA's Executive Director approves such new financing or refinancing, GGHA shall cooperate with Homebuyer (including any Eligible Transferee then owning the Property) and the Lender by executing such documents as may be required to subordinate the provisions of this Agreement, the GGHA Deed of Trust, the Affordable Housing Resale Restriction, the Notice of Affordability Restrictions, and the obligations therein to the lien of such new or refinanced loan consistent with the provisions set forth in Section 4.

4. Subordination. Except as otherwise provided herein, the provisions of this Restriction, the Loan Agreement, the GGHA Deed of Trust, the Notice of Affordability Restrictions, and the obligations therein, shall be subordinate only to the First Lien on the Property held by the Lender and, if applicable, other loan(s) as approved by the Executive Director, including lien instruments that secure other homebuyer purchase money and/or down payment assistance, including without limitation City, State of California, or federal affordable housing programs such as Housing Enabled by Local Partnerships (HELP), Building Equity and Growth in Neighborhoods (BEGIN), American Dream Down Initiative (ADDI), and CalHome Program, and CalHFA mortgage funding, which liens shall not impair the rights of Lender, or Lender's assignee or successor in interest or GGHA, if applicable, to exercise their remedies under the First Lien in the event of default under the First Lien by Homebuyer. Such remedies under the First Lien include the right of foreclosure or acceptance of a deed or assignment in lieu of foreclosure. If title to the Property is transferred by foreclosure or acceptance of a deed in lieu of foreclosure, or assignment of the First Lien to the Secretary of the Department of Housing and Urban Development, this Restriction, the Loan Agreement, and the GGHA Deed of Trust shall be automatically terminated and shall have no further effect as to the Property or any transferee thereafter. However, in no event shall this Restriction, the Loan Agreement, and the GGHA Deed of Trust be subordinate to any First Lien on the Property securing a loan with provisions which allow negative amortization, or to refinancing of the First Lien for a loan amount in excess of the sum of the then current loan balance secured by the First Lien and loan closing costs.

5. Execution of Additional Documents; Order of Recording. Homebuyer is aware that GGHA has prepared certain documents to implement this Restriction and secure repayment of Homebuyer Assistance Loan. Homebuyer has reviewed and agrees to execute the following documents in substantially the form as attached hereto prior to receiving the Homebuyer Assistance Loan, and any other documents reasonably required by GGHA or a participating entity to complete the transaction contemplated herein: (i) the Promissory Note; (ii) the GGHA Deed of Trust with Rider; (iii) the Disclosure Statement; and (iv) the Notice of Affordability Restrictions.

Homebuyer agrees and acknowledges that this Restriction, the GGHA Deed of Trust, and Notice of Affordability Restrictions shall be recorded against the Property with the County Recorder of the County of Orange and shall appear of record with respect to and as encumbrances to the Property.

Homebuyer agrees it shall instruct the Escrow Agent for the acquisition of the Property by Homebuyer that the order of recording in the escrow for the purchase of the Property by Homebuyer shall occur as follows: (i) the Grant Deed, (ii) the First Lien; (iii) this Restriction; (iv) the Notice of Affordability Restrictions, and (v) the GGHA Deed of Trust. GGHA shall cause a Request for Notice of Default to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage requesting a statutory notice of default as set forth in the California Civil Code Section 2924b, and shall cause a request for Notice of Delinquency to be recorded on the Property subsequent to the recordation of the First Lien deed of trust or mortgage.

6. Occupancy Standards. The Property shall be used as the principal personal residence of Homebuyer (including Eligible Transferee(s)) and Homebuyer's (or any Eligible Transferee's) immediate family and for no other purpose. Except as expressly permitted in the next paragraph hereinbelow, Homebuyer (including Eligible Transferee) shall not enter into an agreement for the rental or lease of all or any part of the Property and Homebuyer (and Eligible Transferee) shall not rent out a room or rooms in the Property.

The foregoing occupancy restrictions shall not apply to any of the following: (i) temporary occupancy of the Property by non-immediate family members or guests of Homebuyer (and Eligible Transferee(s)) for periods of not more than thirty (30) days per calendar year; (ii) transfer to and subsequent occupancy of the Property solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting Homebuyer (including any Eligible Transferee), provided that in such circumstance the transferee(s) shall be required to deliver written notice to GGHA within thirty (30) days of such a transfer/change in occupancy, which notice shall explain the basis for the permitted change in occupancy and shall provide reasonable evidence justifying the same, and the transferee(s) shall assume Homebuyer's (or Eligible Transferee's) obligations under this Agreement (consistent with any modifications on the permitted terms of occupancy) by execution of an assignment and assumption agreement to be provided by GGHA; (iii) any sale or transfer which under federal law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause; and (iv) occupancy by a caregiver who occupies the Property in order to provide support to a mentally or physically disabled person in Homebuyer's (including any Eligible Transferee's) immediate family who also occupies the Property.

Homebuyer (including any Eligible Transferee) may request a temporary waiver of the foregoing occupancy restrictions in the event of extreme hardship requiring Homebuyer (or Eligible Transferee) to move to another geographical area or to less expensive housing, including, for

example and without limitation, transfer of job location, loss of job, or unexpected major expenses. GGHA's Executive Director may approve or disapprove such request in his/her sole, reasonable discretion, and may require as a condition of approval that Homebuyer (or Eligible Transferee) only rent the Property to a Moderate Income Household at an Affordable Rent for a Moderate Income Household (as specified in California Health & Safety Code Section 50053). GGHA acknowledges that the occupancy standard is occupancy by two (2) persons per living and sleeping area. Homebuyer shall, upon demand by GGHA, submit to GGHA an affidavit of occupancy in a form to be prepared by GGHA verifying Homebuyer's compliance with this Section 6. Such affidavit may be required by GGHA on an annual basis.

7. Maintenance of Property. Homebuyer shall maintain the improvements and landscaping on the Property in a manner consistent with community standards which will uphold the value of the Property, in accordance with the Garden Grove Municipal Code. Homebuyer also agrees to comply with all applicable federal, state and local laws.

(d) **Exterior Maintenance.** Except as to areas to be maintained by the homeowners' association, as applicable, all exterior, painted surfaces of any structures located on the Property shall be maintained at all times in a clean and good condition. Any defacing marks shall be cleaned or removed within a reasonable period of time.

(e) **Front and Side Exteriors.** Except as to areas to be maintained by the homeowners' association, as applicable, Homebuyer shall at all times maintain the front exterior, any visible side exteriors, and yards, if any, in a clean, safe, and presentable manner.

(f) **Graffiti Removal.** All graffiti and defacement of any type, including but not limited to marks, words, and pictures, shall be promptly removed from the Property within two (2) days of the time they were made and any necessary painting or repair completed in a timely and expeditious manner after notice thereof, whichever is less.

(g) **No Nuisance.** Homebuyer shall not maintain, cause to be maintained, or allow to be maintained on or about the Property any public or private nuisance, including without limitation the conduct of criminal activities set forth in the nuisance abatement provisions of the Uniform Controlled Substances Act (Health & Safety Code Sections 11570, *et seq.*) or the Street Terrorism Enforcement and Prevention Act (Penal Code Sections 186.22 *et seq.*), or any successor statute or law.

8. Nondiscrimination Covenants. Homebuyer 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 Property, or any part thereof, shall contain or be subject to substantially the following non-discrimination or non-segregation clauses:

(h) 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."

(i) 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."

(j) 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."

The covenants established in this Section 8 shall, without regard to technical classification and designation, be binding for the benefit and in favor of GGHA and its successors and assigns, and shall remain in effect in perpetuity.

9. Insurance and Indemnity. Homebuyer shall maintain, during the term of the Homebuyer Assistance Loan, an all-risk property insurance policy insuring the Property in an amount equal to the full replacement value of the structures on the Property. The policy shall name GGHA and City of Garden Grove as loss payees and shall contain a statement of obligation on behalf of the carrier to notify GGHA of any material change, cancellation, or termination of coverage at least thirty (30) days in advance of the date of such material change, cancellation, or termination. Homebuyer shall transmit a copy of the certificate of insurance and loss payee endorsement to GGHA within thirty (30) days of the effective date of this Agreement and, upon request by GGHA, Homebuyer shall transmit to GGHA further copies of the certificate of insurance and a loss payee

endorsement. The copy of the certificate of insurance and loss payee endorsement shall be transmitted to GGHA at GGHA's address set forth herein. The form, content, and issuer of any certificate of insurance must be reasonably acceptable to GGHA.

Homebuyer shall pay for, defend, indemnify, and hold harmless GGHA and the City of Garden Grove and their respective officers, agents, employees, representatives, and volunteers from and against any loss, liability, claim, or judgment relating in any manner to the Property or this Agreement. Homebuyer shall remain fully obligated for the payment of property taxes, liens, and assessments related to the Property. There shall be no reduction in taxes for Homebuyer, nor any transfer of responsibility to GGHA to make such payments, by virtue of the Homebuyer Assistance Loan.

10. Sale of Property to a Moderate Income Household at Affordable Housing Cost.

(k) **Affordability Requirements To Remain in Effect for Entire Term.** During the entire Affordability Period, Homebuyer (including any Eligible Transferee) shall be permitted to sell the Property only to another Moderate Income Household at a price not to exceed Affordable Housing Cost and only with GGHA's prior written approval, which approval GGHA shall not unreasonably withhold, condition, or delay. After the expiration of the Affordability Period, the Property shall no longer be subject to the affordability requirements of this Restriction or the Loan Agreement and Homebuyer (including any Eligible Transferee) may sell or transfer the Property to any person at any price.

(l) **Verification of Prospective Buyer's Income.** In order to enable GGHA to verify the prospective Buyer's status as a Moderate Income Household, Homebuyer (including any Eligible Transferee then owning the Property) shall submit or cause the proposed Buyer to submit to GGHA the identity of the proposed Buyer and adequate information evidencing the income and household size of the proposed Buyer. Gross income and net income of the prospective Buyer's household shall be determined in accordance with Health & Safety Code Section 50093 and the provisions of Sections 6914 and 6916 of Title 25 of the California Code of Regulations. The prospective Buyer shall submit a certification on a form provided by GGHA that such Buyer is a Moderate Income Household and meets the eligibility requirements established for the Property and that the Property will be sold at an Affordable Housing Cost by Homebuyer (or Eligible Transferee) to such prospective Buyer.

Income information shall be submitted together with the notice of proposed sale not less than ten (10) days prior to the opening of escrow for the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that GGHA can verify the household income of the proposed Buyer to determine whether the proposed Buyer is a Moderate Income Household, and whether the Property is to be transferred to such Buyer at an Affordable Housing Cost. If GGHA is unable to verify Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for a Moderate Income Household.

(m) **Affordable Housing Cost.** The Property shall be resold by Homebuyer (including any Eligible Transferee then owning the Property) to the Buyer at an "Affordable Housing Cost" for Moderate Income Households, which means that the Buyer's purchase price for the Property must not exceed an amount that results in a monthly housing cost

which equals the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if the Buyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty percent (120%) of Orange County median income, a monthly housing cost which exceeds the product of thirty percent (30%) times the Buyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Restriction, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

(n) Exceptions to Restrictions on Sale and Transfer. Notwithstanding any other provision set forth in this Restriction, the Loan Agreement, the Note, the GGHA Deed of Trust, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, the following transfers shall not be deemed to violate the provisions of this Restriction or constitute a default (including without limitation an "Ownership Default") hereunder: (i) a sale or transfer of the Property or any interest therein solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting the Homebuyer (including any Eligible Transferee), provided that the transferee(s) shall provide written notice supported by reasonable evidence of such event to GGHA within thirty (30) days of such a transfer and, upon GGHA's written request, the transferee(s) shall assume all of Homebuyer's (or Eligible Transferee's) other obligations set forth herein and shall execute an assignment and assumption agreement in a form to be provided by GGHA; or (iii) a sale or transfer of the Property or any interest therein which under applicable law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause.

11. Miscellaneous Provisions

(a) Defaults. Failure or delay by either party to perform any term or provision of this Restriction which is not cured within thirty (30) days after receipt of notice from the other party constitutes a default under this Restriction; provided, however, that if such default is of the nature requiring more than thirty (30) days to cure, the defaulting party shall avoid default hereunder by commencing to cure within such thirty (30) day period, and thereafter diligently pursuing such cure to completion. The party who so fails or delays must immediately commence to cure, correct, or remedy such failure or delay, and shall complete such cure, correction or remedy with diligence. The injured party shall give written notice of default to the party in default, specifying the default complained of by the injured party. Except as required to protect against further damages, the injured party may not institute proceedings against the party in default until thirty (30) days after giving such notice. Failure or delay in giving such notice shall not constitute a waiver of any default, nor shall it change the time of default.

(b) Remedies. GGHA shall be entitled to all legal and equitable remedies available under the law upon the default of the terms of this Restriction by Homebuyer (including any Eligible Transferee). Such remedies may include, without limitation, (a) specific performance of the terms of this Restriction, (b) disgorgement of any amount of consideration received for the Property that exceeds an Affordable Housing Cost, and/or (c) an order to pay attorneys' fees, as set forth in Section 11(k) hereof.

(c) Waiver. A party's delay in exercising any right or remedy it may have hereunder for a default by the other party shall not be deemed a waiver by the non-defaulting party of any of its rights or remedies. In order for a waiver or release of a party's rights hereunder to

be binding, the waiver or release must be in writing and signed by that party. Either party's waiver of a default by the other party hereunder shall apply to that instance of default only and shall not constitute a waiver of the non-defaulting party's rights in the event of a subsequent default by the other party.

(d) **Further Assurances.** Homebuyer and any Eligible Transferee then owning the Property shall execute any further documents consistent with the terms of this Restriction, including documents in recordable form, as GGHA shall from time to time find necessary or appropriate to effectuate its purposes in entering into this Restriction and making the Homebuyer Assistance Loan.

(e) **Governing Law.** Homebuyer (including any Eligible Transferee) hereby agrees to comply with all ordinances, rules, and regulations of the City. Nothing in this Restriction is intended to be, nor shall it be deemed to be, a waiver of any City ordinance, rule, or regulation. This Restriction shall be governed by the laws of the State of California. Any legal action brought under this Restriction must be instituted in the Superior Court of the County of Orange, State of California or in the U.S. District Court, Central District of California, Santa Ana Division in Orange County, California.

(f) **Amendment of Restriction.** No modification, rescission, or amendment of any provision of this Restriction shall be made except by a written agreement executed by Homebuyer (including any Eligible Transferee) and GGHA.

(g) **Homebuyer Assignment Prohibited.** In no event shall Homebuyer (including any Eligible Transferee) assign or transfer any portion of this Restriction without the prior express written consent of GGHA, pursuant to the procedures set forth in Section 10 hereof.

(h) **Relationship of Homebuyer and GGHA.** The relationship of Homebuyer (including any Eligible Transferee) and GGHA pursuant to this Restriction is that of debtor and creditor and shall not be, or be construed to be, a joint venture, equity venture, partnership, or other relationship.

(i) **Monitoring.** To the extent permitted by law, GGHA and its designated employees and agents shall have the right to enter the Property at all reasonable times without a warrant for the purpose of monitoring Homebuyer's (including any Eligible Transferee's) compliance with this Restriction. Any such entry shall be made only after reasonable notice to Homebuyer (or Eligible Transferee), which shall mean at least forty-eight (48) hours in all non-emergency situations. Upon receipt of such notice, Homebuyer (including any Eligible Transferee) agrees to consent to entry by GGHA and to cooperate in making the Property available for inspection by GGHA. Homebuyer acknowledges and agrees that if for any reason Homebuyer (including any Eligible Transferee) fails to consent to such entry or inspection, GGHA may obtain an administrative inspection warrant or take such other legal actions as may be necessary to gain access to and inspect the Property. GGHA shall indemnify and hold harmless Homebuyer (including any Eligible Transferee) from any costs, claims, damages or liabilities pertaining to any such entry.

(j) **Notices.** Any notices, requests or approvals given under this Restriction from one party to another may be personally delivered or deposited with the United States

Postal Service for mailing, postage prepaid, registered or certified mail, return receipt requested to the following address:

To Homebuyer: [name]
[address]
Garden Grove, California _____

To GGHA: Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director

Either party may change its address for notice by giving written notice thereof to the other party.

(k) Attorneys' Fees and Costs. Should either of the parties to this Restriction incur attorneys' fees in seeking the enforcement of this Restriction, whether or not a final court judgment is entered, the prevailing party shall be entitled to reimbursement of its reasonable attorneys' fees and litigation costs, including without limitation expert witness fees, by the other party.

(l) Entire Agreement. This Restriction, together with all attachments hereto, constitutes the entire understanding and agreement between GGHA and Homebuyer. This Restriction integrates all of the terms and conditions mentioned herein or incidental thereto, and supersedes all prior negotiations, discussions, and previous agreements between GGHA and Homebuyer concerning all or any part of the subject matter of this Restriction..

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

HOMEBUYER:

[Signature block continued on next page]

[Signature block for Affordable Housing Resale Restriction continued from previous page]

GGHA:

GARDEN GROVE HOUSING AUTHORITY, a
public body corporate and politic

Executive Director
or Authorized Designee

ATTEST:

GGHA Secretary

EXHIBIT "A" TO AFFORDABLE HOUSING RESALE RESTRICTION

LEGAL DESCRIPTION OF PROPERTY

Real property in the City of Garden Grove, County of Orange, State of California, described as follows:

EXHIBIT "E" TO AFFORDABLE HOMEBUYER LOAN AGREEMENT

PROGRAM DISCLOSURE STATEMENT

I, _____ ("Homebuyer"), am obtaining a down payment assistance loan in the sum of _____ Dollars (\$ _____) (the "GGHA Loan") from the Garden Grove Housing Authority ("GGHA") under GGHA's Affordable Housing Implementation Program ("Program"). I understand and agree that GGHA's provision of the GGHA Loan is conditional on a number of factors, including, but not limited to:

- I am buying a condominium or town home within the City of Garden Grove (herein, the "Property"), which is available to me at Affordable Housing Cost pursuant to Health & Safety Code Section 50052.5
- I must qualify as a Moderate Income Household pursuant to and as defined in the California Health & Safety Code Section 50093.
- I must qualify for a first mortgage home loan from an institutional lender acceptable to Century Village Group, LLC ("Developer"), and GGHA.
- I must pay at least three percent (3%) but not more than 10% of the home purchase price from my own funds, except as otherwise permitted by the Lender.
- I must qualify for assistance under the guidelines of the Program.

I further understand and agree that:

- At the time I purchase the Property I am required to execute and deliver to the GGHA an Affordable Homebuyer Loan Agreement and related documents (including a Promissory Note and Deed of Trust) (collectively, the "Program Documents").
- During the forty-five (45) year term of the GGHA Loan or until I sell or transfer the Property consistent with the Program Documents, whichever first occurs, I intend to continuously occupy the Property and I shall not rent or lease the Property except as permitted by the Program Documents.
- Subject to limited exceptions described in the Program Documents, for a forty-five (45) year period the Property may only be transferred to Moderate Income Household, at an Affordable Housing Cost and the Property must be and remain owner-occupied. This may restrict the persons to whom I may sell the Property and may result in a sale price which is less than the fair market value of the Property.
- After the forty-five (45) year term of the GGHA Loan, I may sell the Property to any person regardless of their income at the Property's fair market value.
- If I perform all of my obligations under the Program Documents during the period of time that I own the Property and I do not commit an uncured "Ownership Default" (as defined therein), I will not be responsible for repayment of the GGHA Loan.

- On each anniversary of the date on which I close escrow for the purchase of the Property and during which an uncured Ownership Default does not occur, one forty-fifth (1/45th) of the principal balance of the GGHA Loan and accrued interest thereon shall be deemed to have been forgiven and discharged.
- If I (or my successor(s)) commit an uncured "Ownership Default" prior to the end of the forty-five (45) term of the GGHA Loan, I (or my successor(s)) will be responsible for repaying all or a portion of the GGHA Loan equal to the sum of (i) the then-unpaid and unforgiven principal balance owing on the GGHA Loan and all accrued interest thereon, with such interest to accrue at the rate of three percent (3%) per annum from the date I purchase the Property until repayment is made and (ii) the "Contingent Equity Participation Amount." The Contingent Equity Participation Amount is defined in the Program Documents and generally equates to fifty percent (50%) of the amount by which either the adjusted sale price of the Property exceeds the "Affordable Housing Cost" of the Property to a Moderate Income Household at the time the Contingent Equity Participation Amount is required to be paid (in the event the Ownership Default consists of an unauthorized sale of the Property) or fifty percent (50%) of the amount by which the then unencumbered fair market value of the Property exceeds the "Affordable Housing Cost" of the Property to a Moderate Income Household at that time (in the event the Ownership Default does not consist of an unauthorized sale of the Property). I acknowledge these terms and calculations are more precisely defined in the Program Documents and that the Program Documents govern in case of any inconsistency with this Program Disclosure Statement.
- I have a right to cancel or rescind the GGHA Loan at any time prior to midnight on the third business day after I sign the Affordable Homebuyer Loan Agreement by sending a notice of my decision to rescind or cancel to:

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director
- I may be responsible for paying an appraisal fee in connection with my sale, transfer, or refinance of the Property, or if the GGHA Loan becomes due and payable because I am/are in default of any provisions of the Program Documents.
- GGHA will not be held responsible for any costs associated with the home I purchase with the GGHA Loan including, but not limited to, any loan fees or charges, any charges for appraisals, or any escrow costs or other costs relating to the transfer of the Property.
- GGHA cannot ensure that information provided by or on my behalf will be kept confidential.
- GGHA shall not be responsible for the selection of a home, the selection of a lender providing funds assisting in the purchase of the home, providing information

concerning other public or private sources of loans, or the competitiveness of the terms of the Program. I assume all responsibility for determining whether I will inform myself/ourselves as to the availability and terms of other public or private loans.

- GGHA shall not be charged with the knowledge of the contents of the documents of my primary lender.
- GGHA has caused our purchase of the Property to be at an Affordable Housing Cost for a Moderate Income Household, and thereby provided financial assistance to me under the Program, which may be considered to be income for purposes of federal or state income taxes and GGHA shall not be held responsible for the payment of any taxes which I may incur by virtue of the receipt of such financial assistance.
- Our Monthly Housing Costs may not exceed \$ _____ per month in order to obtain assistance from the GGHA.

HOMEBUYER:

By: _____

Dated: _____

EXHIBIT "F"

TO AFFORDABLE HOMEBUYER LOAN AGREEMENT

**RECORDING REQUESTED
BY AND WHEN RECORDED
MAIL TO:**

Garden Grove Housing Authority
11222 Acacia Parkway
Garden Grove, California 92840
Attn: Executive Director

This document is exempt from the payment of a recording fee pursuant to Government Code §§ 6103 and 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 & Safety Code as amended by AB 987, Chapter 690, Statutes of 2007 (herein, "Chapter 690"), and affects that certain real property generally located at _____ in the City of Garden Grove, California ("City") as legally described in Attachment No. 1 hereto ("Property"). The Garden Grove Housing Authority, a public body corporate and politic ("GGHA"), and _____ ("Homebuyer") have entered into that certain Affordable Homebuyer Loan Agreement dated as of _____, 201_ ("Affordable Homebuyer Loan Agreement").

1. The Affordable Homebuyer Loan Agreement provides for affordability restrictions and restrictions on the transfer of the Property, as more particularly set forth in the Affordable Homebuyer Loan Agreement. A copy of the Affordable Homebuyer Loan Agreement is on file with GGHA as a public record and is deemed incorporated herein. Reference is made to the Affordable

Homebuyer Loan Agreement with regard to the complete text of the provisions of such agreement and all defined terms therein, which provides for affordability restrictions and restrictions on the transfer of the Property.

2. The Affordable Homebuyer Loan Agreement generally provides for GGHA to lend to Homebuyer and for Homebuyer to borrow from GGHA a loan in order to assist Homebuyer's purchase of the Property pursuant to the Program and subject to the terms and conditions set forth herein. Subject to certain limited exceptions set forth therein, for a period commencing upon the date on which Homebuyer acquires fee title to the Property and terminating on the forty-fifth (45th) anniversary thereof, the Property may only be transferred to another eligible, qualified Moderate Income Household, at an Affordable Housing Cost; such restrictions are set forth at greater length in a document entitled Affordable Housing Resale Restriction (Conditions, Covenants, and Restrictions Affecting Real Property and the Resale, Ownership, Occupancy, Maintenance, and Other Matters Related to Real Property), substantially in the form of Exhibit "D" to the Affordable Homebuyer Loan Agreement ("Affordable Housing Resale Restriction"), which has been entered into by and between GGHA and Homebuyer, and which is expected to be recorded substantially concurrently herewith among the Official Records of Orange County, California. The Affordable Housing Resale Restriction and the Affordable Homebuyer Loan Agreement are deemed to be incorporated herein by reference.

3. Section 10 of the Affordable Housing Resale Restriction provides as follows:

10. Sale of Property to a Moderate Income Household at Affordable Housing Cost.

(a) Affordability Requirements To Remain in Effect for Entire Term. During the entire Affordability Period, Homebuyer (including any Eligible Transferee) shall be permitted to sell the Property only to another Moderate Income Household at a price not to exceed Affordable Housing Cost and only with GGHA's prior written approval, which approval GGHA shall not unreasonably withhold, condition, or delay. After the expiration of the Affordability Period, the Property shall no longer be subject to the affordability requirements of this Restriction or the Loan Agreement and Homebuyer (including any Eligible Transferee) may sell or transfer the Property to any person at any price.

(b) Verification of Prospective Buyer's Income. In order to enable GGHA to verify the prospective Buyer's status as a Moderate Income Household, Homebuyer (including any Eligible Transferee then owning the Property) shall submit or cause the proposed Buyer to submit to GGHA the identity of the proposed Buyer and adequate information evidencing the income and household size of the proposed Buyer. Gross income and net income of the prospective Buyer's household shall be determined in accordance with Health & Safety Code Section 50093 and the provisions of Sections 6914 and 6916 of Title 25 of the California Code of Regulations. The prospective Buyer shall submit a certification on a form provided by GGHA that such Buyer is a Moderate Income Household and meets the eligibility requirements established for the Property and that the Property will be sold at an Affordable Housing Cost by Homebuyer (or Eligible Transferee) to such prospective Buyer.

(c) Income information shall be submitted together with the notice of proposed sale not less than ten (10) days prior to the opening of escrow for the proposed sale and shall include original or true copies of pay stubs, income tax records or other financial documents in order that GGHA can verify the household income of the proposed Buyer to determine whether the proposed Buyer is a Moderate Income Household, and whether the Property is to be transferred to such Buyer at an Affordable Housing Cost. If GGHA is unable to verify Buyer's income as provided herein prior to the proposed sale, then the Buyer's income shall be deemed to exceed the maximum allowable income limit for a Moderate Income Household.

(d) Affordable Housing Cost. The Property shall be resold by Homebuyer (including any Eligible Transferee then owning the Property) to the Buyer at an "Affordable Housing Cost" for Moderate Income Households, which means that the Buyer's purchase price for the Property must not exceed an amount that results in a monthly housing cost which equals the product of thirty percent (30%) times one hundred ten percent (110%) of the Orange County median income adjusted for household size appropriate for the Property or, if the Buyer's household has an income greater than one hundred ten percent (110%) and not more than one hundred twenty

percent (120%) of Orange County median income, a monthly housing cost which exceeds the product of thirty percent (30%) times the Buyer's actual monthly gross income. Household size appropriate for the Property is defined in Health & Safety Code Section 50052.5 and, as of the date of this Restriction, means two persons for a one-bedroom unit, three persons for a two-bedroom unit, four persons for a three-bedroom unit, five persons for a four-bedroom unit, etc.

Exceptions to Restrictions on Sale and Transfer. Notwithstanding any other provision set forth in this Restriction, the Loan Agreement, the Note, the GGHA Deed of Trust, and the Notice of Affordability Restrictions on Transfer of Property to the contrary, the following transfers shall not be deemed to violate the provisions of this Restriction or constitute a default (including without limitation an "Ownership Default") hereunder: (i) a sale or transfer of the Property or any interest therein solely as a result of the marriage, divorce, incompetence, or death of one or more individuals constituting the Homebuyer (including any Eligible Transferee), provided that the transferee(s) shall provide written notice supported by reasonable evidence of such event to GGHA within thirty (30) days of such a transfer and, upon GGHA's written request, the transferee(s) shall assume all of Homebuyer's (or Eligible Transferee's) other obligations set forth herein and shall execute an assignment and assumption agreement in a form to be provided by GGHA; or (iii) a sale or transfer of the Property or any interest therein which under applicable law would not, by itself, permit GGHA to exercise a due on sale or due on encumbrance clause.

4. The restrictions contained in the Affordable Housing Resale Restriction commence upon the date on which Homebuyer acquires fee title to the Property and terminate on the earlier of (i) the forty-fifth (45th) anniversary of said date or (ii) the date upon which Homebuyer (or "Eligible Transferee") sells the Property in compliance with Section 1.2(e) of the Affordable Homebuyer Loan Agreement and Section 3(c) of the Promissory Note referred to in the Affordable Housing Resale Restriction and pays the amounts owing to GGHA (including without limitation the "Contingent Equity Participation Amount") owing to GGHA thereunder.

5. The commonly known addresses for the Property is _____, Garden Grove, California _____.

6. The assessor's parcel number for the Property is

_____.

7. The legal description of the Property is attached hereto as Exhibit A and is incorporated herein by reference.

8. The Affordable Housing Resale Restriction, 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.

9. This Notice of Affordability Restrictions is intended merely to satisfy the requirements of Chapter 690 of the CRL. The Affordable Homebuyer Loan Agreement and the Affordable Housing Resale Restriction both remain in full force and effect and are not amended or altered in any manner whatsoever by this Notice of Affordability Restrictions.

10. Capitalized terms shall have the meanings established under the Affordable Homebuyer Loan Agreement (including all Attachments thereto) excepting only to the extent as otherwise expressly provided under this Notice of Affordability Restrictions.

11. Persons having questions regarding this Notice of Affordability Restrictions, the Affordable Homebuyer Loan Agreement, or the Attachments thereto (including the Affordable Housing Resale Restriction) should contact GGHA at its offices (11222 Acacia Parkway, Garden Grove, California 92840, or such other address as may be designated by GGHA from time to time).

HOMEBUYER:

_____, _____

GGHA:

**GARDEN GROVE HOUSING
AUTHORITY**, a public body,
corporate and politic

By: _____
Executive Director
or Authorized Designee

ATTEST:

GGHA Secretary

EXHIBIT "A" TO NOTICE OF AFFORDABILITY RESTRICTIONS

LEGAL DESCRIPTION

Real property in the City of Garden Grove, County of Orange, State of California,
described as follows: